

# Paycheck Protection Program (PPP)

Eligibility, Qualified Expenses, and Loan Forgiveness

Updated as of 2/22/21

# The Small Business Administration (SBA) has initiated a new round of the Paycheck Protection Program

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Paycheck Protection Program resumed January 11, 2021. The SBA is currently accepting First Draw PPP loan applications from participating lenders. Borrowers can apply for a First Draw PPP Loan until March 31, 2021



The first round of the PPP supported over **1.66 million** small businesses and was created as part of the \$2.2 trillion coronavirus relief package enacted in March. The Small Business Administration had **approved 5.2 million loans worth \$525 billion** when the program closed in August.



In December, Congress approved another **\$284 billion** for the program when it reopened Jan. 11 and made changes aimed at making it more accessible to minorities. The SBA approved almost **1.7 million loans worth \$125.8 billion** through Feb. 15, according to an [agency report](#).



The average loan size was \$75,133, with first-draw loans being much smaller on average, the data showed. First-time business applicants received an average loan of \$21,675, while second-time recipients got an average of \$97,974.

# Loan details

## Updated PPP forgiveness guidance

The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on payroll. First Draw PPP Loans can be used to help fund **payroll costs, including benefits, and may also be used to pay for mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses** for operations.

SBA will **forgive loans** if all employee retention criteria are met, and the funds are used for eligible expenses.

## Examples of eligible PPP borrowers:



If a borrower rents an office building for \$10,000 and subleases a portion of the space for \$2,500, only \$7,500 is eligible for loan forgiveness



If the borrower has a mortgage on an office building and leases part of it, only the share of the fair market value of the non-leased portion is eligible



If borrower shares a rented space with another business, they must prorate rent and utility payments in the same way as on 2019 tax filings or expected 2020 filings



If a borrower works from home, they may include only the share of covered expenses that were deductible on the borrower's tax filings to determine eligibility

# Eligibility

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From SBA: lending institutions were not specifically allowed under PPP language – they are ineligible under 7a, and that follows into PPP eligibility

The following entities affected by Coronavirus (COVID-19) may be eligible:

- Sole proprietors, independent contractors, and self-employed persons
- Any small business concern that meets SBA's size standards (either the industry size standard or the alternative size standard)
- Any business, 501(c)(3) non-profit organization, 501(c)(19) veterans organization, or tribal business concern (sec. 31(b)(2)(C) of the Small Business Act) with the greater of:
  - 500 employees, or
  - That meets the SBA industry size standard if more than 500
- Any business with a NAICS code that begins with 72 (Accommodations and Food Services) that has more than one physical location and employs less than 500 per location

# Loan Forgiveness

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## First Draw PPP Loan forgiveness terms

First Draw PPP Loans made to eligible borrowers qualify for full loan forgiveness if during the 8- to 24-week covered period following loan disbursement:

- Employee and compensation levels are **maintained**
- The loan proceeds are spent on **payroll costs and other eligible expenses**; and
- At least **60 percent** of the proceeds are spent on payroll costs

## Second Draw PPP Loan forgiveness terms

Second Draw PPP Loans made to eligible borrowers qualify for full loan forgiveness if during the 8- to 24-week covered period following loan disbursement:

- Employee and compensation levels **are maintained in the same manner** as required for the First Draw PPP loan
- The loan proceeds are spent on **payroll costs and other eligible expenses**; and
- At least **60 percent** of the proceeds are spent on payroll costs

# How and when to apply for loan forgiveness

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A borrower can apply for forgiveness once all loan proceeds for which the borrower is requesting forgiveness have been used. Borrowers can apply for forgiveness any time up to the maturity date of the loan. If borrowers do not apply for forgiveness within 10 months after the last day of the covered period, then PPP loan payments are no longer deferred, and borrowers will begin making loan payments to their PPP lender.



## Forgiveness forms and instructions

- <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program/ppp-loan-forgiveness>
- [SBA Form 3508 Paycheck Protection Program Loan Forgiveness Application](#) (updated 01-19-21)
- [SBA Form 3508EZ Paycheck Protection Program Loan Forgiveness Application](#) (updated 01-19-21)
- [SBA Form 3508S Paycheck Protection Program Forgiveness Application](#) (updated 01-19-21)
- [Loan Forgiveness Requirements and Loan Review Procedures as Amended by Economic Aid Act](#)

# Biden Administrative Updates

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- **Institute a 14-day period, starting Wednesday, during which only businesses with fewer than 20 employees can apply for relief through the Program.**
- **Help sole proprietors, independent contractors, and self-employed individuals receive more financial support.** The administration will revise the loan calculation formula for these applicants so that it offers more relief and establish a \$1 billion set aside for businesses in this category without employees located in low- and moderate-income (LMI) areas.
- **Eliminate an exclusionary restriction that prevents small business owners with prior non-fraud felony convictions from obtaining relief through the Paycheck Protection Program.** Currently, a business is ineligible for PPP if it is at least 20 percent owned by an individual who has either: (1) an arrest or conviction for a felony related to financial assistance fraud within the previous five years; or (2) any other felony within the previous year. To expand access to PPP, the Biden-Harris administration will adopt bipartisan reforms included in the PPP Second Chance Act, which would eliminate the second restriction (the one-year look-back) unless the applicant or owner is incarcerated at the time of the application.
- **Eliminate an exclusionary restriction that prevents small business owners who are delinquent on their federal student loans from obtaining relief through the Paycheck Protection Program.** Currently, the PPP is not available to any business with at least 20 percent ownership by an individual who is currently delinquent or has defaulted within the last seven years on a federal debt, including a student loan. Working with the Departments of the Treasury and Education, the SBA will remove the student loan delinquency restriction to broaden access to the PPP.
- **Ensure access for non-citizen small business owners who are lawful U.S. residents by clarifying that they may use Individual Taxpayer Identification Numbers (ITINs) to apply for relief.** The PPP statute is clear that all lawful U.S. residents may access the program, but a lack of guidance from the SBA has created inconsistency in access for ITIN holders like Green Card holders or those here on a visa. The SBA will address this unfair inconsistency by issuing clear guidance in the coming days that otherwise eligible applicants cannot be denied access to the PPP because they use ITINs to pay their taxes.

# American Rescue Plan: Proposed Changes

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The bill would increase funding, expand eligibility for the Paycheck Protection Program, and allow forgiveness for additional expenses.

- **Program Funding:** The measure would increase the program's lending authority by **\$7.25 billion, to \$813.7 billion**, and appropriate the same amount for the Small Business Administration (SBA) to guarantee additional loans.
- **Tax-Exempt Groups:** Certain types of tax-exempt groups, such as 501(c)(3) charitable organizations, 501(c)(6) business associations, and 501(c)(19) veterans' organizations, already qualify for PPP loans. The measure would **expand the eligibility rules to cover most other types of tax-exempt groups**, including 501(c)(5) labor organizations, 501(c)(7) social and recreation clubs, and 501(c)(8) fraternal benefit societies. Religious educational groups that might otherwise be barred under SBA rules would be permitted. 501(c)(4) social welfare groups would still be prohibited.
- **Larger Nonprofits:** Some nonprofits that currently qualify for PPP loans, such as 501(c)(3) groups, can't have more employees than the SBA's size standards for the relevant industry and are subject to the agency's restrictions for affiliated entities. The measure would replace those rules, **allowing 501(c)(3) groups with as many as 500 employees per physical location** to participate without further restrictions.
- **Online News Publishers:** Internet-only news publishers that were previously ineligible could receive PPP loans if they have 500 or fewer employees or a size set by the SBA per location. They would have to certify that the funds will be used to support local news. **SBA affiliation rules and a ban on publicly traded companies would be waived for online news outlets seeking loans.**
- **Loan Forgiveness:** The measure would expand PPP loan forgiveness to **include payments made for premiums on behalf of individuals who qualify for COBRA health insurance continuation coverage**. The change would apply to loan forgiveness applications received following the measure's enactment



# Questions and Additional Resources

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- 1 Which banks are submitting applications for consumer lenders?

  - Find lenders by zip code: <https://www.sba.gov/PaycheckProtection/find>
  - SBA lender match: <https://www.sba.gov/funding-programs/loans/lender-match>
- 2 Updated Q&A doc from SBA: <https://www.sba.gov/sites/default/files/2021-01/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>
- 3 Additional resources from SBA for lenders of PPP loans: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program/ppp-lender-information>



Contact SBA's Answer Desk by email to [answerdesk@sba.gov](mailto:answerdesk@sba.gov) or call [800-827-5722](tel:800-827-5722) Monday through Friday, between 9 a.m. and 6 p.m. EST, or speak with an American Sign Language (ASL) interpreter via videophone at [855-440-4960](tel:855-440-4960).

