

Paycheck Protection Program FAQs

On March 27, 2020, Congress passed the Coronavirus Aid, Relief and Economic Security Act of 2020 (CARES Act) establishing the Paycheck Protection Program (PPP). On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) became law. The Economic Aid Act extends the authority to make PPP loans through March 31, 2021 and revises certain PPP requirements.

We answer your most pressing questions about PPP here. We will continue to update this page as more information becomes available.

Who is the Paycheck Protection Program for?

Paycheck Protection Program loans are available to a wide range of individuals and entities that are experiencing economic hardship as a result of the COVID-19 pandemic and its economic consequences. The purpose of the loan program is to help businesses keep their employees and meet their existing payment obligations through these uncertain times.

Accordingly, anyone seeking a Paycheck Protection loan will need to certify that the uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations of the eligible recipient.

See Does my business qualify for a First Draw PPP Loan?

See Does my business qualify for a Second Draw PPP Loan?

What is a First Draw PPP Loan?

A First Draw PPP Loan is a loan available to a first time borrower who did not receive a PPP loan in the first rounds of PPP loans made in 2020 under the CARES Act.

What is a Second Draw PPP Loan?

A Second Draw PPP Loan is a loan available to borrowers that previously received a PPP loan and have used or will use the full amount of their initial PPP loan for authorized purposes on or before the expected date of disbursement of the Second Draw PPP Loan.

Does my business qualify for a First Draw PPP Loan?

Most small business types are eligible for a First Draw PPP Loan, including corporations (C corps and S corps), limited liability companies, independent contractors, sole proprietors, self-employed individuals, non-profit organizations, veterans organizations, tribal businesses, and partnerships.

Your small business must also:

- Not already have received a PPP loan during the first rounds of PPP loans in 2020
- Have no more than 500 employees subject to certain exceptions:
 - Housing cooperatives, eligible 501(c)(6) organizations, or eligible destination marketing organizations can have no more than 300 employees
 - The following businesses can have no more than 500 employees per physical location: NAICS 72, news organizations (majority owned or controlled by NAICS 511110 or 5151 business), and nonprofit public broadcasting entities (NAICS 511110 or 5151)
 - Businesses can have more than 500 employees if they satisfy the definition of “small business concern” and meet the SBA industry size standards (www.sba.gov/size) or the SBA alternative size standards (maximum tangible net worth of the business is not more than \$15 million; and the average net income after Federal income taxes (excluding any carry-over losses) of the business for the two full fiscal years before the date of the application is not more than \$5 million)
- Be operation on February 15, 2020 and has not permanently closed
- Have employees for whom the business paid salaries and payroll taxes (this includes full-time and part-time employees); or be an independent contractor, self-employed individual, or sole proprietor
- Certify that current economic uncertainty makes the loan request necessary to support the ongoing operations of the business
- Not be disqualified. See [Is my business disqualified from receiving a PPP Loan?](#)

Does my business qualify for a Second Draw PPP Loan?

To be eligible for a Second Draw PPP Loan, independent contractors, self-employed individuals, sole proprietors, and small businesses must:

- Previously have received a PPP Loan
- Have used or will use the full amount of the First Draw PPP Loan (including the amount of any increase) by the time the Second Draw PPP Loan is disbursed
- Have no more than 300 employees subject to certain exceptions:
 - The following businesses can have no more than 300 employees per physical location: NAICS 72, news organizations (majority owned or controlled by NAICS 511110 or 5151 business), and nonprofit public broadcasting entities (NAICS 511110 or 5151).
- Demonstrate at least a 25% reduction in gross receipts in the first, second, third, or fourth quarter of 2020 relative to the same 2019 quarter
- Not be disqualified. See [Is my business disqualified from receiving a PPP Loan?](#)

Is my business disqualified from receiving a PPP Loan?

An business or self-employed person who applies for a PPP Loan (“Applicant”) is not eligible for a First Draw PPP Loan or Second Draw PPP Loan if any of the following are true:

- The Applicant is engaged in any activity that is illegal under Federal, state, or local law
- The Applicant is an individual who employs household employees such as nannies or housekeepers
- The Applicant’s business or organization was not in operation on February 15, 2020
- The Applicant’s business received or will receive a grant under the Shuttered Venue Operator Grant program under section 324 of the Economic Aid Act
- The Applicant or any owner of the Applicant is presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy
- The Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant is subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, or on probation or parole
- Within the last 5 years, for any felony, the Applicant (if an individual) or any owner of the Applicant has 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)
- The Applicant, any owner of the Applicant, or any business owned or controlled by any of them, has ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government
- The President, the Vice President, the head of an Executive Department, or a Member of Congress, or the spouse of such person as determined under applicable common law, directly or indirectly holds a controlling interest in your business
- The Applicant’s business is an issuer, the securities of which are listed on an exchange registered as a national securities exchange under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f)
- The Applicant’s business is a type of business concern that is generally ineligible for section 7(a) loans under 13 C.F.R. 120.110, except as permitted in the Interim Final Rules
- The Applicant’s business has permanently closed

Additionally, the following are not eligible for a Second Draw PPP Loan if any of the following are true:

- A business concern or entity primarily engaged in political activities or lobbying activities, as defined in section 3 of the Lobbying Disclosure Act of 1995 (2 U.S.C. 1602)
- A business concern or entity which

- has an entity holding 20% of its economic interest and such holding entity is created and organized in China or Hong Kong
- has a resident of the People's Republic of China as a board member
- Any person required to submit a registration statement under section 2 of the Foreign Agents Registration Act of 1938 (22 U.S.C. 612)

If a seasonal business was dormant or not fully operating as of February 15, 2020, is it still eligible?

Yes, if the business was in operation for any 12-week period between February 15, 2019 and February 15, 2020.

Do the SBA affiliation rules affect my eligibility for a PPP loan?

A borrower will be considered together with its affiliates for purposes of determining eligibility for the PPP. However, the detailed affiliation rules contained in 13 CFR 121.103 do not apply to otherwise eligible PPP borrowers.

Are nonprofits eligible for the Paycheck Protection Program?

Yes, both public and private nonprofits are eligible.

Do the PPP loan proceeds need to be used for specific purposes?

Yes. There are several uses of funds allowed under this program, and anyone seeking funds under this program will need to certify that funds will be used for an allowable purpose. Those purposes include:

- Payroll costs. See [What are eligible payroll costs?](#)
- Payments of interest on any mortgage obligations*
- Payments of interest on any other debt obligations*
- Rent*
- Utilities*
- Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020
- Covered operations expenditures
- Covered property damage costs
- Covered supplier costs
- Covered worker protection expenditures

* Must be in force prior to February 15, 2020 to be allowable.

Funds used for allowable purposes will be eligible for forgiveness once proper documentation of the expenses has been provided to the SBA lender. For payments of existing debt allowed under this program, only the interest portion of those payments will be eligible for forgiveness.

How much do I qualify for? How is the loan amount determined?

For most borrowers, the PPP loan amount will be equal to 2.5 times the borrower's average monthly payroll costs during a 1-year period. Borrowers may elect either 2019 or 2020 as their 1-year period and borrowers who are not self-employed may elect the precise 1-year period before the date on which the loan is made to calculate payroll costs.

Borrowers who are refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020 will also add their outstanding SBA EIDL loan amount (not including any EIDL advance amounts) to their PPP loan amount.

Entities in industries assigned to NAICS code 72 (Accommodations and Food Services) may receive Second Draw PPP Loans of up to 3.5X average monthly payroll costs.

The loan is capped at \$10 million for First Draw PPP Loans and \$ 2 million for Second Draw PPP Loans.

What are eligible payroll costs?

The definition of "payroll costs" for the Paycheck Protection Program includes the following expenses:

- Compensation to employees (who reside in the U.S.) in the form of salary, wages, commissions, cash tips, or other compensation, not to exceed \$100,000 per employee on an annualized basis
- Employer contributions for the provision of employee benefits consisting of group health care or group life, disability, vision, or dental insurance including insurance premiums
- Allowance for dismissal or separation
- Employer retirement contributions
- Employer State or local tax assessed on the compensation of employees
- For an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment, or similar compensation

Payroll costs, however, do not include the following expenses:

- The compensation of a self-employed individual or individual employee in excess of an annualized salary of \$100,000, as prorated for the period during which the payments are made or incurred

- Federal employment taxes imposed or withheld during the applicable period
- Any compensation of an employee whose principal place of residence is outside of the United States
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116– 127)

What are the general terms of the PPP Loan?

- 1% interest rate, calculated on a non-compounding, non-adjustable basis
- 5 year maturity
- Fully forgivable if used for allowable purposes, including at least 60% for payroll costs; and 100% guarantee by the SBA for lenders
- No collateral required
- No personal guarantees required
- Deferred payments of principal and interest. See [When will I have to begin paying principal and interest on my PPP loan?](#)

Is there a deadline to receive Paycheck Protection funds?

Yes, the program deadline is March 31, 2021.

How can I apply for a Paycheck Protection loan?

The Applicant must submit a Paycheck Protection Program Borrower Application Form (SBA Form 2483 for First Draw PPP Loans and SBA Form 2483-SD for Second Draw PPP Loans), or lender's equivalent form, and payroll documentation.

The lender must submit SBA Form 2484, Paycheck Protection Program Lender's Application for 7(a) Loan Guaranty, electronically in accordance with program requirements and maintain the forms and supporting documentation in its files.

Can I apply for more than one First Draw PPP Loan?

No. An eligible borrower may not receive more than one First Draw PPP Loan. This means that if you apply for a PPP loan you should consider applying for the maximum amount. Any borrower who received a PPP loan in 2020 received a First Draw PPP Loan and is not eligible to receive another First Draw PPP Loan, but may be eligible for a Second Draw PPP Loan.

When do I have to spend my PPP loan funds? What is the Loan Forgiveness Covered Period?

In order to qualify for loan forgiveness, you must spend your PPP loan funds on allowable costs during the "loan forgiveness covered period."

The “loan forgiveness covered period” is the period beginning on the date the lender disburses the PPP loan and ending on any date selected by the borrower between 8 and 24 weeks since disbursement.

See [Do the PPP loan proceeds need to be used for specific purposes?](#)

When will I have to begin paying principal and interest on my PPP loan?

If you submit to your lender a loan forgiveness application within 10 months after the end of your loan forgiveness covered period, you will not have to make any payments of principal or interest on your loan before the date on which SBA remits the loan forgiveness amount on your loan to your lender (or notifies your lender that no loan forgiveness is allowed).

Is the loan forgivable? How do I seek forgiveness for the loan?

Yes, up to the full amount of the loan and any accrued interest may be forgiven. Borrowers may seek forgiveness after loan proceeds have been spent on allowable costs. See [Do the PPP loan proceeds need to be used for specific purposes?](#) Only the amounts spent on allowed purposes during the loan forgiveness covered period will be forgiven, and any remaining balance of the loan must be repaid according to the loan terms. See [What is the Loan Forgiveness Covered Period?](#)

To receive full loan forgiveness, a borrower must use at least 60% of the PPP loan for payroll costs, and not more than 40% of the loan forgiveness amount may be attributable to non payroll costs. If for instance a borrower uses less than 60% of the loan for payroll costs, it will not receive the full amount of loan forgiveness it might otherwise be eligible to receive. Instead, the borrower will receive partial loan forgiveness.

No borrower will receive forgiveness without submitting to the lender that is servicing the PPP loan the documentation required by the SBA.

Will my forgiveness amount be reduced if I received an EIDL Advance amount?

No. The EIDL Advance amount received by the borrower will not reduce the amount of forgiveness to which the borrower is entitled and it will not be deducted from the forgiveness payment amount that SBA remits to the lender.

These FAQs have been prepared for general information purposes only and are not intended to be relied upon as legal, accounting, tax or other professional advice. Information contained in the FAQs is based upon PPP details that are frequently evolving and subject to change. For the most up-to-date guidance, please consult the U.S. Small Business Administration (SBA) (www.sba.gov), Department of the Treasury (www.treasury.gov) and/or your own legal and tax advisors prior to taking any action. Please refer to your advisors for specific advice.