

On December 27, 2020, the President signed the Consolidated Appropriations Act, 2021 into law. This Act included updates to the Paycheck Protection Plan (PPP) loans (established with the CARES Act in March 2020) and established a second draw PPP loan.

Updates to the first draw PPP Loans:

- Originally there were four eligible expense categories: payroll costs (including payments to retirement plans), utility payments, rent payments, and mortgage interest payments. This new law added additional categories: payments for business software or cloud services, cost of safety measures put in place (physical barriers, ventilation systems, etc), and expansions of indoor or outdoor facilities.
- If your loan has not already been forgiven and it is under \$150,000, there will be a one-page certification required (rather than a long application) for forgiveness. The Small Business Association (SBA) anticipates releasing this by January 20, 2021.

Establishment of second draw PPP Loans:

- Eligibility requirements
 - No more than 300 employees
 - Funds from your first draw PPP Loan have been used or will be used and you anticipate will be fully forgiven if not already.
 - Gross receipts in any quarter in 2020 must show at least a 25% decrease from the same quarter in 2019. *Do not include funds received from the first draw PPP in gross receipts.*
 - If your loan is less than \$150,000 you do not have to provide support for the decrease in gross receipts in the initial application process. That will need to be provided when applying for forgiveness.
- Calculation of second draw PPP loan
 - Average monthly payroll costs X 2.5
 - Average monthly payroll costs – from the 2019 calendar year, 2020 calendar year, or from the year immediately previous to the application date
 - Average payroll costs include employer payroll tax, UMPIP contributions, CRSP-DC and CRSP-DB, and health insurance payments
 - Cap monthly payroll costs for employees making more than \$100,000
- Eligible uses of the second draw are the same as the updated first draw PPP loan eligible uses listed above.
- Forgiveness criteria
 - At least 60% of the loan amount must be spent on payroll costs
 - Remaining amounts spent on eligible uses listed above
 - Employee counts and employee payroll costs did not decrease by more than 25% (retirements and termination with cause are not included in this).
 - There is a simplified form for loan amounts under \$150,000 that only requires certification that the loan funds were used properly.

- Timeline
 - 1/11/21 - Application for first draw loans re-opened
 - 1/13/21 - Applications for second draw loans (with community banks)
 - 1/15/21 – Applications for second draw loans (with large banks)
 - 1/20/21 – Simplified forgiveness form for loans under \$150,000 finalized
 - 3/31/21 – Application deadline
- Payroll tax credits for COVID related leave
 - Payroll tax credits for employees out for COVID related reasons has been extended through March 31, 2021. Businesses and tax-exempt organizations with fewer than 500 employees should pay sick leave to employees out for COVID related reasons (positive COVID test, quarantining per governmental agency, caring for COVID positive child). The payment of this sick leave can then be reimbursed on the quarterly filing Form 941. To calculate the reimbursement, use the Form 941 instructions at <https://www.irs.gov/pub/irs-pdf/i941.pdf>.
 - If funds are needed as an advance (rather than a reimbursement), complete and submit Form 7200 using the instructions at <https://www.irs.gov/pub/irs-pdf/i7200.pdf>.

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