

Rev. Jan 21st, 2021

Forgiveness for SBA Paycheck Protection Program (PPP) Loans

The Paycheck Protection Program reopened for First Draw PPP Loans the week of January 11, 2021. [Second Draw PPP Loans](#) began January 13, 2021 for certain businesses who have previously received a PPP loan, such as Community Development and Microlending institutions, and will be available to more PPP lending institutions in the near future. At least \$25 billion is being set aside for Second Draw PPP Loans to eligible borrowers with a maximum of 10 employees or for loans of \$250,000 or less to eligible borrowers in low or moderate income neighborhoods.

The SBA has yet to open applications for the Paycheck Protection Program as of January 14, 2021. We will update this document with more information as soon as it becomes available for us. For now, please collect the following information necessary to complete your loan application:

- [SBA Form 2483-SD](#)
- Either 2019 and 2020 payroll information
- Corporate/LLC Documents (Articles of Incorporation/Organization and Bylaws/Operating Agreement)
- ID for primary individual signing
- Quarterly Financial Statement(s) and/or Relevant Tax Forms to verify 25% decrease in receipts/revenue between same 2019 and 2020 quarter (if loan amount requested will be over \$150,000)

A borrower is generally eligible for a Second Draw PPP Loan if the borrower:

- Previously received a First Draw PPP Loan and will or has used the full amount only for authorized uses
- Has no more than 300 employees; and
- Can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020

Common Questions About PPP Updates:

Who qualifies for PPP?

The following entities affected by Coronavirus (COVID-19) may be eligible:

- **Sole proprietors, independent contractors, and self-employed persons**
- Any small business concern that meets SBA's size standards (either the industry size standard or the alternative size standard)
- 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 500

What if I never received my loan forgiveness?

Existing PPP borrowers that did not receive loan forgiveness by December 27, 2020 may:

- Reapply for a First Draw PPP Loan if they previously returned some or all of their First Draw PPP Loan funds, or
- Under certain circumstances, request to modify their First Draw PPP Loan amount if they previously did not accept the full amount for which they are eligible.

What about the new EIDL measures?

- The EIDL has been replenished for new borrowers and is not a new draw.
- Current borrowers may be allowed to increase existing EIDL up to \$150,000 cap (the maximum amount for new borrowers as well)
- EIDLs are not forgivable but payments may be deferred for one year. They may be paid over a 30 year term at a low interest rate.
- EIDLs will be allowed to have simultaneously with other federal relief such as PPP, SVO and PEUC.
- There is no replenishment of EIDL advance.

The original **SBA Paycheck Protection Program** was **closed** on **August 8th, 2020**. As such, the SBA is no longer accepting PPP applications from participating lenders. In addition, the **SBA Economic Injury Disaster Loan Program** only accepted applications through **December 31st, 2020**. We have kept the original, now outdated information about the SBA, PPP and EIDL in this document for your perusal when researching these programs. We will update as soon as more information becomes readily available to us.

Here at the Arts & Business Council of Greater Boston (ABC), we understand that the outbreak of the Coronavirus (COVID-19) has had a great impact on our community of artist and art organizations. Our team wants you all to know we are here, and ABC is committed to doing our part to help provide resources that may help to alleviate some of the stressors your businesses may be facing.

This document is dedicated to helping you understand how to apply for and receive *forgiveness* for PPP loans already issued. For information about the Paycheck Protection Program and how to apply, visit our PPP and Frequently Asked Questions documents on our [COVID-19 Resource Page](#).

How much of my loan can be forgiven?

- If used for qualifying expenses, up to 100% of PPP loans can be forgiven. Qualifying expenses include payroll costs, mortgage interest, rent, and utilities paid or incurred during the 8- or 24-week covered period.

What can the loan be used for in order to be eligible for forgiveness?

- Payroll costs

- Mortgage interest payments on any business mortgage obligation on real or personal property that was incurred before February 15, 2020
- Payments on business rent obligations on real or personal property under a lease agreement in force before February 15, 2020
- Business utility payments for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020
- You **cannot** receive funds from another SBA program (such as EIDL) for the **same** purpose and during the same period of a PPP loan. If you received an EIDL to cover payroll costs between January 31, 2020 and April 3, 2020, the PPP loan must be used to refinance that EIDL.

Sole Proprietors, Independent Contractors and Self-Employed Individuals

- Owner compensation replacement
- Employee payroll costs, if applicable
- Mortgage interest payments on any business mortgage obligation on real or personal property that was incurred before February 15, 2020
- Payments on business rent obligations on real or personal property under a lease agreement in force before February 15, 2020
- Business utility payments for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020
- Refinancing an EIDL loan made between January 31, 2020 and April 3, 2020. If that EIDL was used for payroll, you **must** refinance.

*The above nonpayroll business expenses are authorized **if** they are incurred during the 8-week loan period, **and** the agreements or contracts for those expenses are dated prior to February 15, **and** they are claimed as deductible expenses on your 2019 Schedule C.

Loan Forgiveness

Businesses and Nonprofits

- Loans will be fully forgiven only if the funds are used for payroll costs, interest on mortgages, rent, and utilities paid or incurred during the Covered Period.
- Borrowers who received their loans before June 5, 2020 have 24 weeks or until December 31, 2020, whichever is earlier, to distribute funding
 - Borrowers who received their loans before June 5, 2020 retain the option to use an 8-week period
- At least 60% of the forgiven amount must have been used for payroll expenses
 - Non-payroll expenses can be as high as 40% of spending
- Employers must maintain or quickly rehire the same number of employees during the loan period in 2020 that the employer had in 2019
 - Forgiveness will be reduced if the full-time equivalent number of employees is reduced
- Employers must maintain salary levels from the 2019 period
 - Forgiveness will be reduced if salaries and wages **decrease** by 25% or more for any individual employee during the Covered Period, compared to the 2019 period
- Loan forgiveness can be restored if **laid off employees** are restored by **December 31, 2020**

- **Forgiven** loan amounts under the Paycheck Protection Program are excluded from gross income and will **not** be taxable as income.

Sole Proprietors, Independent Contractors, and Self-Employed Individuals

- 8 weeks of your 2019 net profit will be eligible for forgiveness.
 - Net profit (max. \$100,000) multiplied by 8/52 **or** \$15,385, whichever is less.
 - No more than 75% of your loan may be used for compensation recovery. The remaining 25% must be used for authorized business expenses.
- Authorized Business Expenses, according to Schedule C:
 - Mortgage Interest (line 16a)
 - Business Property (line 20b)
 - Utilities (line 25)
 - Expenses for business use of your home (line 30)

*The above expenses are authorized **if** they are incurred during the Covered Period, **and** the agreements or contracts for those expenses are dated prior to February 15, **and** they are claimed as deductible expenses on your 2019 Form 1040 Schedule C.

Applying for Loan Forgiveness: Required Documentation

Businesses and Nonprofits

- **PPP Loan Forgiveness Calculation Form** ([Forgiveness Application](#): pages 3-4)
- **PPP Schedule A** ([Forgiveness Application](#): page 6)
- **Payroll**: Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period or the Alternative Payroll Covered Period (defined on page 1 of the Forgiveness Application) consisting of each of the following:
 - Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
 - Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
 - Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
 - State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported
 - Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the Borrower included in the forgiveness amount (PPP Schedule A, lines (6) and (7))
- **FTE**: Documentation showing:
 - The average number of FTE employees on payroll per month employed between February 15, 2019 and June 30, 2019 or between January 1, 2020 and February 29, 2020; or
 - For seasonal employers: the average number of FTE employees on payroll per month employed between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or any consecutive twelve-week period between May 1, 2019 and September 15, 2019.

- *The selected time period must be the same time period selected for purposes of completing PPP Schedule A, line 11. Documents may include payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state. Documents submitted may cover periods longer than the specific time period.
- **Nonpayroll:** Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period
 - Business mortgage interest payments
 - Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
 - Business rent or lease payments
 - Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.
 - Business utility payments
 - Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.

Sole Proprietors, Independent Contractors, and Self-Employed Individuals

- **PPP Loan Forgiveness Calculation Form** ([Forgiveness Application](#): pages 3-4)
- **PPP Schedule A** ([Forgiveness Application](#): page 6)
- **Payroll:** 2019 Schedule C
 - PPP loans for independent contractors and self-employed individuals provide 8 weeks of Owner Compensation Replacement, which means 8 weeks of your net profit from 2019 will be automatically forgiven.
- **Nonpayroll:** Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period
 - Business mortgage interest payments
 - Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
 - Business rent or lease payments
 - Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.
 - Business utility payments

- Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.

Recommended Steps for Filling out the Application

1. Complete the general business information on the *Loan Forgiveness Calculation Form*
2. Complete the *Schedule A Worksheet* to determine if you meet the headcount and wage requirements
 - a. Sole Proprietors and Self-Employed individuals without payroll do not need to complete the *Schedule A Worksheet*.
3. Complete *Schedule A*
 - a. Sole Proprietors and Self-Employed individuals without payroll only need to complete lines 9 and 10. Line 9 is where you include the amount of your Owner Compensation Replacement (2019 Schedule C net profit (up to \$100,000) multiplied by 8/52).
4. Complete the rest of the *Loan Forgiveness Calculation Form*

*SBA will issue additional guidance for self-employed individuals **not** in operation during 2019 but were operating by Feb 15, 2020, as they will not have 2019 business and tax records.

PPP Flexibility Act (PPFA)

- On June 5, the US government enacted changes to the Paycheck Protection Program to make it easier for business to qualify for loan forgiveness on a larger portion of their loans
 - PPFA extends the “covered period” from 8 weeks to 24 weeks from the date of the origination of the covered loan, or December 31, 2020, whichever is earlier. A borrower whose loan was made prior to June 5, 2020 may elect to keep the original 8 week covered period. A borrower whose loan was made on or after June 5, 2020 must use the 24 week loan forgiveness covered period.
 - PPFA lowers the amount of the PPP loan required to be spent on payroll costs from 75% to 60%.
- All changes signed into law on June 5, 2020 are retroactively applicable as if they were included in the original CARES Act, except for the change in loan term (maturity date), which is prospective.

The EZ PPP Loan Forgiveness Application ([Forgiveness Application](#) and [Instructions](#))

- The EZ Loan Forgiveness Application is a simplified forgiveness application that requires fewer calculations and less documentation than the full application
- This application can be used by borrowers that meeting any of these requirements:
 - Are self-employed and have no employees;
 - Did not reduce the salaries or wages of their employees by more than 25% and did not reduce the number or hours of their employees
 - Experienced reductions in business activity as a result of health directives related to COVID-19 and did not reduce the salaries or wages of their employees by more than 25%

See full Loan Forgiveness Application and Instructions [here](#).

For more information, visit our [COVID-19 Resource Page](#) to view documents dedicated to **PPP and Frequently Asked Questions.**