



PAYCHECK PROTECTION PROGRAM ROUND 2

SAN GABRIEL CHAMBER OF COMMERCE

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- Although Paul Cheng is an elected official for the City of Arcadia he does NOT represent the City of Arcadia for purposes of this lecture.

LECTURE PLAN || GOALS TO LEARN

- 1. Basic understanding of PPP.
- 2. Differences between PPP 1 and PPP 2
- 3. First Draw Requirements
- 4. Second Draw Requirements
- 5. Tips for Applicants



WHAT IS PAYCHECK PROTECTION PROGRAM AKA PPP?

- PPP = Paycheck Protection Program (“PPP”). The goal of PPP is to protect the income of workers. This is critical. IF, the employer is seeking to use PPP for their own personal use (ex. Buy a fancy car), at minimum, they will lose the loan forgiveness rights. PLUS, it could be considered criminal.
- PPP is actually a loan from the government. But it will be forgiven **IF** the employer uses it for eligible expenses.
- If you do not use for PPP expenses = illegal



PPP 1 VS. PPP 2

FIRST DRAW VS. SECOND DRAW

- This is the SECOND round of PPP. Hence, we will refer to PPP 1 as the 2020 PPP and the 2021 PPP as PPP 2.
- First Draw. This is a term used by the Small Business Administration (“SBA”) that refers to entities or individuals that never obtained money from PPP 1. They are allowed to apply even if previously rejected.
- Second Draw. This is a term used by the SBA for entities or individuals that previously got PPP 1 funds and are applying in PPP 2.

I WAS PREVIOUSLY REJECTED WHY SHOULD I APPLY AGAIN?



- 1. PPP 1 was extremely confusing and the first time that the government provided so much money in such a short time.
- 2. Many banks required their clients to fill out the confusing the PPP 1 form on their own. Many rejections were small errors made by laypersons regarding PPP 1.
- 3. Banks also made their own mistakes and blamed it on their clients when in fact they made the error.
- 4. Some banks were prioritizing their larger clients in getting PPP 1 leading to PPP 1 being emptied before smaller businesses could get funding.

WHAT ARE THE REQUIREMENTS IF YOU ARE A FIRST DRAW?

- If you are a First Draw (a company or individual that did not get PPP 1 funding) you fall under the PPP 1 requirements although it is PPP 2. DO NOT use PPP 2 rules to see if you qualify.
- Ex. First Draw PPP Loans can be used to help fund payroll costs, including benefits. Funds can also be used to pay for mortgage interest, rent, and utilities.
- 500 or less employees.
- Non-profits allowed to apply. Self-employed individuals, sole proprietorships, and even independent contractors can apply.

FIRST DRAW GET PRIORITY FILING DATE

- The SBA has opened up the First Draw applicants on Monday, January 11, 2021 at 9 a.m. EST.

APPLY NOW

QUESTION: DID YOU ALREADY GET A PPP 1 LOAN? IF YOUR ANSWER IS NO

- Remember that you are a “First Draw” applicant and should remind the bank of that term so there is no confusion.
- You can apply if you have 500 employees or less.
- You do not have to show 25% gross revenue decrease
- You do not have a China/HK/Macau exclusion
- You apply using Form 2483.
- You must when applying have: Beneficial ownership certificate, Form 940/941s and state equivalent tax forms, payroll documents for 2019 or 2020, and payroll statement for 02/15/2020 pay period to show proof of operation.

SECOND DRAW APPLICANT

- Second Draw borrowers can start filing on January 13. Remember, First Draw borrowers/applicants start on January 11, 2020.
- Public companies are ineligible to receive PPP funds
- Maximum loan sizes for this round are \$2 million
- Applicants must have utilized the full amount of their initial draw PPP loan on or before the expected date of the second draw PPP loan is disbursed.
- Revenue needs to have decreased at least 25% in 2020 compared to the same quarter in 2019.
- Must have been in business since February 15, 2020.

SECOND DRAW APPLICANT 2

- Payroll can be calculated 3 ways: (1) 2019 calendar year, (2) 2020 calendar year, (3) past 12 months
- Restaurants, hotels, and other businesses categorized under NAICS code 72, will be eligible to receive 3.5x their average payroll. Everyone else is 2.5x their average payroll
 - These businesses will also be able to apply for a separate loan for each location, given each individual location is a separate legal entity
- Payroll documentation required in the first draw will be the same for second draw loans.
- No additional documentation will be required for second draw loans if the applicant used the full calendar year 2019 for the first draw and the second draw loan lender is the same as the first draw. The lender may require additional documentation.
- New eligible entities are now allowed to apply in PPP 2 such as 501(c)(6) and news/medial organizations.

SECOND DRAW APPLICANT 3



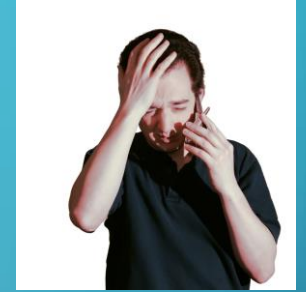
- Company cannot be associated with China, Hong Kong, or Macau. What does this mean?
- What does this mean? Your company cannot have been created in, or organized under the laws of those areas. Companies with “significant” (undefined) operations in those areas. Owns or holds, directly or indirectly not more than 20% by entity in those areas. Has a board of director that is a resident of those areas.

SECOND DRAW ISSUE: DIDN'T SPEND PPP 1 MONEY. NEED TO SPEND IT.

- You do not have to have applied for loan forgiveness on PPP 1 before applying for PPP 2 HOWEVER,
- You must have spent (or will have spent) all of your PPP 1 money to qualify for PPP 2.



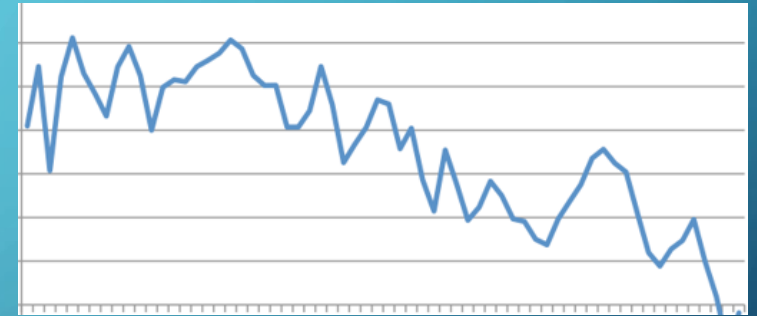
SECOND DRAW ISSUE: REDUCTION IN GROSS REVENUE



- Revenue needs to have decreased at least 25% in 2020 compared to the same quarter in 2019. For example: Q2 2020 (April, May, June 2020 Revenue) vs Q2 2019 (April, May, June 2019 Revenue) must have decreased 25% Year Over Year.
- 1 Quarter is a minimum.
- Revenue reduction can also be the full calendar year of 2020 vs 2019.
- For loans above \$150,000, applicants must submit documentation to substantiate a revenue reduction of 25% or more (tax forms, financial statements, bank statements).
- Loans under \$150,000 do not require this documentation at the time of application, but they will be required for forgiveness.

HOW TO CALCULATE GROSS REVENUE

- Some banks are calling it gross receipts.
- 1. This is ALL revenue from wherever you receive it.
- 2. DO NOT include capital gains or losses.
- 3. DO NOT include taxes that you paid to a government entity.
- 4. DO NOT include PPP proceeds in gross revenue.



2.5X (3.5X RESTAURANTS/HOTELS) THE LOAN

- You can include the following:
 - Gross Payroll
 - Salary, wages, commissions, tips, vacation, sick pay, vacation pay, and even severance
 - Employer-paid local and state taxes
- You cannot include:
 - Compensation to any employee outside of United States
 - Federal employment or income taxes
 - Compensation to independent contractors (aka 1099)



BIG ERROR FOR SECOND DRAW APPLICANTS. NO DROP OF 25% GROSS REVENUE

- Most Second Draw applicants will NOT submit new documents for PPP 2.
- Why? Because they will use their 2019 payroll documents to calculate their PPP 2 loan amount. This is enough for most banks to process PPP 2.
- **Here is the Problem.** Under \$150K you do not have to show 25% drop in gross revenue but must do so at time of loan forgiveness. If you have under 15 employees you likely fall under \$150K loan amount.
- Bank may not remind you of this issue and your loan might not be forgiven.

PPP 2 – NOT IN BUSINESS IN 2019

- Second Draw in operation for all of 2019 and 2020.
 - Show reduction in any quarter 2020 compared with 2019
 - Must provide quarterly tax returns or P&L's for comparison quarter.
 - If you experienced entire year 25% reduction, you can provide full year tax returns or P&L to be submitted.
- If you are not in operation in 1st Quarter or 2nd Quarter of 2019 then show 2020 reduction with 3rd or 4th quarter of 2019.
- If you were not in operation in 1st-3rd quarter of 2019 then show 25% reduction of 2020 compared with 4th quarter of 2019.
- If you were not operation at all in 2019 then show 25% reduction in 2nd, 3rd, or 4th 2020 quarter with 1st quarter of 2020.

CAN YOU APPLY IF YOU SELF-EMPLOYED, EVEN WITH NO EMPLOYEES? YES!

- This is somewhat ambiguous BUT it is 2.5x net profit of applicant 2019 or 2020 IRS Form 1040 schedule C.
- However, the maximum loan in net profit cannot exceed \$100,000.00.



FIRST DRAW BORROWERS THAT DID NOT GOT PARTIAL FORGIVENESS, CAN THEY BECOME SECOND DRAW?

ANSWER: NO

- If you were a First Draw borrower and received ONLY partial forgiveness you are not qualified to obtain a Second Draw.
- WHY? Because you did not use your entire First Draw for PPP benefits.
- There is an exception but it is small.



MY BANK REJECTED ME OUTRIGHT OR CANNOT DO THE SBA LOAN WHAT DO I DO?

- If another bank did your First Draw, you can find a second bank to do the PPP 2 loan for you.
- Further, some banks are allowing to apply PPP2 if you open an account with them. Ex. Shelly Chia, Union Bank.



PPP 2 – POST LOAN ELIGIBLE COSTS

- Payroll – Must be at least 60% of your costs.
 - Cash compensation (use gross pay, not net).
 - Health and retirement are allowed to be used as payroll
- Non-Payroll – No more than 40% of costs.
 - Interest on secured mortgage
 - Business rent or leases
 - Operational costs (ex. Payroll services, HR, accounting, etc).
 - Worker Protection

MEMBERS THAT CAN HELP YOU



- Shelly Chia, Union Bank. Shelly.chia@unionbank.com. Need to open business account.
- Donald J. Loewel, Director, Pasadena SBDC. sbdc@pasadena.edu
(626) 585-3106 | (626) 233-5907 Mobile | www.pccsbdc.org
- Finance Chamber Members:
 - Devlin Chung, Edward Jones | | Frank Saito, Lee Sperling Hisamun
 - Gabriella Waterman, GSW Financial | | Ethan Le, Syntergric Advisors
 - Mary Wong, Exact Tax | | Emmy Hernandez, EH Financial | | Victoria Burns, Victory Tax

DOCUMENTS/LINKS TO HELP YOU.

- First Draw Summary: <https://www.sba.gov/sites/default/files/2021-01/Top-line%20Overview%20of%20First%20Draw%20PPP%20%281.8.2021%29-508.pdf>
- Second Draw Summary: <https://www.sba.gov/sites/default/files/2021-01/Top-line%20Overview%20of%20Second%20Draw%20PPP%20%281.8.2021%29-508.pdf>
- Interim Final Rule of Second Draw: [https://www.sba.gov/sites/default/files/2021-01/PPP%20--%20IFR%20--%20Second%20Draw%20Loans%20\(1.6.2021\).pdf?fbclid=IwAR0Y9K3EdPYPLbTUkSl2XeO3dajEi1yrpFWDtqi6lR9eKAkd8GpFxPR3Wi8](https://www.sba.gov/sites/default/files/2021-01/PPP%20--%20IFR%20--%20Second%20Draw%20Loans%20(1.6.2021).pdf?fbclid=IwAR0Y9K3EdPYPLbTUkSl2XeO3dajEi1yrpFWDtqi6lR9eKAkd8GpFxPR3Wi8)
- Lender List as of June 25, 2020: https://www.sba.gov/sites/default/files/2020-06/PPP_Lender_List_200625.pdf?fbclid=IwAR0UePlmz9aLzV0J2_5M7Kbp_R9rkKEPrsQZOaxEhEm9Vo0hz4m54waziPQ

OTHER GRANT DUE TOMORROW, JANUARY 13, 20201

California Small Business COVID-19 Relief Grant Program

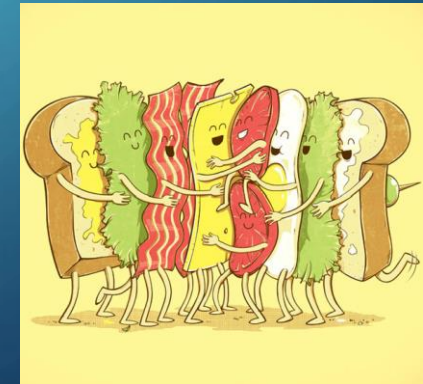
The California Relief Grant is available to California-based businesses with annual gross revenues between \$1000 and \$2,500,000. This includes home-based businesses, Independent Contractors and Nonprofits 501 C(3), C(6) or C(19). This is NOT a first-come, first-served process, and all applicants will be reviewed.

<https://careliefgrant.com/> - Up to \$25,000.00

BECOME A MEMBER TODAY!



- 1) Are you feeling down because of Covid?
- 2) Are you worried where your business is going in 2021?
- 3) Want to meet a group of people that want to give you business?
- JOIN THE SAN GABRIEL CHAMBER OF COMMERCE TODAY!
- www.sangabrielchamber.org
- CEO, Sandy Rosco: 818-636-1149



JANUARY 21, 2021 NEW EMPLOYMENT LAWS



San Gabriel
Chamber of Commerce
"We Have Business to Talk & Celebrate"

EDUCATIONAL FORUM
EMPLOYMENT LAW & WORKER'S COMPENSATION UPDATES

THURSDAY, JANUARY 21st
6:00 - 8:00 P.M.

Virtual Platform: ZOOM
Registration Required by Wednesday, January 20th

Cost: Complimentary
There is no cost and no membership required. Everyone is welcome and encouraged to attend.

Know the law, do it right.

SPEAKERS:

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SCOTT WARMUTH
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FRONDLÉ LAW FIRM
Joseph Frondle
(626) 349-5200

WHETHER YOU ARE AN EMPLOYER OR AN EMPLOYEE, THIS FORUM IS FOR YOU!

This Employment Law Educational Forum will be addressing 2021 changes/updates, including California minimum wage and minimum salary threshold changes, potential changes due to Covid and some of the changes/updates to Worker's Compensation

REGISTER NOW!
<https://bit.ly/2LDNurv>

For more information Contact Sandy Rosco, San Gabriel Chamber of Commerce rosco_sandy@yahoo.com (626) 576-2525

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