December 29, 2020

Summary of the Paycheck Protection Program 2 Act

The Paycheck Protection Program is reopened with over $284 billion in funds available for new borrowers as well as borrowers who have already received a loan. Second-time borrowers must have 300 or fewer employees, and businesses will need to demonstrate a reduction in revenue of at least 25% between corresponding quarters in 2020 and 2019. Special rules apply to businesses that were not in operation for all or part of 2019. The maximum amount for second draw PPP loans is $2 million. Borrowers must have fully spent the loan proceeds from their first PPP loan before their second PPP loan is disbursed.

For new borrowers, as well as borrowers who have already received a loan and not yet applied for forgiveness, the law expands eligible non-payroll costs to include certain covered operations expenditures, property damage costs, supplier costs and worker protection expenditures. Non-payroll costs remain limited to less than 40% of the loan amount. Additionally, for all borrowers who have not yet applied for forgiveness, the safe harbor deadline to restore wage and employment levels is extended from December 31, 2020 to September 30, 2021.

Before this bill, there were only two options for a covered period – 8 or 24 weeks. The bill, however, gives a borrower the right to choose any period lasting between 8 and 24 weeks as well, providing more opportunity to meet wage or FTE requirements.

The bill also creates a simplified forgiveness application for loans of $150,000 or less. Specifically, a borrower shall receive forgiveness if a borrower signs and submits to the lender a certification that is not more than one page in length, includes a description of the number of employees the borrower was able to retain because of the loan, the estimated total amount of the loan spent on payroll costs, and the total loan amount.

The requirement that PPP borrowers deduct the amount of any EIDL advance from their PPP forgiveness amount has been repealed.