

Paycheck Protection Program Improvements and the New Second Draw Loan Program

Key Facts:

- Newly enacted legislation provides additional funding and flexibility for **Paycheck Protection Program (PPP)** loans and a new PPP Second Draw Loan program.
- PPP loan recipients will now be able to use funds for **additional expenses**, including certain operations expenditures, supplier costs, and worker protection expenditures; include additional **group insurance payments** in calculating PPP payroll costs; and **reapply**, as needed, for the new maximum amount applicable.
- The PPP **Second Draw Loan** program would allow eligible businesses – including electric cooperatives – with no more than 300 employees and a 25 percent reduction in gross revenues to receive a second, forgivable loan of up to \$2 million.

Background

The Paycheck Protection Program (PPP) provides loans to eligible small businesses for up to 2.5 times average monthly payroll expenses, not to exceed \$10 million. Loan forgiveness is provided for up to eight weeks of qualified utility bills (including electric, telephone, and internet), mortgage interest and rent, and payroll costs. The Small Business Administration (SBA) and Treasury Department issued [guidance](#) on May 14th explicitly stating that 501(c)(12) electric cooperatives are eligible PPP borrowers if they meet eligibility requirements.

On December 21, 2020, Congress passed the “*Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act*” as part of the comprehensive government funding and COVID-19 relief package. This legislation provides additional flexibility for PPP loan recipients and creates a new PPP Second Draw Loan program for the hardest hit businesses. Congress provided \$284.45 billion in new funding for these two programs.

Paycheck Protection Program Improvements

Paycheck Protection Program loan recipients are now able to use PPP funds for additional eligible and forgivable expenses, including:

- *Covered operations expenditures.* Payment for any software, cloud computing, and other human resources and accounting needs.
- *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.

- *Covered worker protection expenditures.* Personal protective equipment and adaptive investments to help a recipient comply with federal, state, or local health and safety guidelines related to the COVID-19 pandemic (between March 1, 2020 and the end of the national emergency declaration).

Additional changes to the PPP include:

- Allowing borrowers to select their loan forgiveness covered period between 8 weeks and 24 weeks.
- Simplifying the forgiveness application process for smaller loans up to \$150,000 while increasing SBA's ability to audit and review forgiven loans.
- Allowing PPP borrowers to include additional group insurance payments when calculating their PPP payroll costs, including vision, dental, disability and life insurance.
- Allowing borrowers who returned all or part of their PPP loan to reapply for the maximum amount applicable.
- Prohibits use of PPP loan proceeds for lobbying activities.

Paycheck Protection Program Second Draw Loans

Additionally, Congress created a program under which certain, hardest hit PPP loan recipients could receive a second forgivable loan. Eligible small businesses and organizations must have no more than 300 employees and demonstrate at least a 25 percent reduction in gross revenues between comparable quarters in 2019 and 2020. Electric cooperatives would be eligible for the Second Draw Loan program, should they meet these criteria, as a result of their eligibility for first round PPP loans (through the Treasury guidance noted above).

The maximum loan amount is 2.5 times average monthly payroll costs, up to \$2 million. Eligible and forgivable expenses would remain the same as the original PPP loan program, and borrowers would again receive full loan forgiveness if they spend at least 60 percent of their second loan on payroll costs over a time period of their choosing between 8 weeks and 24 weeks.

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