



PPP Loans

Answers to Frequently Asked Questions



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ELIGIBILITY for Second Draw

Who is eligible for a Second Draw PPP loan?

Typically, eligible applicants are a business concern, independent contractor, eligible self-employed individual, sole proprietor, nonprofit organization eligible for a First Draw PPP Loan, veterans organization, Tribal business concern, housing cooperative, small agricultural cooperative, eligible 501(c)(6) organization or destination marketing organization, or an eligible nonprofit news organization that:

- Has 300 or fewer employees; **AND**
- previously received a First Draw PPP loan and has used, or will use, the full amount of its First Draw PPP Loan on or before the expected date on which the Second Draw PPP loan will be disbursed; **AND**
- experienced a reduction in revenue in calendar year 2020, measured as follows:
 - The applicant including affiliates have gross receipts during the first, second, third, or fourth quarter in 2020 that demonstrate at least a 25% reduction from the applicant's gross receipts during the same quarter in 2019; or
 - If the applicant was not in business Q1 or Q2 2019; but in business Q3 and Q4 2019, can demonstrate at least a 25% reduction in gross receipts when comparing any quarter in 2020, to Q3 or Q4 2019; or
 - If the applicant was not in business Q1, Q2 or Q3 2019; but in business Q4 2019, and can demonstrate at least a 25% reduction in gross receipts when comparing any quarter in 2020, to Q4 2019; or
 - If the applicant was not in business in 2019; but in business on 2/15/2020 and can demonstrate at least a 25% reduction in gross receipts when comparing Q2, Q3, or Q4 2020, to Q1 2020.



REVENUE CALCULATION for Second Draw

If I experienced a revenue reduction of 25% or more and would like to apply for a Second Draw PPP loan, what type of documentation will I need to provide to evidence the reduction?

For loans with a principal amount greater than \$150,000, documentation sufficient to establish that the applicant experienced a reduction in revenue, must be provided at the time of application, which may include relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, a copy of the applicant's quarterly income statements or bank statements.

For loans with a principal amount of \$150,000 or less, the applicant can submit the above documentation when requesting forgiveness. If the applicant does not have a 25% reduction, then their forgiveness could be denied. The borrower would have to convert to repayment of the loan.

When applying for a Second Draw PPP loan, how do I calculate gross receipts including any affiliates?

Gross receipts of affiliates are calculated as follows:

- A. Gross receipts of a borrower with affiliates is calculated by adding the gross receipts of the business concern with the gross receipts of each affiliate.
- B. If a borrower has acquired an affiliate or been acquired as an affiliate during 2020, gross receipts includes the receipts of the acquired or acquiring concern. This aggregation applies for the entire period of measurement, not just the period after the affiliation arose. However, if a concern acquired a segregable division of another business concern during 2020, gross receipts do not include the receipts of the acquired division prior to the acquisition.
- C. The gross receipts of a former affiliate are not included. This exclusion of gross receipts of such former affiliate applies during the entire period of measurement, rather than only for the period after which affiliation ceased. However, if a borrower sold a segregable division during 2020, the gross receipts will continue to include the receipts of the division that was sold.
- D. All terms in this subsection shall have the meaning attributed to them by the IRS.

What is considered Gross Receipts?

Gross receipts include all revenue in whatever form received or accrued (in accordance with the entity's accounting method) from whatever source, including from the sales of products or services, interest, dividends, rents, royalties, fees, or commissions, reduced by returns and allowances. Generally, receipts are considered "total income" (or in the case of a sole proprietorship, independent contractor, or self-employed individual "gross income") plus "cost of goods sold," and excludes net capital gains or losses as these terms are defined and reported on IRS tax return forms.

Gross receipts do not include the following: taxes collected for and remitted to a taxing authority if included in gross or total income (such as sales or other taxes collected from customers and excluding taxes levied on the concern or its employees); proceeds from transactions between a concern and its domestic or foreign affiliates; and amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder or customs broker. All other items, such as subcontractor costs, reimbursements for purchases a contractor makes at a customer's request, investment income, and employee-based costs such as payroll taxes, may not be excluded from gross receipts.



CALCULATING LOAN AMOUNT for First Draw and Second Draw

How do I calculate my PPP loan amount?

See the SBA's guidance for detailed information on [How to Calculate Maximum Loan Amounts](#).

Are we allowed to use the last 12 operating months when calculating average monthly payroll or do we have to use 2019 or 2020?

Borrowers who apply for PPP loans in 2021 and who are not self-employed (including sole-proprietorships and independent contractors) are also permitted to use the precise 1-year period before the date on which the loan is made to calculate payroll costs if they choose not to use 2019 or 2020.

Do I need to reduce my payroll costs by the amount of my First Draw PPP loan when determining my loan amount?

You do not need to deduct the amount of forgiveness from your First Draw PPP loan when calculating the loan amount for your Second Draw PPP loan.

When applying for a PPP loan, what documentation is required to be submitted to verify payroll costs?

You must provide your Form 941 (or other tax forms containing similar information) and state quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 (whichever you used to calculate loan amount), or equivalent payroll processor records, along with evidence of any retirement and health insurance contributions.

If I have reduced the number of employees, how does that impact my loan amount for my Second Draw loan?

You may still use the 2019 payroll costs to calculate the loan amount for your Second Draw Loan, even if you have fewer employees. Please read [eligible expenses for forgiveness](#) to confirm that you will be forgiven based on reduced employee count.

Is there a limit for the amount of compensation we can include when calculating payroll costs?

Wages & Tips over \$100,000 for each employee should be deducted from the payroll cost calculation.

My industry was highly impacted by COVID-19, am I eligible to get a loan for 3.5 times my average monthly payroll costs?

Accommodations and restaurants with a NAICS code starting with 72 are eligible for 3.5 times their average monthly payroll costs on a Second Draw PPP loan. If the request is for a First Draw PPP loan, the loan amount is 2.5 times the borrower's average monthly payroll, regardless of industry.



FORGIVENESS for First Draw and Second Draw

What eligible expenses can my PPP loan be used for?

PPP loan funds can be used for the following expenses:

- Payroll Costs - 60% of the funds must be spent on payroll to be eligible for full loan forgiveness
- Rent or Mortgage Interest
- Utilities
- Covered Operations Expenditures - Business software/cloud computing services
- Covered Property Damage - Property damage and vandalism/looting due to public disturbances during 2020 not covered by insurance
- Covered Supplier Costs - Payments to supplier of goods essential to operations
- Covered Worker Protection Expenditures - Adaptations to comply with guidance, starting 3/1/20, includes PPE

When will we know more about the simplified loan forgiveness process for loans under \$150,000?

The forgiveness period for First Draw PPP loans is ongoing. If you have not yet submitted a forgiveness application and would like to apply for forgiveness using the soon to be released simplified forgiveness application, please speak to your lender who will gladly provide assistance once the newest application has been released by the SBA.

Will the forgiveness guidelines from the First Draw loans be the same a forgiveness of Second Draw loans?

Rules related to loan forgiveness for Second Draw PPP loans are generally subject to First Draw PPP loan forgiveness rules. One noticeable change is that a borrower with a Second Draw PPP loan with a principal amount of \$150,000 or less will need to provide documentation evidencing the 25% revenue reduction on or before the date the borrower applies for forgiveness.



FARMERS & RANCHERS for First Draw and Second Draw

Do all farm entities get to use gross income to calculate their loan amount?

Only farmers that are sole proprietors, independent contractor or eligible self-employed individuals and file IRS Form 1040, Schedule F can use gross farm income to calculate their loan amount. All other farming entities should review SBA's guidance for How to Calculate Maximum Loan Amounts.

If a farmer did not qualify for a First Draw loan previously, but now does with the updated guidelines, what is the maximum loan amount and documentation is required?

If you do not have employees, the maximum loan amount is \$20,833. If you have employees, you may add your payroll costs to the maximum \$100,000 in revenue, divide by 12, and multiply by 2.5 to determine your loan amount. Please call your local ag lender for additional details.

Can a farmer request a modification of their First Draw loan using the new gross income calculation if their loan has already been forgiven?

We're awaiting guidance related to modifications and expect clarification regarding farmers who have had their First Draw PPP loans forgiven. Once we have that information, we will reach out to our farm customers to let them know about any changes. Farmers who meet the revenue reduction requirements for a Second Draw PPP loan, may use the new calculation to determine the loan amount for that loan.

MODIFICATIONS to Existing First Draw Loans

Am I eligible for a modification to my First Draw PPP loan?

Based on the current guidance, you may be eligible to reapply or request an increase in your PPP loan amount IF:

- Your loan has not been forgiven, AND:
 - If a borrower returned all of a PPP loan, the borrower may reapply for a PPP loan in an amount the borrower is eligible for under current PPP rules.
 - If a borrower returned part of a PPP loan, the borrower may reapply for an amount equal to the difference between the amount retained and the amount previously approved.
 - If a borrower did not accept the full amount of a PPP loan for which it was approved, the borrower may request an increase in the amount of the PPP loan up to the amount previously approved.

The SBA will soon issue additional guidance on the requirements and processes related to reapplying for or requesting a loan increase. Once we have that information, we will share it with our borrowers.