



PPP: SBA Economic Aid Update

AMERICA'S SBDC
SMALL BUSINESS DEVELOPMENT CENTER
TEXAS GULF COAST NETWORK
UNIVERSITY OF HOUSTON | BAUER
HOUSTON CENTER

Business Advising Services - 713-752-8444
Workshops and Seminars - 713-752-8488

**VISIT SBDC.UH.EDU
FOR MORE INFORMATION**

HELPING SMALL BUSINESSES START, GROW, AND SUCCEED

1



PPP: SBA Economic Aid Update

Presented by Rebecca Schultz
www.synerlock.com

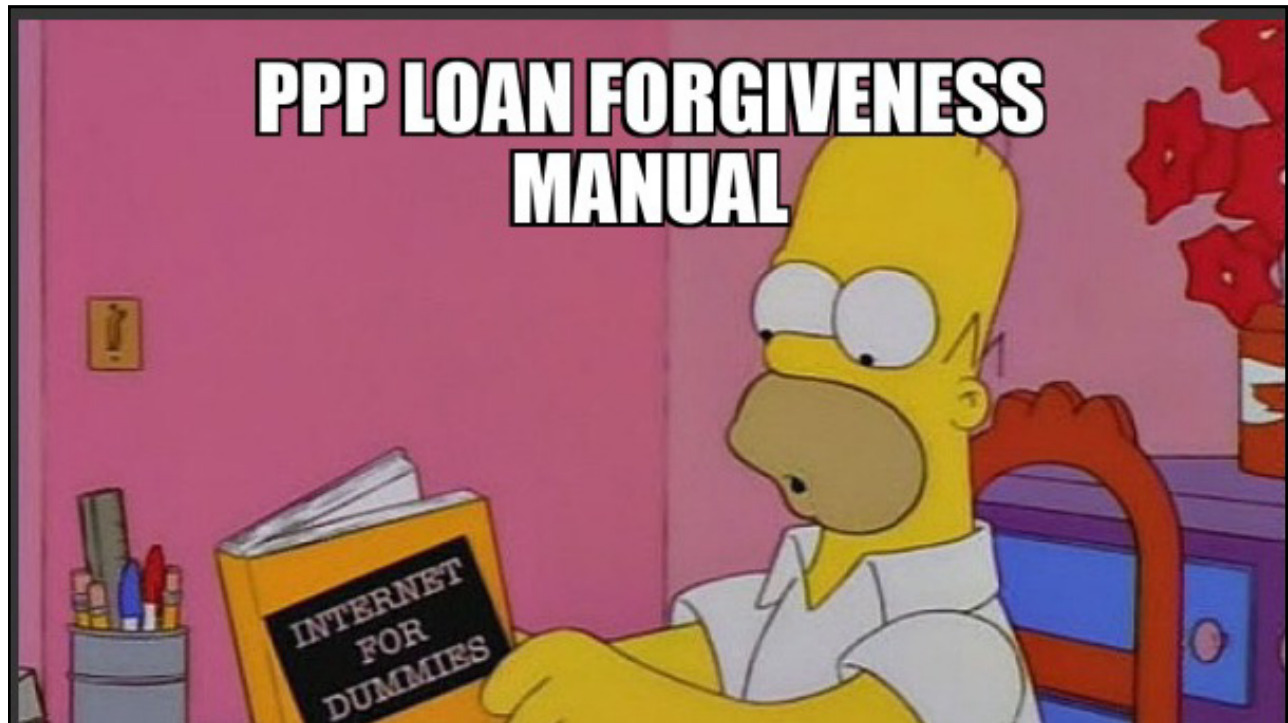
2

The Houston Center SBDC would like to give special recognition to Rebecca Schultz, Founder of Synerlock Corporation for the use of these materials. These materials are the sole property of Rebecca Schultz and may not be reproduced without the express written permission of the author.

The UH Bauer College SBDC is a business advising and training center of the University of Houston Texas Gulf Coast SBDC Network serving 32 counties in Southeast Texas. The SBDC program is funded in part through a Cooperative Agreement with the U.S. Small Business Administration.



3



4

Important Update

PPP Initial Loan Request

PPP Second Draw Loan

PPP Loan Forgiveness

Important details to remember

Agenda:

5

Important Update

6

Coronavirus Relief Act

- Extended the PPP Program till May 31, 2021
- \$284.45 billion in PPP funding (Initial & Second Draw combined)
 - \$15 billion set-aside for Community Financial Institutions (CDFIs, MDI)
 - \$35 billion for first-time PPP borrowers
 - \$15 billion for smaller first-time borrowers with 10 or less employees, or loans less than \$250,000
 - \$50 million in funding for PPP auditing and fraud mitigation
- \$36 billion in remaining PPP funding support as of April 25, 2021

7

Current Funding Status

Loan Breakdown for 2021 PPP

First Draw Loans	Loans Approved	Net Dollars	Average Loan Size	Lender Count
Total First Draw Loans	2,712,668	\$51,223,273,376	\$18,883	5,166
First Draw Loans with 10 or fewer employees	2,672,532	\$39,983,490,762	\$14,961	5,113
First Draw Loans LMI & Less than \$250k	890,278	\$14,835,179,645	\$16,657	4,601
Second Draw Loans	Loans Approved	Net Dollars	Average Loan Size	Lender Count
Total Second Draw Loans	2,432,688	\$197,202,200,625	\$81,088	5,214
Second Draw Loans with 10 or fewer employees	1,822,635	\$15,846,238,274	\$28,571	5,187
Second Draw Loans LMI & Less than \$250k	\$50,478	\$13,473,557,814	\$42,642	4,700
First & Second Draw Loans	Loans Approved	Net Dollars	Average Loan Size	Lender Count
Total First & Second Draw Loans	5,145,356	\$248,425,474,001	\$48,293	5,247
PPP Loans by Community Financial Institutions	675,013	\$17,993,265,986	\$26,656	453
PPP Loans by Insured Depository Institutions <\$100 in Assets	1,817,157	\$96,603,725,345	\$53,737	4,116
PPP Loans by Credit Unions <\$100 in Assets	131,999	\$4,772,819,235	\$35,095	842
PPP Loans by Farm Credit System Institutions <\$100 in Assets	18,883	\$88,606,819	\$20,800	41

As of April 25, 2021

\$36B

8

Recent Changes

- Allow sole proprietors, independent contractors, and self-employed individuals to receive more financial support by revising the PPP's funding formula for these categories of applicants
- Eliminate an exclusionary restriction on PPP access for small business owners with prior non-fraud felony convictions, consistent with a bipartisan congressional proposal
- Eliminate PPP access restrictions on small business owners who have struggled to make federal student loan payments by eliminating federal student loan debt delinquency and default as disqualifiers to participating in the PPP; and
- Ensure access for non-citizen small business owners who are lawful U.S. residents by clarifying that they may use Individual Taxpayer Identification Number (ITIN) to apply for the PPP.

9

PPP Initial Loan Request

10

Eligibility

- Employ 500 or fewer employees;
- Business operating before 02/15/2020;
- Can show payroll figures for either 2019 or 2020 to calculate PPP loan amount using either tax returns or 941 for chosen year;
- Reapplying and Loan Increases Existing PPP borrowers that did not receive loan forgiveness by December 27, 2020 may: (1) reapply for a First Draw PPP Loan if they previously returned some or all of their First Draw PPP Loan funds, or (2) under certain circumstances, request to modify their First Draw PPP Loan amount if they previously did not accept the full amount for which they are eligible.
- Eligible entities must be businesses, certain non-profit organizations, housing cooperatives, veterans' organizations, tribal businesses, self-employed individuals, sole proprietors, independent contractors, and small agricultural co-operatives.

11

PPP Initial Loan Terms

- Up to \$2MM in available funding
- Loan amount equal to 2.5 months of average payroll
- Sole proprietor, Independent Contractors, and Self-employed individuals use Gross Income
- 1.00% up to 5 years max maturity
- Certify necessity of loan for business continuance
- No collateral or personal guarantees
- Loans given through current banking relationship*
- 8 or 24 weeks to use funds based on guidelines*
- Loan may be all or partially forgiven if you meet specific requirements*

12

Application for PPP Initial Loan

The screenshot shows the first page of the PPP application form, titled "Payroll Protection Program" and "Business Application Form for Veterans of Foreign Wars Service Members & Spouses". It includes sections for "Business Information", "Business Information", "Business Information", and "Business Information".

The screenshot shows the second page of the PPP application form, titled "Payroll Information". It includes sections for "Payroll Information", "Payroll Information", and "Payroll Information".

The screenshot shows the third page of the PPP application form, titled "Lender Information". It includes sections for "Lender Information", "Lender Information", and "Lender Information".

13

Application for PPP Initial Loan Schedule C Reporters

The screenshot shows the first page of the PPP application form, titled "Payroll Protection Program" and "Business Application Form for Veterans of Foreign Wars Service Members & Spouses". It includes sections for "Business Information", "Business Information", "Business Information", and "Business Information".

The screenshot shows the second page of the PPP application form, titled "Payroll Information". It includes sections for "Payroll Information", "Payroll Information", and "Payroll Information".

The screenshot shows the third page of the PPP application form, titled "Lender Information". It includes sections for "Lender Information", "Lender Information", and "Lender Information".

14

Example Support Documents

A screenshot of a 2020 Profit or Loss Statement tax form. The form is titled "Profit or Loss Statement" and includes various sections for reporting income, expenses, and deductions. It features a table with multiple columns for different categories of income and expenses, and a total line at the bottom.

A screenshot of a 2020 941-X4 Employer's Quarterly Federal Tax Return. The form is titled "941-X4 for 2020: Employer's QUARTERLY Federal Tax Return" and includes various sections for reporting payroll taxes, Social Security, and Medicare. It features a table with multiple columns for different categories of payroll taxes and a total line at the bottom. A red "941 X 4" watermark is overlaid on the form.

PPP Second Draw Loan

Creates a second loan from the Paycheck Protection Program, called a "PPP second draw" loan for smaller and harder-hit businesses, with a maximum amount of \$2 million.

- Eligibility:
 - 300 employees or less
 - Have used or will use the full amount of their first PPP; and
 - Demonstrate at least a 25 percent reduction in gross receipts in the first, second, or third quarter of 2020 relative to the same 2019 quarter. Provides applicable timelines for businesses that were not in operation in Q1, Q2, and Q3, and Q4 of 2019. Applications submitted on or after January 1, 2021 are eligible to utilize the gross receipts from the fourth quarter of 2020.
 - Eligible entities must be businesses, certain non-profit organizations, housing cooperatives, veterans' organizations, tribal businesses, self-employed individuals, sole proprietors, independent contractors, and small agricultural co-operatives.
 - Cannot be a publicly traded company
 - ~~Cannot receive Shuttered Venue Operator Grant*~~

PPP Second Draw Eligibility

17

Borrowers may receive a loan amount of up to 2.5X the average monthly payroll costs in the one year prior to the loan or the calendar year. No loan can be greater than \$2 million.

- Seasonal employers may calculate their maximum loan amount based on a 12-week period beginning February 15, 2019 through February 15, 2020.
- New entities may receive loans of up to 2.5X the sum of average monthly payroll costs.
- **Entities in industries assigned to NAICS code 72 (Accommodation and Food Services) may receive loans of up to 3.5X average monthly payroll costs.**
- Businesses with multiple locations that are eligible entities under the initial PPP requirements may employ not more than 300 employees per physical location.
- Waiver of affiliation rules that applied during initial PPP loans apply to a second loan.
- An eligible entity may only receive one PPP second draw loan.
- Fees are waived for both borrowers and lenders to encourage participation.
- Loans of not more than \$150,000, the entity may submit a certification attesting that the entity meets the revenue loss requirements on or before the date the entity submits their loan forgiveness application and non-profit and veterans organizations may utilize gross receipts to calculate their revenue loss standard.

Loan Amounts & Terms

18

- **Farmers:**
 - New Loan calculation for the first round of Paycheck Protection Program loans for farmers and ranchers who operate as a sole proprietor, independent contractor, self-employed individual, who report income and expenses on a Schedule F, and were in business as of February 15, 2020. These entities may utilize their gross income in 2019 as reported on a Schedule F. Lenders may recalculate loans that have been previously approved to these entities if they would result in a larger loan.
- **Housing Cooperatives:**
 - Extends PPP eligibility to housing cooperatives defined in section 216(b) of the Internal Revenue Code of 1986 and which employ no more than 300 employees.
- **News Organizations:**
 - Makes eligible FCC license holders and newspapers with more than one physical location, as long as the business has no more than 500 employees per physical location or the applicable SBA size standard; and makes eligible section 511 public colleges and universities that have a public broadcasting station if:
 - The organization certifies that the loan will support locally focused or emergency information.
- **Destination Marketing Organizations:**
 - 501 (c) organizations not involved in lobbying or political activities

Support for farmers, housing cooperatives, news organizations, destination marketing organizations

Application for PPP Second Draw

The image shows a screenshot of the PPP Second Draw application form. The form is titled "Paycheck Protection Program Second Draw Application" and includes sections for:

- Business Information:** Name, address, phone, and website.
- Business Type:** A dropdown menu to select the business type.
- Employee Information:** A table to list employees, including name, title, and salary.
- Business Information:** A section for providing details about the business's operations and financials.
- PPP Loan Information:** A section for providing details about the PPP loan, including the lender's name and the loan amount.
- Declaration:** A section for the applicant to declare that the information provided is true and correct.

Application for PPP Second Draw Schedule C Filers

The image shows a portion of the PPP Second Draw application form. It includes sections for 'Business Information', 'Business Operations', and 'Payroll Information'. The 'Business Information' section contains fields for business name, address, and phone number. The 'Business Operations' section includes checkboxes for 'I am a sole proprietor or single-member LLC', 'I am a partner in a partnership', and 'I am an owner of a multi-member LLC'. The 'Payroll Information' section includes fields for 'Number of employees' and 'Payroll amount'. The form is titled 'PPP Second Draw Application Form for Schedule C Filers'.

The image shows another portion of the PPP Second Draw application form, likely the 'Business Operations' section. It includes checkboxes for 'I am a sole proprietor or single-member LLC', 'I am a partner in a partnership', and 'I am an owner of a multi-member LLC'. It also includes fields for 'Number of employees' and 'Payroll amount'. The form is titled 'PPP Second Draw Application Form for Schedule C Filers'.

21

- Borrowers of a PPP second draw loan would be eligible for loan forgiveness equal to the sum of their payroll costs, as well as covered mortgage, rent, and utility payments, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures incurred during the covered period. The 60/40 cost allocation between payroll and non-payroll costs in order to receive full forgiveness will continue to apply.
- Extends existing safe harbors on restoring FTE and salaries and wages.

Loan Forgiveness


22

PPP Loan Forgiveness

23


PPP Loan Forgiveness Basics:

- What we know now about PPP Forgiveness
- Businesses have 2 months (8 weeks) or 6 months (24 weeks) to use funds
- Businesses could borrow 2.5 x their historical payroll costs
- To receive full forgiveness on the PPP loan:
 - 60% of all borrowed funds must be spent on approved payroll costs
 - Full-time Equivalent headcount had to be reinstated
 - Salary and wages during the 8 weeks or 24 weeks after PPP loan should be within 25% of pre-disaster wages
 - Up to 40% of borrowed funds can be used for approved non-payroll uses (mortgage interest, rent/lease payments, essential utility expenses, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditure.)
- Allows loans made under PPP before, on, or after the enactment of this act to be eligible to utilize the expanded forgivable expenses except for borrowers who have already had their loans forgiven




24


Clarification of tax treatment of PPP Loans



Gross income does not include forgiveness of certain loans, emergency EIDL grants, and certain loan repayment assistance, each as provided by the CARES Act.



The provision also clarifies that deductions are allowed for otherwise deductible expenses paid with the amounts not included in income by this section, and that tax basis and other attributes will not be reduced as a result of those amounts being excluded from gross income.




The provision is effective for tax years ending after date of enactment of the CARES Act. The provision provides similar treatment for Targeted EIDL advances and Grants for Shuttered Venue Operators, effective for tax years ending after the date of enactment of the provision.

25

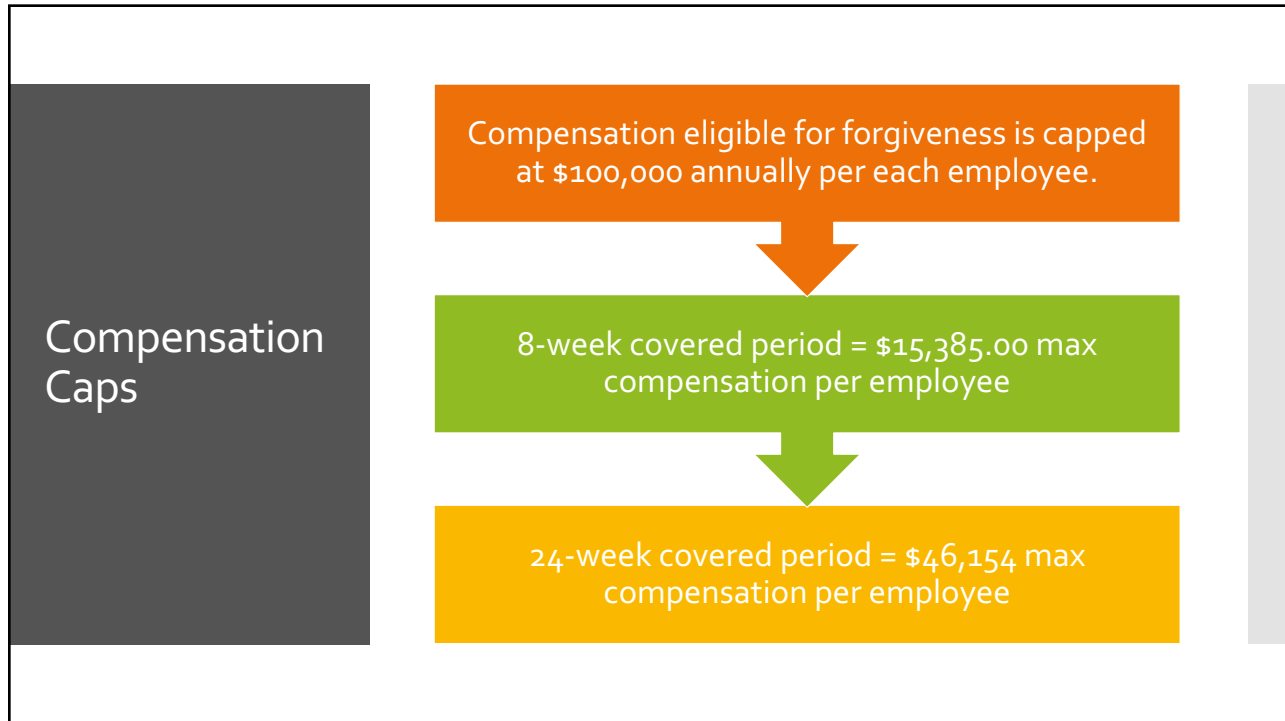
Repeal of EIDL Advance Deduction

- Repeals section 1110(e)(6) of the CARES Act, which requires PPP borrowers to deduct the amount of their EIDL advance from their PPP forgiveness amount.
- Establishes the Sense of Congress that EIDL Advance borrowers should be made whole without regard to whether those borrowers are eligible for PPP forgiveness.
- The Administrator shall issue rules that ensure borrowers are made whole if they received forgiveness and their EIDL was deducted from that amount.



AMERICA'S
SBDC
SMALL BUSINESS DEVELOPMENT CENTER
TEXAS GULF COAST NETWORK
UNIVERSITY OF HOUSTON | BAUER
HOUSTON CENTER

26



27

- If the Borrower has elected an 8- week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.
- If a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual.
- *Owner-employees that have 5% or less interest in business are not held to owner-employee compensation caps.*

Compensation Caps Owner-Employee Self-Employed General Partner

AMERICA'S
SBDC
SMALL BUSINESS DEVELOPMENT CENTER
TEXAS GULF COAST NETWORK
UNIVERSITY OF HOUSTON | BAUER
HOUSTON CENTER

28

- Covered operations expenditures. 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
- 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.



New Non-payroll eligible costs

29



- If a borrower is renting a space, and they sublease a portion of the space, the borrower can only claim the net rent expense. In other words, if the rent is \$7,000 per month, and they sublease for \$3,000 per month; they can only claim \$4,000 for non-payroll expenses.
- If a borrower has a mortgage on the building, and they lease 25% of the fair market value of the building, they can only claim 75% of the mortgage expense for forgiveness.
- If the borrower shares the space with another business, they must prorate the rent and utility payments in the same manner as on the borrower's 2019 tax filings, or if a new business, the borrower's expected 2020 tax filings.
- If the borrower is paying rent to a real estate holding company (which they own), the borrower can only claim that portion of rent that does not exceed the monthly interest payments on the loan, for the covered period.
- If the borrower works out of their home, they can only include that portion of non-payroll expenses (for the covered period) that were deductible on the borrower's 2019 tax filings, or for a new business, the borrower's expected 2020.

Non-payroll eligible costs

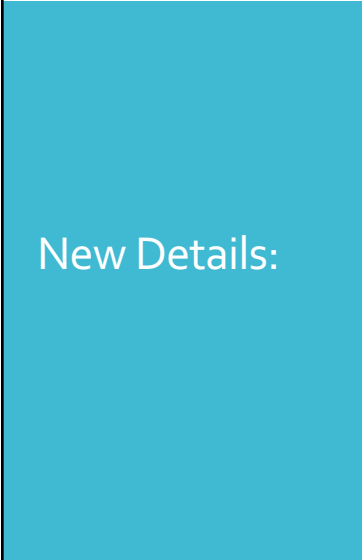
30

Businesses contemplating a material change in ownership should provide written notice to their PPP lenders along with a copy of the drafted agreement prior to completing the transaction. This requirement applies to businesses meeting the following criteria:


- 20% or more of the ownership in the borrower is sold or transferred;
- the PPP loan borrower sells or transfers 50% or more of its assets based on their fair market value; or
- a PPP loan borrower merges with or into another entity.



31



- Form 3508S, 3508EZ, & 3508 forgiveness application provides new terms and timeframes for use in calculations
- Ability to calculate reduction in forgiveness
- Some flexibility on timeframes
- Clear safe harbor definitions and guidelines



32

Definitions:

- Safe Harbor:
 - FTE safe harbor allows business owners to avoid penalties for non-returning employees if they document and justify unfilled position due to:
 - 1) employee refusing to return when written offer provided,
 - 2) fired for just cause,
 - 3) employee resignation.
 - 4) voluntarily requested and received reduced hours,
 - 5) written offer to restore reduced hours was rejected by employee,
 - 6) unable to require qualified individual to fill position before end of covered period
 - **24-week option requires documented attempt to rehire/fill position***
 - Salary Hourly Wage Reduction safe harbor allows for business owners to avoid penalty should annual salary or hourly wages be adjusted within 25% of reference period wages by 8 weeks or 24 weeks



33

Documentation:

- Payroll:
 - Bank statements, payroll processing records, proof of how much you paid each employee (down to detail of number of hours worked each week), payroll tax filings (941), state and local taxes (copy of filings), proof of employer contributions (canceled checks, receipts, statements)
- Non-payroll:
 - Mortgage interest: Lender amortization schedule, receipts, canceled checks, lender statements for 1 month after covered period ends
 - Rent: Copy of lease agreement, receipts, canceled checks, or lessor accounts statements from February 2020 through 1 month following end of covered period
 - Utilities: Invoices/bills starting February 2020, canceled checks, account statements verifying eligible payments
 - PPP Application and all support documents used in connection to the PPP loan



34

What you need before you start:

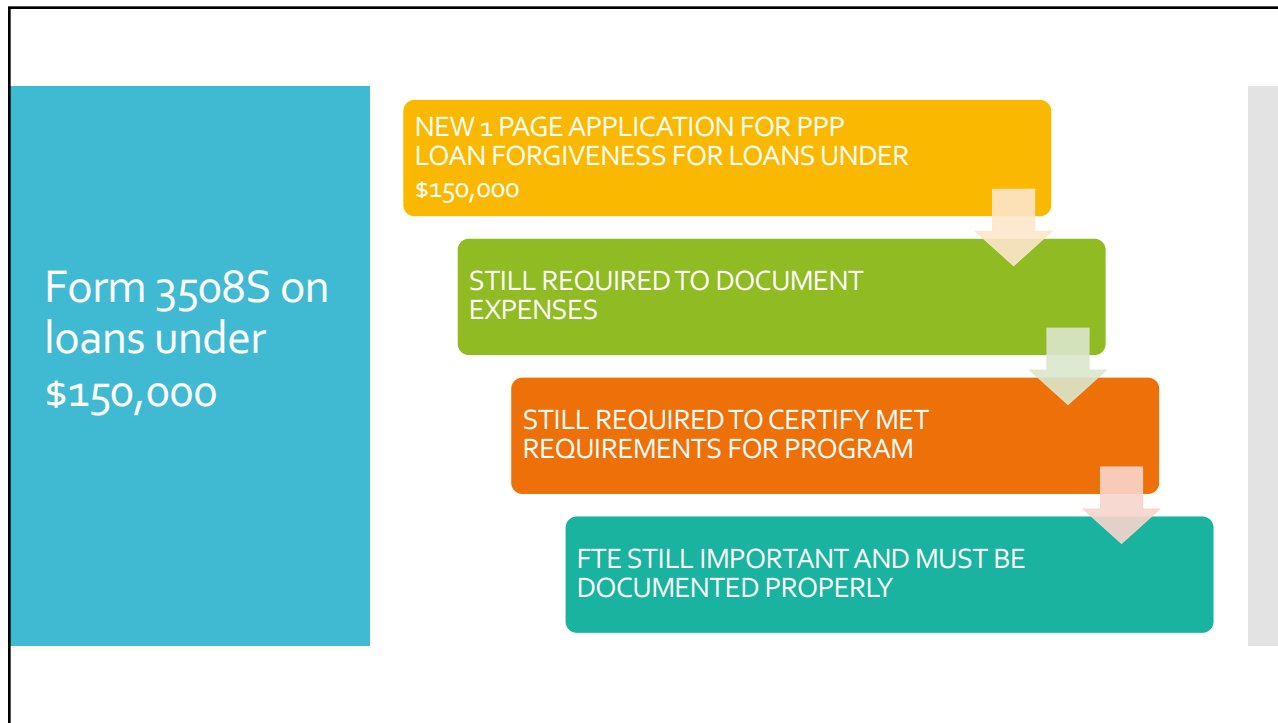
- Calendar
- Calculator
- PPP loan contracts, application & pre-disaster support documents
- Post PPP funding support documents
- Patience



35

Form 3508S

36



37

Form 3508S

Payroll Reduction Program
PPP Loan Forgiveness Application (Form 3508S) Revised August 20, 2020
A BUSINESS MAY ONLY OBTAIN FORGIVENESS OF UP TO 80% OF THE AMOUNT OF A PPP LOAN OF \$150,000 OR LESS

Business Information:

Business Name:	Business Type:	Business Size:	Business Status:

First Draw PPP Loan Second Draw PPP Loan (check one)

MA PPP Loan Number: _____ Payroll PPP Loan Number: _____
 PPP Loan Amount: _____ PPP Loan Disbursement Date: _____
 Signature of Borrower: _____ Signature of Third-Party Applicant: _____
 Current Period: _____

Statement of Loan Used on Payroll Costs: **Required Loan Forgiveness Amount:** _____

2) Signature Block, Free Willing the Following Representations and Certifications on behalf of the Borrower:
 The undersigned represents that the information provided in all the items to which you are required to complete is true and correct.

The Borrower has provided all information to the Payroll Reduction Program Rules (the "Rules") and the undersigned certifies that the information provided is true and correct.

- The undersigned certifies that the information provided in this application is true and correct.
- The undersigned certifies that the information provided in this application is true and correct.
- The undersigned certifies that the information provided in this application is true and correct.

The undersigned certifies that the information provided in this application is true and correct.

Signature of Authorized Representative of Borrower: _____ **Date:** _____
Print Name: _____ **Title:** _____
 SBA Form 3508S (2020)

**AMERICA'S
SBDC**
SMALL BUSINESS DEVELOPMENT CENTER
TEXAS GULF COAST NETWORK
UNIVERSITY OF HOUSTON | BAUER
HOUSTON CENTER

38

3508EZ Forgiveness Applications

39

Who can use EZ form?

- Borrower didn't reduce annual salary or hourly wages of any employee by more than 25% during Covered Period or Alternative Payroll Covered Period and didn't reduce the number of employees or the average paid hours of employees between 1/1/20 and the end of Covered Period; or
- Borrower didn't reduce salary or wages of any employee by more than 25% during Covered Period or Alternative Payroll Covered Period and was unable to operate during Covered Period at the same level of business activity as before 2/15/20 due to compliance with HHS, CDC, or OSHA restrictions issued between 3/1/20 and end of national disaster related to COVID-19.

40

Completed Application

PPP Loan Forgiveness Application Form

Business Information:
 Business Name: [Redacted]
 EIN: [Redacted]
 SBA Franchise #: [Redacted]

PPP Loan Information:
 Loan Number: [Redacted]
 Loan Disbursement Date: [Redacted]

Employees:
 Employees at Time of Loan Application: 6
 Employees at Time of Forgiveness Application: 6

Expense Category	Amount
Payroll and Overtime Costs	24,000.00
Line 1: Payroll Costs (from Form PPP Schedule A, line 10)	0.00
Line 2: Disaster Unemployment Payments	0.00
Line 3: Disaster Taxes on Loans Payments	0.00
Line 4: Business Property Payments	342.22
Line 5: Contract Obligations Payments	0.00
Line 6: Contract Payments Disbursements	0.00
Line 7: Contract Regular Costs	0.00
Line 8: Contract Worker Incentive Payments	0.00
Line 9: Other Allowable Single Disbursements (from Form PPP Schedule A, line 11)	0.00
Line 10: Single Disbursement from 7 through 8, less allowed disbursement in line 9	0.00
Line 11: PPP Forgiveness Question (from the schedule from Form PPP Schedule A, line 12)	1.00
Signature of Business Owner: Line 12: Signature of Business Owner (See 12(a) for Sign.)	25,242.22
Line 13: SBA Fee (See Instructions for Form PPP Schedule A, line 13)	0.00
Line 14: Total PPP Loan Amount	25,242.22
Line 15: Total PPP Loan Amount (See 15(a) for Sign.)	25,242.22
Line 16: Total PPP Loan Amount (See 15(b) for Sign.)	25,242.22
Line 17: Total PPP Loan Amount (See 15(c) for Sign.)	25,242.22

Signature Section:
 Signature of Business Owner: [Redacted]
 Signature of SBA Representative: [Redacted]

47

Important Details to Remember:

- New guidance is rolling out weekly
- PPP program deadline
- Be proactive in communication
- Penalties for not adhering to guidance are real
- Safe harbors allow much needed support and flexibility
- You MUST be conscious of spending and documentation
- Anticipate an SBA audit



48

Summary:

- Support for small businesses during this time is evident. Updated guidance from SBA is supporting more small businesses.
- Understanding support available is the responsibility of the business owners.
- The SBDC is providing free assistance to those interested in learning more.



49

Need More?

Rebecca Schultz
Founder/Executive Loan Consultant
Synerlock Corporation
Email: rschultz@synerlock.com
www.synerlock.com
LinkedIn: [Linkedin.com/company/synerlock](https://www.linkedin.com/company/synerlock)



50

The information on this presentation is time sensitive and may not apply after 4/28/21

THANK YOU FOR WATCHING!

**AMERICA'S
SBDC**
SMALL BUSINESS DEVELOPMENT CENTER
TEXAS GULF COAST NETWORK
UNIVERSITY OF HOUSTON | BAUER
HOUSTON CENTER

Business Advising Services - 713-752-8400

Workshops and Seminars - 713-752-8488

VISIT SBDC.UH.EDU FOR MORE INFORMATION

51