

# Paycheck Protection Program 2.0

The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.

# Paycheck Protection Program 2.0

- What is PPP
- Who is eligible to apply
- What documents would be required
- Forgiveness Process

# Paycheck Protection Program 2.0

## -What is PPP

- PPP loans have an interest rate of **1%**.
- Loans issued prior to June 5 have a maturity of **2 years**. Loans issued after June 5 have a maturity of **5 years**.
- Loan payments will be deferred for borrowers who apply for loan forgiveness until SBA remits the borrower's loan forgiveness amount to the lender. If a borrower does not apply for loan forgiveness, **payments** are deferred **10 months** after the end of the covered period for the borrower's loan **forgiveness** (either **8 weeks or 24 weeks**).
- No collateral or personal guarantees are required.
- Expiration Date: **7/31/2021**

# Who Can Apply

- Any small business concern that meets SBA's size standards (either the industry based sized standard or the alternative size standard)
- Sole proprietors, independent contractors, and self-employed persons
- Any business with a NAICS Code that begins with 72 (**Accommodations and Food Services**) that has more than one physical location and **employs less than 500** per location
- Any business, 501(c)(3) non-profit organization, 501(c)(19) veterans organization, or Tribal business concern (sec. 31(b)(2)(C) of the Small Business Act) with the greater of:
  - 500 employees, or
  - That meets the SBA industry size standard if more than 50

# Paycheck Protection Program 2.0

-Who is eligible to apply

- Max of \$2 Million
- 300 or fewer employees, Sole Prop., Ind. Cont.
- Used or will use full amount of first PPP loan
- Needs to show at least 25 reduction of gross revenue decline in any 2020 quarter compared with the same quarter in 2019
- Hotels & Rest get 3.5 ave. Month. Payroll

## For the 1<sup>st</sup> time borrower:

- 500 or fewer employees, Sole Prop., Self Employed.

# Application Form

- PPP First Draw number

PPP First Draw SBA Loan Number:	
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- If it's the 2<sup>nd</sup> PPP for the merchant, it doesn't require the 1<sup>st</sup> PPP been forgiven.

# Application Form

- Must be up and running as of Feb 15, 2020
- If the business owner has 2 businesses, fill out 2 applications with different EIN number can apply for 2 PPP loans.

DBA or Tradename (if applicable)	Year of Establishment (if applicable)
NAICS Code	
Business TIN (EIN, SSN)	Business Phone
Primary Contact	Email Address

Is the Applicant or any owner of the Applicant an owner of any other business, or have common management (including a management agreement) with any other business? If yes, list all such businesses (including their TINs if available) and describe the relationship on a separate sheet identified as addendum A.

- EIN: Employer Identification Number
- NAICS: North American Industry Classification System

[Census.gov/eos/www/naics](https://www.census.gov/eos/www/naics)

How will the SBA determine who gets approved?



# Application Form

$$\frac{150,000 - 100,000}{150,000} = 33.3\%$$

Therefore the gross receipts  
were down 33.3%

- For loans of \$150,000 or more:

Reduction in Gross Receipts of at least 25%

Reduction in Gross Receipts of at Least 25% (Applicants for loans of \$150,000 or less may leave blank but must provide upon or before seeking loan forgiveness or upon SBA request):	2020 Quarter (e.g., 2Q 2020):	2Q2020	Reference Quarter (e.g., 2Q 2019):	2Q2019
	Gross Receipts:	\$ 100,000.00	Gross Receipts	\$ 150,000.00

## Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address
Max Maher	Owner	100	420692020	Your address
Any other owner (20%)				

# Gross Receipts= Total Income + Cost of Goods Sold – Net Capital gains/ losses

## PPP2.0 Expands scope of expenses

- Cloud computing
- Product of service delivery
- Payroll processing
- Damage from vandalism/ looting
- Perishable goods
- Tracking of supplies, inventory, etc.
- Physical barriers
- Health screening
- Ventilation/ filtration systems
- Drive-through improvements
- Face masks and hand sanitizer
- ...

## IRS Tax return forms

line 1 or 1C of your respective tax return

Show Reduction in Gross Receipts of at least 25%

# Application Form

## Proof of ownership

- Articles of incorporation
- 1040schedule c
- W9 form
- ID for all owners who own >20% of the business

### **Applicant Ownership**

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

# Application Form

Question	Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is (a) currently delinquent, or (b) has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>

The Applicant is not a business concern or entity (a) for which an entity created in or organized under the laws of the People's Republic of China or the Special Administrative Region of Hong Kong, or that has significant operations in the People's Republic of China or the Special Administrative Region of Hong Kong, owns or holds, directly or indirectly, not less than 20 percent of the economic interest of the business concern or entity, including as equity shares or a capital or profit interest in a limited liability company or partnership; or (b) that retains, as a member of the board of directors of the business concern, a person who is a resident of the People's Republic of China.

# Application Form

- 60% of the PPP loan need to go to the payroll

Purpose of the loan (select all that apply):	<input type="checkbox"/> Payroll Costs	<input type="checkbox"/> Rent / Mortgage Interest	<input type="checkbox"/> Utilities	<input type="checkbox"/> Covered Operations Expenditures
	<input type="checkbox"/> Covered Property Damage	<input type="checkbox"/> Covered Supplier Costs	<input type="checkbox"/> Covered Worker Protection Expenditures	<input type="checkbox"/> Other (explain): <div></div>

- Average Monthly Payroll: (Yearly Payroll)/12
- **X2.5** then Plus EIDL on top of it
- Restaurants, Hospitality **x3.5**
- **Apply up to 2 million**
- **Yearly Payroll:** 10-40 schedule c line 31
- EIDL Grant/Advance will not affect the PPP forgiveness

Average Monthly Payroll:	\$ 10,000	x 2.5 (or x 3.5 for NAICS 72 applicants) equals Loan Request Amount (may not exceed \$2,000,000):	\$ 25,000	Number of Employees (including affiliates, if applicable; may not exceed 300):	
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# Application Form

- Payroll is capped at \$100,000

For purposes of calculating “Average Monthly Payroll,” most Applicants will use the average monthly payroll for 2019 or 2020, excluding costs over \$100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred, for each employee. For seasonal businesses, the Applicant may elect to instead use average total monthly payroll for any twelve-week period selected by the Applicant between February 15, 2019 and February 15, 2020, excluding costs over \$100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred, for each employee. For new businesses without 12 months of payroll costs but that were in operation on February 15, 2020, average monthly payroll may be calculated based on the number of months in which payroll costs were incurred, excluding costs over \$100,000 on an annualized basis for each employee, as prorated for the period during which the payments are made or the obligation to make the payments is incurred, for each employee. For farmers and ranchers that operate as a sole proprietorship or as an independent contractor, or who are eligible self-employed individuals and report farm income or expenses on a Schedule F (or any equivalent successor IRS form), payroll costs are computed using eligible payroll costs for employees, if any, plus the lesser of \$100,000 and the difference between gross income and any eligible payroll costs for employees, as reported on a Schedule F. For Applicants that file IRS Form 1040, Schedule C, payroll costs are computed using line 31 net profit amount, limited to \$100,000, plus any eligible payroll costs for employees. For Applicants that are partnerships, payroll costs are computed using net earnings from self-employment of individual general partners, as reported on IRS Form 1065 K-1, reduced by section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties, multiplied by 0.9235, that is not more than \$100,000, plus any eligible payroll costs for employees.

- Provide the documentation of reduction beforehand if it's a loan larger than \$150,000

The Applicant has realized a reduction in gross receipts in excess of 25% relative to the relevant comparison time period. For loans greater than \$150,000, Applicant has provided documentation to the lender substantiating the decline in gross receipts. For loans of \$150,000 or less, Applicant will provide documentation substantiating the decline in gross receipts upon or before seeking loan forgiveness for the Second Draw Paycheck Protection Program Loan or upon SBA request.

# What counts as payroll?

- Payroll is the same as defined in the CARES Act with one new addition (noted below):
- Salary, wages, commissions or similar compensation,
- Payment of cash tips or equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips),
- Payment for vacation, parental, family, medical, or sick leave;
- Allowance for dismissal or separation;
- Payment required for the provisions of employee benefits including insurance premiums (employer cost);
- Payment of any retirement benefit (employer cost);
- Payment of State or local tax assessed on the compensation of employees.
- **New:** group benefits are defined to include group life, disability, vision, or dental insurance

# Proof of Reduction To Show Payroll

Check One:	<input checked="" type="radio"/> Sole Proprietor	<input checked="" type="radio"/> Partnership	<input checked="" type="radio"/> C-Corp	<input checked="" type="radio"/> S-Corp	<input checked="" type="radio"/> LLC
	<input checked="" type="radio"/> Independent Contractor	<input checked="" type="radio"/> Self-Employed Individual			
	<input type="checkbox"/> 501(c)(3) nonprofit	<input type="checkbox"/> 501(c)(6) organization			
	<input type="checkbox"/> 501(c)(19) veterans organization		<input checked="" type="radio"/> Housing cooperative		
	<input checked="" type="radio"/> Tribal Business	<input type="checkbox"/> Other			

## ☒ For people with employees

- IRS Form 940 for 2019
- IRS Form 941 for all Quarters of 2019
- IRS Form 944 for 2019
- Payroll processor records that show payroll the business is spending

## ☒ For partnership

- 2019 schedule K-1 line 14a (Show profit)

## ☒ For self-employed, Sole Proprietor, Contractor

- 2019 10-40 schedule c (Show profit on line 31)

**IF show no profit online 14a DO NOT QUALIFIED(has to show income)**



# DOCUMENTS

## Gross Receipts ( to prove the reduction)

10-40 schedule c line 31

## Payroll ( for the amount of loans)

### For people with employees

- IRS Form 940 for 2019
- IRS Form 941 for all Quarters of 2019
- IRS Form 944 for 2019
- Payroll processor records that show payroll the business is spending

### For partnership

- 2019 schedule K-1 line 14a (Show profit)

### For self-employed, Sole Proprietor, Contractor

- 2019 10-40 schedule c (Show profit on line 31)

## Business certificates ( to prove ownership All Owners Over 20%)

- Articles of incorporation
- 1040schedule c
- W9 form
- ID for all owners who own >20% of the business
- **Non-payroll** (*Showing that obligations or services existed prior to February 15, 2020*)
- Business mortgage interest payments: Copy of lender amortization schedule and receipts verifying payments, or lender account statements.
- Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments.
- Business utility payments: Copies of invoices and receipts, cancelled checks or account statements.

# DOCUMENTS in All

- Application Form
- Get 2019 and 2020 Financial Statements up to date
- Monthly P&L + Monthly Bank Statements
- Get 2019 and 2020 Payroll Reports(employers)
- 940,941,W2's, State Payroll Reports

# How to get the forgiveness

- 60% of the PPP loan need to go to the payroll

# Simplified Forgiveness Application

- Simplified forgiveness application for loans up to \$150,000
- 1 page form
- No documents needed for forgiveness – Must keep records for 4 years in case of SBA audit
- SBA must create simplified application form within 24 days of bill's enactment

# List of Required Documents

- SBA Application Form
- Front and back copy of Driver's License
- Borrowers organization docs
- Follow BSA requirements
- Verify that borrower had employees
- Verify dollar amount of eligible payroll costs

Possibly additional documentation requirements