

## **Second Draw PPP Loan Summary Sheet**

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) was enacted, which reauthorizes lending under the PPP through March 31, 2021. The Economic Aid Act provided funding of \$806,450,000,000 for First Draw and Second Draw PPP Loans.

Provided below are some details on Second Draw PPP loans including eligibility requirements, maximum loan amounts, and documentation requirements.

### **Eligibility**

The Economic Aid Act generally provides that a borrower is eligible for a Second Draw PPP Loan only if the borrower:

- was eligible for and received a First Draw PPP Loan;
- has used, or will use, the full amount of the First Draw PPP Loan on eligible expenses under the PPP rules on or before the expected date on which the Second Draw PPP Loan is disbursed to the borrower;
- has 300 or fewer employees (exception for single business entities that are assigned a NAICS code beginning with 72 for which the 300 employee limit is applied per physical location); and
- experienced a revenue reduction of 25% or greater in 2020 relative to 2019. A borrower must calculate this revenue reduction by comparing the borrower's quarterly gross receipts for one quarter in 2020 with the borrower's gross receipts for the corresponding quarter of 2019. A borrower that was in operation in all four quarters of 2019 is deemed to have experienced the required revenue reduction if it experienced a reduction in annual receipts of 25 percent or greater in 2020 compared to 2019 and the borrower submits copies of its annual tax forms substantiating the revenue decline.

### **Maximum Loan Amount**

- Borrowers have the option of using calendar year 2019 or calendar year 2020 (or the 12-months preceding the date the loan is made if the borrower is not self-employed) to calculate payroll costs
- For most borrowers, the maximum loan amount of a PPP Second Draw Loan is 2.5x average monthly payroll costs for 2019 or 2020 payroll costs up to \$2 million.
- For borrowers in the Accommodation and Food Services sector (NAICS code starting in 72), the maximum loan amount for a PPP Second Draw Loan is 3.5x average monthly payroll costs for 2019 or 2020 payroll costs up to \$2 million.

## **Documents To Be Submitted With Application**

- If the borrower has employees:
  - Payroll summary for the selected calendar year (broken down to report the total compensation paid to each employee during the selected calendar year)
  - IRS Form 941s for all 4 quarters of the selected calendar year
  - State tax filings for all 4 quarters of the selected calendar year
  - Evidence of any employer paid retirement and employee group health, life, disability, vision and dental insurance contributions for the selected calendar year
- For partnerships, IRS Form 1065 including K-1s for the selected calendar year
- For independent contractors and sole-proprietorships, Schedule C for selected calendar year
- For loans with a principal amount of \$150,000 or less, such documentation is not required at the time the borrower submits its application for a loan, but must be submitted on or before the date the borrower applies for loan forgiveness.
- For loans with a principal amount greater than \$150,000, the applicant must also submit documentation adequate to establish that the applicant experienced a revenue reduction of 25% or greater in 2020 relative to 2019. Such documentation may include relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, quarterly financial statements or bank statements. The SBA may issue additional guidance on what documentation is considered acceptable for this purpose.