Paycheck Protection Program "Second Draw" Loans Q&A

December 22, 2020

Q: Has the government opened up the Paycheck Protection Program ("PPP") again?

A: Yes. The newest bill gave $300 billion to the Small Business Administration (SBA) to open up the PPP loan program again.

Q: If my ministry previously received a PPP loan are we eligible for a second loan?

A: Maybe. If your ministry has 300 or fewer employees, has sustained a 25 percent revenue loss in the first, second, or third quarter of 2020 as compared to the same quarter in 2019, and your ministry has used or will use the full amount of the first PPP loan, then your ministry is eligible for a Second Draw PPP Loan.

Q: Are churches and religious organizations eligible for the loans?

A: Yes. The law specifically states that the interim final rule that was published on April 15, 2020 by the SBA was correct when it states that churches and religious organizations are eligible for PPP loans.

Q: What is the maximum amount my ministry is eligible to receive in a second PPP loan?

A: A ministry that is eligible to receive a second PPP loan can borrow an amount equal to 2.5 months of average monthly payroll up to $2 million with the same exclusions on payroll for high earners. The total of the first and second PPP loans added together cannot exceed $10 million.

Q: Has the definition of payroll expenses been changed?

A: Yes. Previously payroll expenses only included group health insurance and retirement plan contributions as payroll costs and not expenses for other benefits. Payroll expenses now include expenses for other employer-provided group benefits, such as group life, disability, vision or dental insurance as payroll costs. This change applies to all PPP loans, including those made before the new bill's enactment.

Q: Are there new expense types on which our organization can spend PPP loan proceeds?

A: Yes. In addition to the expenses that were already permitted (see Q&A) eligible expenses now include covered operations expenditures, covered property damage costs, covered supplier costs and covered worker protection expenditures.

Q: What is a covered operations expenditure?

A: A covered operations expenditure is any money your ministry spent on business software or cloud computing services that:

- facilitate business operations, product or service delivery;
- facilitate the processing, payment or tracking of payroll expenses;
- perform human resources, sales or billing functions; and/or
- maintain accounting or tracking of supplies, inventory, records and expenses.

Q: **What are covered property damage costs?**

A: Covered property damage costs are costs related to property damage and vandalism or looting due to public disturbances that occurred during 2020 and were not covered by insurance or other compensation.

Q: **What are covered supplier costs?**

A: A supplier cost is an expenditure made by a ministry to a supplier pursuant to a contract, purchase order, or order for goods that was in effect prior to taking out the loan and that is essential to the ministry's operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.

Q: **What are covered worker protection expenditures?**

A: A covered worker protection expenditure is any operating or capital expense required to adapt the business activities of the entity to requirements or guidance issued by the Department of Health and Human Services, the Centers for Disease Control or OSHA in order to maintain sanitation standards, social distancing, or any other worker or customer safety requirement related to COVID-19. The cost also must have been incurred during the COVID-19 national emergency declared by the President.

Examples include creating, maintaining or renovating a drive through, ventilation or filtration system; sneeze guards; onsite or offsite health screening capabilities; and personal protection equipment. These expenditures do not include the costs of any real property such as land or buildings.

Q: **My ministry has already taken out a PPP loan, but it has not been forgiven yet. Can my ministry use the expanded forgivable expenses?**

A: Yes. Recipients of PPP loans made before, on, or after the passage of the bill are eligible to use the expanded forgivable expense types, except for borrowers that have already had their loans forgiven.

Q: **For loan forgiveness, must my ministry still choose either an 8 or 24 week period, as the period over which PPP loan funds were spent?**

A: The ministry will be able to select any period of time between 8 weeks and 24 weeks from the date of the loan origination, as the covered period for loan forgiveness.

Q: **Does the 60/40 cost allocation between payroll and non-payroll costs in order to receive full forgiveness apply to a Second Draw PPP Loan?**

A: Yes. In order to receive 100% forgiveness of a Second Draw PPP Loan the borrower must spend at least 60% of the loan proceeds on payroll costs and 40% or less on non-payroll costs.

Q: **Did the new law change the forgiveness process for small loans?**

A: Yes. For loans under $150,000, a borrower can obtain forgiveness if the borrower signs and submits to the lender a certification that is not more than one page in length and includes a description of the number of employees the borrower was able to retain because of the covered loan, the estimated total amount of the loan spent on payroll costs, and the total loan amount. The borrower must also attest that borrower accurately provided the required certification and complied with Paycheck Protection Program loan requirements. The SBA has 24 days from the date of enactment to establish this form. Additionally, borrowers are required to retain relevant records related to employment for four years and other records for three years. The SBA may also review and audit these loans to ensure against fraud.