

**MEMORANDUM**

DATE: January 7, 2021

RE: Second Round of Paycheck Protection Program Loans

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The new federal stimulus bill signed into law at year-end includes a second round of Paycheck Protection Program (“PPP”) loans and some clarifications to the loan program. The highlights are discussed below.

**Eligibility.** To be eligible for a second round PPP loan, you must be able to demonstrate that the gross receipts of your business during the first, second, third, or fourth quarter of 2020 were at least 25% less than the same quarter in 2019. In addition, you will be eligible for a loan only if you have 300 or fewer employees. Notably, receiving a PPP loan in the first round does not make you ineligible for a second round PPP loan.

**Maximum Loan Amount.** The maximum loan amount is 2.5 times your average total monthly payroll costs during either (a) the 1-year period before the date of the loan or (b) calendar year 2019. In any event, new PPP loans are capped at \$2 million per borrower.

**Payroll Costs.** The payroll costs that may be covered with a PPP loan have been expanded to include the following:

- Group life, disability, vision, and dental insurance costs.
- Operations expenditures, meaning payments for any business software or cloud computing service that facilitates business operations, product or service delivery, payroll expense processing, payment, or tracking, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records, and expenses.
- 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.
- Payments to suppliers for goods that are essential to operations and are made pursuant to a contract or order in effect before the covered loan period (or at any time during the covered loan period for perishable goods).
- Worker protection expenditures, meaning expenditures to comply with HHS, CDC, OSHA, or equivalent state or local governmental requirements designed to protect employees from COVID-19.

**Covered Period.** The covered period for a PPP loan (i.e., the amount of time you have to spend loan proceeds) continues to be 24 weeks after the date that loan funds are disbursed.

Update regarding PPP Loans  
January 7, 2021

**Loan Forgiveness.** Like the original loans, second round PPP loans are also eligible for forgiveness so long as at least 60% of loan proceeds are spent on eligible expenses. There is also a new, simplified forgiveness application for loans of up to \$150,000.

**Tax Treatment.** The new legislation states that forgiven PPP loans (both existing and second round loans) will not be taxable. In addition, the legislation clarifies that you may deduct payroll and other expenses paid with PPP loan proceeds if the expenses are otherwise deductible, making the proceeds truly tax-free.

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