



## Preparing for the 2nd Round of PPP Loans

January 5, 2021


Presented by



U.S. Small Business  
Administration




**CITIZENS  
STATE BANK**  
EST. 1913  
*Yesterday, Today & Tomorrow*




**ASAP**  
ACCOUNTING & PAYROLL

1


## Meet the Presenters



**Steve White**  
Lead Lender Relations Specialist  
SBA CO District Office



**Jessica Frigetto**  
Chief Lending Officer  
Citizens State Bank



**Mark Betts**  
Senior Vice President  
ASAP Accounting & Payroll, Inc.

2

## Agenda & Presenters

### ***SBA PPP Updates***

Steve White, Lead Lender Relations Specialist, SBA Colorado District Office

### ***What's New in PPP Round 2***

Jessica Frigetto, Chief Lending Officer, Citizens State Bank

### ***Preparing to Apply for PPP 2 – Eligibility, Avg Monthly Payroll Costs & Documentation***

Mark Betts, Senior Vice President, ASAP Accounting & Payroll, Inc.

### ***Q&A Session***

3

### ***The Fine Print***

*This information is provided as a self-help tool and does not constitute legal or financial advice. Laws, regulations and lending products are changing daily and decisions as to whether or how to use this information and/or what actions to take in response to the COVID19 Pandemic are solely those of the employer. The providers of this information disclaim any and all responsibility and liability for its accuracy, completeness or fitness for your particular business purposes.*

4

A blue rectangular slide with white text. At the top left is the SBA logo (the letters 'SBA' in a stylized font with a red underline) followed by 'U.S. Small Business Administration'. In the center, the text 'SBA PPP Update' is written in a large, bold, white sans-serif font. Below this text is a thin red horizontal line. Under the line, the text 'Office of Capital Access' is written in a smaller white font. At the bottom center, the text 'Colorado District Office' is written in a small white font.

**SBA** U.S. Small Business Administration

# SBA PPP Update

Office of Capital Access

Colorado District Office

5

A slide with a scenic background of a mountain range and a forest. In the top left corner is the Citizens State Bank logo, which includes a shield with a mountain and the text 'EST. 1913' and 'CITIZENS STATE BANK'. The main text 'What's New In PPP Round 2' is centered in a large, white, serif font.

**CITIZENS STATE BANK** EST. 1913

# What's New In PPP Round 2

6

## If This Is Your First PPP Loan

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- Opens window until March 31, 2021, to obtain a first-round PPP loan
- Changes the covered period for purposes of loan qualification, waiver of affiliation rules, and the time period for applying for the loan before March 31, 2021



7

## What's New This Time

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Specifies additional uses of PPP loan proceeds:

- Covered operations expenditures
- Covered property damage
- Covered supplier costs
- Covered worker protection equipment



8

## What's New This Time

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Allows flexibility in selection of covered period:

- Borrowers can select end date of their covered period
- Clarifies the process for those needing more than eight weeks but not the full 24 to use loan proceeds



9

## What's New This Time

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Changes calculation of loan amount for farmers and ranchers:

- Now based on gross income instead of net profit
- Specific application for these borrowers

Simplifies forgiveness process for loans of \$150,000 or less with a one-page form



10

## What's New This Time

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- Eliminates Economic Injury Disaster Loan Advance (EIDL) reduction from forgiveness amount
- Includes do-over provision for loans that were returned in part or full (and have not been forgiven) or that were not accepted for the full amount they were approved



11

## What's New This Time

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Expands eligibility to:

- Most I.R.C. 501(c)(6) organizations, except for lobbying organizations and those with more than 300 employees
- Housing cooperatives, newspapers, broadcasters, and radio stations



12

# Eligibility for Second PPP Loan

- 300 or fewer employees and have used or will use all of the first PPP loan
- 25 percent decline in revenue in any quarter in 2020 as compared to the same quarter in 2019
- Maximum loan amount of \$2 million
- Based on 2.5 months of average annual payroll (3.5 for businesses in hospitality)



13

## Eligibility for PPP2

- **Employ 300 employees or fewer**
  - *as opposed to 500 employees under PPP round 1*
  - *the SBA affiliation rules apply in determining the number of employees unless subject to an exemption, e.g., hospitality (NAICS code 72),*
- **Have used the full amount of PPP1 loan**
  - *PPP1 Forgiveness NOT required*
- **At least a 25% reduction in gross receipts/revenue for any quarter of 2020 relative to the same quarter in 2019**
  - *P&L reports from accounting software*
  - *Strictly on quarterly basis*
  - *Will be watching for any stipulation in guidance*

14

## PPP2 Loan Terms

- **Average Monthly Payroll for 2019 & 2020**
  - Lesser of the two reference periods x 2.5
  - No loan can be greater than \$2 million
  - Exceptions again for NAICS 72 entities = 3.5x
  - Payroll Costs as defined during round 1
  - Loans of not more than \$150K, borrower entity may submit a certification attesting that it meets the revenue loss requirements on or before the date the entity submits its loan forgiveness application
- **What will lenders require from borrowers?**
  - Anticipate payroll reports & 941s, but each lender may have different preferences
  - ASAP to supply a PDF showing 2019 & 2020 average monthly payroll costs

15

### PPP Monthly Payroll Cost

For period: 1/1/2019 - 12/31/2019

Company FEIN:

Agent Name: ASAP Accounting & Payroll, Inc.

|                       |                     | Total Wages | SI 25<br>Protax<br>Deductions | Medicare<br>Wages | Tips      | Sick/<br>Vacation<br>Wages | Over<br>\$100K<br>Amounts | PPP<br>Applicable<br>Wages | ER<br>State/Local<br>Taxes | ER<br>Retirement<br>Match | ER<br>Health<br>Expense | Total<br>PPP Costs |           |
|-----------------------|---------------------|-------------|-------------------------------|-------------------|-----------|----------------------------|---------------------------|----------------------------|----------------------------|---------------------------|-------------------------|--------------------|-----------|
| Month End Date        | Paid Employee Count |             |                               |                   |           |                            |                           |                            |                            |                           |                         |                    |           |
| 01/31/2019            | 23                  | 55094.98    | 0.00                          | 55094.98          | 9045.41   | 0.00                       | 0.00                      | 55094.98                   | 517.93                     | 0.00                      | 0.00                    | 55612.91           |           |
| 02/28/2019            | 22                  | 48476.18    | 0.00                          | 48476.18          | 8257.80   | 0.00                       | 0.00                      | 48476.18                   | 455.71                     | 0.00                      | 0.00                    | 48931.89           |           |
| 03/31/2019            | 22                  | 52646.90    | 0.00                          | 52646.90          | 10890.96  | 0.00                       | 0.00                      | 52646.90                   | 440.26                     | 0.00                      | 0.00                    | 53087.16           |           |
| 04/30/2019            | 23                  | 52712.87    | 0.00                          | 52712.87          | 11204.29  | 0.00                       | 0.00                      | 52712.87                   | 349.11                     | 0.00                      | 0.00                    | 53061.98           |           |
| 05/31/2019            | 29                  | 43807.23    | 0.00                          | 43807.23          | 6308.99   | 0.00                       | 0.00                      | 43807.23                   | 250.89                     | 0.00                      | 0.00                    | 44058.12           |           |
| 06/30/2019            | 38                  | 68884.43    | 0.00                          | 68884.43          | 10567.84  | 0.00                       | 0.00                      | 68884.43                   | 396.93                     | 0.00                      | 0.00                    | 69281.36           |           |
| 07/31/2019            | 38                  | 86110.81    | 0.00                          | 86110.81          | 13190.66  | 0.00                       | 0.00                      | 86110.81                   | 456.39                     | 0.00                      | 0.00                    | 86567.20           |           |
| 08/31/2019            | 32                  | 81784.90    | 0.00                          | 81784.90          | 17358.15  | 0.00                       | 0.00                      | 81784.90                   | 271.19                     | 0.00                      | 0.00                    | 82056.09           |           |
| 09/30/2019            | 36                  | 74204.66    | 0.00                          | 74204.66          | 13210.11  | 0.00                       | 0.00                      | 74204.66                   | 190.96                     | 0.00                      | 0.00                    | 74395.62           |           |
| 10/31/2019            | 24                  | 55186.39    | 0.00                          | 55186.39          | 9659.78   | 0.00                       | 0.00                      | 55186.39                   | 84.36                      | 0.00                      | 0.00                    | 55270.75           |           |
| 11/30/2019            | 25                  | 45828.99    | 0.00                          | 45828.99          | 6481.66   | 0.00                       | 0.00                      | 45828.99                   | 62.83                      | 0.00                      | 0.00                    | 45891.82           |           |
| 12/31/2019            | 25                  | 44119.35    | 0.00                          | 44119.35          | 6283.95   | 0.00                       | 0.00                      | 44119.35                   | 50.59                      | 0.00                      | 0.00                    | 44169.94           |           |
| PPPLookback<br>Period | 28                  | 708857.69   | 0.00                          | 708857.69         | 122459.60 | 0.00                       | 0.00                      | 708857.69                  | 3527.15                    | 0.00                      | 0.00                    | 712384.84          |           |
|                       |                     |             |                               |                   |           |                            |                           |                            |                            |                           |                         | 12 Month Average   | 59365.40  |
|                       |                     |             |                               |                   |           |                            |                           |                            |                            |                           |                         | 2.5x               | 148413.50 |

16

## Additional Eligible Expenses

- **Covered operations expenditures;** includes the payment for any software, cloud computing, and other human resources and accounting needs.
- **Covered property damage costs;** costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.
- **Covered supplier costs;** expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that were essential to the recipient'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.
- **Covered worker protection expenditure;** personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or any equivalent state and local guidance related to COVID-19 during the period between March 1, 2020, and the end of the national emergency declaration.

17

## Employee Retention Credits (ERC)

**2020 Credits Available** – more still to learn in terms of the process, but bill expands ERC to PPP1 borrowers.

To qualify for 2020 credits, you need to meet one of two tests:

- 1) Your business was shutdown by government mandate.
- 2) Your business experienced a 50% reduction in revenue in a quarter as compared to a quarter in the prior year.

You continue as eligible for the credit until the end of the quarter in which you return to at least 80% of your gross receipts as compared to the same quarter in the prior year. *(Effectively, once you have a qualifying quarter, you have two qualifying quarters.)*

*Example: If you meet one of those two requirements, the IRS gives you a credit of 50% of your wages paid to individuals up to \$10,000 in wages (\$5,000 in credit) per individual for the year.*

**However, calculations are complicated by PPP loans and needs to rely on different wages for ERC as shown on PPP forgiveness.**

18

## Employee Retention Credits (ERC)

**2021 Credits Available** – more still to learn in terms of the process, but bill expands ERC to PPP1 borrowers.

Starting in 2021, the rules for ERC change dramatically:

1) Instead of needing a 50% reduction in revenue, you only need a 20% reduction in revenue for a quarter as compared to the same quarter the previous year.

2) The credit is SIGNIFICANTLY more favorable. Instead of receiving 50% of up to the first \$10,000 in wages paid to each individual, the credit is 70% of the wages up to the first \$10,000 in wages PER QUARTER for each individual. A credit that was \$5,000 for the year in 2020 could be \$14,000 for the year in 2021.

**More still to uncover about ERC, for now we are advising those to check their eligibility and to hold off on applying for PPP1 forgiveness at this time.**

19



20

## PPP Resources

**SBA PPP Resources:** [sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program](https://sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program)

**ASAP Help Center:** [support.businessASAP.com](https://support.businessASAP.com)

**Citizens State Bank:** [CSBcolorado.com](https://CSBcolorado.com)