

SBA Paycheck Protection Program Second Draw Loans

Frequently Asked Questions

1

Q. What qualifies my business for a second draw PPP loan?

A. You received a PPP loan previously and will or have used the full amount only for authorized uses before the Second Draw PPP loan disburses. Your business must have been in operation on February 15, 2020, has not permanently closed, and provide proof of being in operation on February 15, 2020 in the form of a bank statement, utility bill, etc. when you apply for a loan.

Your business employs no more than 300 people.

Your business can demonstrate at least a 25% reduction in gross revenue between comparable quarters in 2019 and 2020, or at least a 25% reduction in annual gross revenue between 2019 and 2020 so long as your business was in operation for the full 2019 year.

2

Q. How do I document the revenue reduction of my business between 2019 and 2020?

A. Documentation may include relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, quarterly financial statements or bank statements. If the loan request is for \$150,000 or less you may defer submission of the revenue reduction supporting documents until you apply for loan forgiveness.

3

Q. Do I count the proceeds from my first PPP loan as revenue?

A. *No.*

4

Q. How will I determine the amount of my PPP loan and what is the maximum loan amount?

A. You will calculate an “Average Monthly Payroll” amount using aggregate payroll costs from 2019 or 2020. There is a \$100,000 cap on employee and owner annual compensation.

Once an “Average Monthly Payroll” amount is determined, multiply this amount by 2.5 times to determine the PPP loan amount. The maximum loan size is \$2 million.

5

Q. If my business is in the Accommodation and Food Services Industry (NAICS code beginning with 72) is my business entitled to a larger second draw PPP loan?

A. Yes. If your business falls into this industry sector, you will multiply your Average Monthly Payroll by 3.5 times to determine your PPP loan amount.

6

Q. How can I use the funds from my second draw PPP loan?

- A.
1. Payroll costs
 2. Costs related to the continuation of employee benefits
 3. Mortgage interest payments
 4. Rent payments
 5. Utility payments
 6. Interest payments on any other debt obligations that were incurred before 2/15/2020
 7. Covered operations expenses
 8. Covered supplier costs
 9. Covered worker protection expenditures. **At least 60% of your PPP loan proceeds must cover payroll costs in order for the PPP loan to be considered for 100% loan forgiveness.**

7

Q. What are the second draw PPP loan terms?

- A. If your PPP loan is not fully forgiven, the PPP loan carries a five-year repayment term, a fixed interest rate of 1.0%, is unsecured, and does not require personal guaranties.

8

Q. How long do I have to use the second draw PPP loan funds?

A. Your loan forgiveness “Covered Period” is the period beginning on the date your PPP loan disburses and ending on any date you select that occurs during the period between 8 weeks after the disbursement (minimum) and 24 weeks after the date of disbursement (maximum). If you do not submit a loan forgiveness application within 10 months after the end of your loan forgiveness Covered Period, you must begin paying principal and interest after that period.

9

Q. What documents will I need to submit to support my second draw PPP loan amount?

A. You must provide your Form 941(or other tax forms containing similar information) and state quarterly wage unemployment insurance tax reporting forms for each quarter in 2019 or 2020, or equivalent payroll processor records along with evidence of any retirement or health insurance contributions. If you are a sole proprietor, independent contractor, or self-employed individual you will need to submit your Schedule C form for 2019 or 2020.

Q. How can I get additional help?

A. Here are some helpful resources that will provide you with additional information about the PPP loan program.

- Documents:
 - [SBA Form 2483-SD - PPP Borrower Second Draw Borrower Application Form](#) (Rev. 3/18/21)
 - [SBA Form 2483-SD-C - PPP Borrower Second Draw Borrower Application Form For Schedule C Filers Using Gross Income](#) (Effective 3/3/21)
- Resources:
 - Small Business Administration - www.sba.gov
 - US Department of the Treasury - <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

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SBA Paycheck Protection Program Economic Aid Act 2021 - Schedule C Filers Frequently Asked Questions

1

Q. Did the SBA change the way businesses who file taxes via the Schedule C calculate their PPP loan amount?

A. Yes. As part of the Economic Aid Act (EAA) and effective 3/3/2021, the SBA now provides sole proprietors, independent contractors, and self-employed individuals the ability to calculate the amount of their First and Second Draw PPP loans using either the Net Profit or Gross Income figure from their 2019 or 2020 Schedule C. Prior to the EAA changes Schedule C filers used Net Profit to calculate their PPP loan amount.

2

Q. I am a Schedule C filer but have employees too, am I eligible to use this new calculation?

A. Yes. Schedule C filers both with and without employees can choose either Net Profit or Gross Income to calculate the PPP loan amount. Loan amounts are calculated by:

1. Computing the owner eligible compensation (capped at \$100,000) via the Net Profit or the Gross Income figure from the 2019 or 2020 Schedule C
2. Computing eligible employee compensation for 2019 or 2020 as instructed on the PPP Loan Application
3. Adding these two figures to derive the business' 2019 or 2020 total annual payroll expense

3

Q. Do I have to use the Gross Income figure to calculate my PPP loan amount?

A. No. You may choose either Net Profit or Gross Income from your 2019 or 2020 Schedule C to complete the loan calculation.

4

Q. I am a Schedule C filer previously approved for a PPP loan and received my funds; can I change my loan amount calculation to get more money?

A. No. The change in loan calculation for Schedule C filers introduced under the EAA is not retroactive.

5

Q. Did SBA release new PPP Loan Applications?

A. Yes. As of 3/3/2021, new and revised PPP Loan Applications are in use. Samples are provided below that provide detailed instructions on how to calculate the PPP loan amount:

First Draw PPP Loans

- [SBA Form 2483 \(for all applicants, including Schedule C filers using Net Profit\)](#)
- [SBA Form 2483-C \(for Schedule C filers using Gross Income\)](#)

Second Draw Loans

- [SBA Form 2483-SD \(for all applicants, including Schedule C filers using Net Profit\)](#)
- [SBA Form 2483-SD-C \(for Schedule C filers using Gross Income\)](#)

6

Q. How do I get additional help?

A. Additional information about the PPP loan program and recent changes under EAA can be found at:

- Small Business Administration: [SBA PPP Program Information](#)
- US Department of the Treasury: [US Treasury Small Business Resources](#)

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Rev 3/10/2021

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