

PPP2 Eligibility and Documentation Requirements
As of January 19, 2021

On December 27, 2020 the President signed into law the Economic Aid for Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) as part of the Consolidated Appropriations Act, 2021. Then, on January 6, 2021, the Small Business Administration (SBA) issued an interim final rule entitled “Paycheck Protection Program Second Draw Loans.”

Below are eligibility guidelines, documentation requirements and loan amount details available as of January 11, 2021. Please check with your relationship manager to be sure you have the most up-to-date information before submitting application and forgiveness requests.

Who is eligible?

- An applicant is eligible for a Second Draw PPP Loan if it is a business concern, independent contractor, eligible self-employed individual, sole proprietor, nonprofit organization eligible for a First Draw PPP Loan, veterans organization, Tribal business concern, housing cooperative, small agricultural cooperative, eligible 501(c)(6) organization or destination marketing organization, or an eligible nonprofit news organization that:
 - Previously received a First Draw PPP loan in accordance with the eligibility criteria in the Consolidated First Draw PPP IFR;
 - Has used, or will use, the full amount of its First Draw PPP Loan (including the amount of any increase on such First Draw PPP Loan) on authorized on or before the expected date on which the Second Draw PPP Loan will be disbursed
 - Has no more than 300 employees including affiliates (affiliates do not count for NAICS code 72, Accommodation and Food Services, provided each hotel or restaurant is in a separate entity and they roll up to a parent company)
 - Experienced a reduction in revenue in calendar year 2020, measured as follows:
 1. An applicant that was in operation in all four quarters of 2019 is deemed to have experienced the 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.
 2. Had gross receipts during the first, second, third, or fourth quarter in 2020 that demonstrate at least a 25 percent reduction from the applicant’s gross receipts during the same quarter in 2019
 3. If the applicant was not in business during the first or second quarter of 2019, but was in business during the third and fourth quarters of 2019, the applicant had gross receipts during the first, second, third, or fourth quarter of 2020 that demonstrate at least a 25 percent reduction from the applicant’s gross receipts during the third or fourth quarter of 2019.

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4. If the applicant was not in business during the first, second, or third quarter of 2019, but was in business during the fourth quarter of 2019, the applicant had gross receipts during the first, second, third, or fourth quarter of 2020 that demonstrate at least a 25 percent reduction from the fourth quarter of 2019.
 5. If the applicant was not in business during 2019, but was in operation on February 15, 2020, the applicant had gross receipts during the second, third, or fourth quarter of 2020 that demonstrate at least a 25 percent reduction from the gross receipts of the entity during the first quarter of 2020
- **Documentation needed to substantiate a 25% reduction in revenue:**
 - For all loan amounts the applicant must submit:
 1. Relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, quarterly financial statements or bank statements.

****Annual IRS income tax filings of the entity (required if using an annual reference period).** If the entity has not yet filed a tax return for 2020, the Applicant must fill out the return forms, compute the relevant gross receipts value, and sign and date the return, attesting that the values that enter into the gross receipts computation are the same values that will be filed on the entity's tax return. Entities that use a fiscal year to file taxes may document a reduction in gross receipts with income tax returns only if their fiscal year contains all of the second, third, and fourth quarters of the calendar year (i.e., have a fiscal year start date of February 1, March 1, or April 1).

****Quarterly financial statements for the entity.** If the financial statements are not audited, the Applicant must sign and date the first page of the financial statement and initial all other pages, attesting to their accuracy. If the financial statements do not specifically identify the line item(s) that constitute gross receipts, the Applicant must annotate which line item(s) constitute gross receipts.

****Quarterly or monthly bank statements for the entity showing deposits from the relevant quarters.** The Applicant must annotate, if it is not clear, which deposits listed on the bank statement constitute gross receipts (e.g., payments for purchases of goods and services) and which do not (e.g., capital infusions).

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• **Definition of Gross Receipts:**

- Gross receipts includes all revenue in whatever form received or accrued (in accordance with the entity's accounting method) from whatever source, including from the sales of products or services, interest, dividends, rents, royalties, fees, or commissions, reduced by returns and allowances. Generally, receipts are considered "total income" (or in the case of a sole proprietorship, independent contractor, or self-employed individual "gross income") plus "cost of goods sold".
- Gross receipts of a borrower with affiliates is calculated by adding the gross receipts of the business concern with the gross receipts of each affiliate.
- If a borrower has acquired an affiliate or been acquired as an affiliate during 2020, gross receipts includes the receipts of the acquired or acquiring concern. This aggregation applies for the entire period of measurement, not just the period after the affiliation arose. However, if a concern acquired a segregable division of another business concern during 2020, gross receipts do not include the receipts of the acquired division prior to the acquisition
- Gross receipts do not include the following:
 1. Sales tax collected for and remitted to taxing authority if included in gross income
 2. Intercompany revenue between related entities
 3. Gross receipts of a former affiliate are not included.
 4. Any Forgiveness amount of a First Draw PPP Loan that the borrower received in 2020.

• **Maximum amount of PPP2 loan:**

- The lesser of 2.5 months of the borrower's average monthly payroll costs or \$2 million
- Businesses that are part of a single corporate group shall in no event receive more than \$4,000,000 of Second Draw PPP Loans in the aggregate
- A borrower's average monthly payroll costs may be based on calendar year 2019 or 2020
- Compensation for any one employee in excess of \$100,000 annualized is excluded
- Special rules apply to Seasonal employers that are handled on an individual basis
- If the borrower was not in existence during the 1 year period preceding 2/15/2020 take the total payroll paid to date divided by the number of months times 2.5 (capped at \$2MM)
- Schedule C without employees:
 1. Net profit of the borrower in 2019 or 2020, as reported on IRS Form 1040 Schedule C, that is not more than \$100,000, divided by 12 times 2.5
- Schedule C with employees:
 1. Net profit of the borrower in 2019 or 2020, as reported on IRS Form 1040 Schedule C, that is not more than \$100,000, PLUS the average total monthly payroll incurred or paid by the borrower during the same year elected by the borrower DIVIDED by 12 times 2.5

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- Partnership:
 1. Net earnings from self-employment of individual general partners in 2019 or 2020 (at the election of the borrower), as reported on IRS Form 1065 K-1, reduced by section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties, multiplied by 0.923537, that is not more than \$100,000, PLUS The average total monthly payment for employee payroll costs incurred or paid by the borrower during the same year elected by the borrower DIVIDED by 12 TIMES 2.5
- The maximum amount of a Second Draw PPP Loan made to a borrower assigned a NAICS code beginning with 72 (Accommodation and Food Services) (If the borrower is seasonal, has self-employment income, or a partnership they must abide by the rules noted above):
 1. The average total monthly payment for payroll costs incurred or paid by the borrower during either 2019 or 2020 TIMES 3.5 (capped at \$2MM).
 2. For purposes of calculating a borrower's maximum payroll costs, a borrower may multiply its average monthly payroll costs by 3.5 only if the NAICS code starts with 72 on its most recent IRS income tax return.
- **Loan details:**
 - 100% guaranty
 - 5 year term at 1% interest
- **Documentation needed to calculate loan amount:**
 - If the borrower used calendar year 2019 figures to determine both its First Draw PPP Loan amount and its Second Draw PPP Loan amount, and the lender for the applicant's Second Draw PPP Loan is the same as the lender that made the applicant's First Draw PPP Loan no documentation is required for 2019. However, the borrower must provide same period revenue comparison to support the 25% reduction in revenue (see above section).
 - Documentation required for PPP2 is essentially the same as it was for the first round of PPP. **If the applicant is not self-employed**, then requirements are:
 1. Form 941 (or other tax forms containing similar information)
 2. State quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 as applicable, or equivalent payroll processor records.
 3. Evidence of any retirement and employee group health, life, disability, vision and dental insurance contributions
 4. Partnerships must also include its IRS Form 1065 K-1s
 - **Self-employed individuals with employees requirements:**

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1. Form 941 (or other tax forms containing similar information)
 2. State quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 as applicable, or equivalent payroll processor records.
 3. Evidence of any retirement and employee group health, life, disability, vision and dental insurance contributions
 4. 1040 Schedule C
 5. A payroll statement or similar documentation from the pay period that covered February 15, 2020
- **Self-employed individuals without employees requirements:**
 1. 1040 Schedule C
 2. IRS Form 1099-MISC detailing nonemployee compensation received
 3. Invoice, bank statement, or book of record that establishes that the applicant is self-employed
 4. 2020 invoice, bank statement, or book of record to establish that the applicant was in operation on or around February 15, 2020
- **Second Draw PPP Loans are eligible for loan forgiveness on the same terms and conditions as First Draw PPP Loans**