

Guide to:

Dec 27, 2020 Economic Aid to Hard-Hit Small Businesses, Nonprofits,
and Venues Act (the Economic Aid Act)

SBA Paycheck Protection Program (PPP) Loans

Presented by:

Wayne Wong | Maui Center Director, Hawaii Small Business Development Center





SBA Paycheck Protection Program (PPP)

Dec 27, 2020
Economic Aid to Hard-Hit
Small Businesses, Nonprofits,
and Venues Act
(the Economic Aid Act)

(3rd Round) Paycheck Protection Program Update

- New law re-authorized another \$284B in PPP forgivable loans until 3/31/21.
- covered period can be any length between 8 and 24 weeks to best meet business needs;
- additional allowed expenses: operations expenditures, property damage costs, supplier costs, and worker protection expenditures;
- eligibility expanded to include select 501(c)(6)s, housing cooperatives, electric cooperatives, direct marketing organizations, other types of organizations;
- greater flexibility for seasonal employees;
- certain existing PPP borrowers now eligible to apply for a Second Draw PPP Loan;
- Simplified forgiveness process for small loans (<\$150K)
- clarifies that forgiven PPP, for tax purposes is not taxable gross income. Also, any otherwise deductible expenses paid with the proceeds of a forgiven PPP funds remain deductible.
- EIDL Advances are no longer deducted from Forgiveness.

SBA Paycheck Protection Program (PPP)

(the Economic Aid Act)

Background:

- \$284B in PPP forgivable loans
- PPP specifically designed to provide job retention (payroll costs) and some limited other expenses.
- Loans intended to cover 8 to 24 weeks payroll
- Limited other operating expenses:
 - mortgage interest,
 - rent and
 - utility costsand new for 2021 includes:
 - operations expenditures,
 - property damage costs due to public disturbance,
 - supplier costs, and
 - worker protection expenditures.
- Program application dates, both draws,: 1/19/21 - 3/31/2021



SBA Paycheck Protection Program (PPP)

Dec 27, 2020

Economic Aid to Hard-Hit
Small Businesses, Nonprofits,
and Venues Act
(the Economic Aid Act)

PPP First Draw 2021

- Forgivable Loan to small businesses (per SBA definition) that were “in operation February 15, 2020”.
 - Loan Amount “based on payroll costs incurred during the 1-year period before the date of the loan...” is equal to 2.5 x average monthly payroll costs (3 calc methods):
 - 2019 payroll costs divided by 12, or
 - 2020 payroll costs divided by 12, or
 - month’s payroll costs precisely 1-year before the date on which the loan is made
- Maximum of \$2 million
- Interest 1%, non-compounding, non-adjustable
 - Five-year payback on unforgiven amounts
 - First payment deferred until forgiveness determination (which is due NLT 10 months at end of chosen covered period (interest accrues))
 - No cost to apply. Loan thru SBA lenders/banks.

SBA Paycheck Protection Program (PPP)

Dec 27, 2020

Economic Aid to Hard-Hit
Small Businesses, Nonprofits,
and Venues Act
(the Economic Aid Act)

PPP Second Draw

A borrower is generally eligible for a Second Draw PPP Loan, maximum \$2M, if the borrower:

- previously received a First Draw PPP Loan and will or has used the full amount only for authorized uses;
- has no more than 300 employees;
- demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020.
- loan amount remains 2.5 times average monthly payroll costs in the one year prior to the loan, or calendar year 2019. Borrowers in accommodation and food services—e.g., hotels and restaurants NAICS 72—may receive loans of up to 3.5 times their average monthly payroll costs.

SBA Paycheck Protection Program (PPP)

Dec 27, 2020

Economic Aid to Hard-Hit
Small Businesses, Nonprofits,
and Venues Act
(the Economic Aid Act)

Who is Eligible (basics)?

- Officially registered small businesses operating legally under federal and state laws in operation as of Feb 15, 2020.
- Meets SBA small business size criteria
- independent contractor, eligible self-employed individual, or sole proprietor, 501(c)(3) non-profit, eligible section 501(c)(6) organization, eligible 501(c)16 electric cooperatives, 501(c)(19) veterans, tribal business concern, a housing cooperative, eligible destination marketing organization.
- Different rules for NAICS 72 (accommodations and restaurants) and franchises and a news organizations that is majority owned or controlled by a NAICS code 511110 or 5151



SBA Paycheck Protection Program (PPP)

Dec 27, 2020
Economic Aid to Hard-Hit
Small Businesses, Nonprofits,
and Venues Act
(the Economic Aid Act)

How do I apply?

Most Lenders require utilizing their own Online application web portal instead of the above paper forms- **Contact an approved SBA Lender for online application web address (Hawaii list provided below...)**

For planning Here are the 'Paper Forms'...

SBA PPP Online **Form 2483** – First Draw Borrower Application
(Updated 1/8/21):

<https://www.sba.gov/document/sba-form-2483-paycheck-protection-program-borrower-application-form>

SBA PPP Online **Form 2483-SD** – Second Draw Borrower Application (Updated 1/8/21):

<https://www.sba.gov/document/sba-form-2483-sd-ppp-second-draw-borrower-application-form>

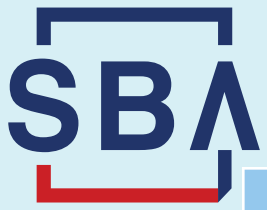
SBA Paycheck Protection Program (PPP)

Dec 27, 2020
Economic Aid to Hard-Hit
Small Businesses, Nonprofits,
and Venues Act
(the Economic Aid Act)

Required Documentation?

Depending on your lender you'll need to provide some or all of the following **Documentation**:

- Tax Returns for 2019
- Payroll reports showing clearly monthly average payroll costs (one of the following):
 - IRS Form 941
 - IRS Form 1099 and/or Schedule C or F (Self-employed & Independent Contractor Only)
 - Payroll Provider Documentation
 - Payroll Schedule from CPA, Bookkeeper
- Legal Company formation documents, ownership
- Certification that all employees live within the United States
- Certification that COVID-19 has negatively impacted your business



U.S. Small Business Administration

SBA Lenders Accepting PPP loan applications for Hawaii

As of January 14, 2021 (subject to change)



SBA Approved Lender	Existing Customers	New Customers	Requirement(s)
American Savings Bank	Yes	Yes	Borrower must have/open business checking account w/ASB
Bank of Hawaii	Yes	No	Existing Customers Priority
Central Pacific Bank	Yes	Yes	Borrower must have existing business checking account or open a new business checking account with CPB –Hawaii-based only
First Hawaiian Bank	Yes	No	Existing Customers Priority
Gather FCU	Yes	Yes	2nd Draws to members and non-members
Hawaii Central FCU	Yes	No	Membership required
Hawaii First FCU (Hawaii Island only)	Yes	Yes	Hawaii Island members only
Hawaii National Bank	Yes	No	Existing Customers Priority
HawaiiUSA FCU	Yes	No	2nd Draws to members only
Home Street Bank	Yes	No	2nd Draws to members only
Ohana Pacific Bank	Yes	Yes	Existing Customers Priority
Kauai Government Employees FCU	Yes	Yes	Only available to Kauai-based businesses, membership required
Territorial Savings Bank	Yes	No	
Fintech Company: QuickBooks Capital	Pending	Pending	PPP portal being updated. Elig customers will be notified
Fintech Company: Kabbage via KServicing	Yes	No	PPP portal being updated
Fintech Companies: PayPal, SquareUp, Fundera	No	No	Information Unknown

Hawaii Approved Lender List per SBA website (not confirmed as PPP lender participant)

<https://www.sba.gov/offices/district/hi/honolulu/resources/hawaii-lender-list>

Applying: Calculating Eligible Monthly “Payroll Costs” - What to Include/Not Include

Eligible payroll expenses for calculating PPP loan amount include:

- Compensation (salary, wages, commission, or similar compensation, cash tips, etc.)
- Payment for vacation, family, medical, and sick leave (that’s not part of Family First Coronavirus Response Act)
- Allowance for employee dismissal or separation
- Payment for group health-care benefits, including insurance premiums
- Payment of employee retirement benefits
- Payment of state and local taxes imposed on the compensation of employees
(Employers contribution portion, not withheld portion)

PPP does NOT allow the following expenses when calculating ‘Payroll Costs’:

- Any compensation over \$100,000 per employee
- Taxes imposed under chapters 21 (payroll taxes), 22 (railroad taxes and retirement benefits), and 24 (income taxes withheld on wages) of the Internal Revenue Code (IRC)
- Compensation of employees whose principal place of residence is outside the United States
- Qualified sick and family leave for which a credit is already allowed under other sections (i.e., 7001 and 7003) of the Family First Coronavirus Response Act
- Loans used for duplicate purposes of another SBA loan program already claimed by the applicant

What PPP Loan Funds May Be Used For: -within 8-24 week “covered period”

1) Payroll Costs (to retain employees) at least 60% of Loan:

- Employee Compensation (under \$100K annualized),
- Employer contribution for group health benefits, insurance, employee state and local taxes. (*Workman’s Comp and TDI NOT eligible*)

2) Select Operating Costs not to exceed 40% of Loan...

- Interest on mortgage obligations
(*not including prepayment fees or payment of principal on the mortgage itself*)
- Rent (*including rents under a lease agreement*)
- Utilities
- Operations Expenditures: business software or cloud computing service that facilitates business operations, product or service delivery, the processing, payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records, and expenses.
- Supplier Costs on existing contracts and purchase orders for goods that are essential to the borrower’s operations, including the cost for perishable goods
- Worker Protection Expenditures: protective equipment (PPE) and facilities adaptive costs for physical barriers to maintain sanitation and social distancing standards.
- Costs related to Property Damage and vandalism tied to public disturbances during 2020, which were not covered by insurance or other compensation.

SBA Paycheck Protection Program (PPP)

Dec 27, 2020
Economic Aid to Hard-Hit
Small Businesses, Nonprofits,
and Venues Act
(the Economic Aid Act)

Forgiveness:

- Loan forgiveness can be applied for (at originating lender) when all proceeds have been used for payroll costs and other allowed expenses in the 8-24 week covered period.
- And, Employee headcount is maintained. If FTE decreases, or payroll decreases 25% or more, it may impact forgiveness.
- 60% or more of funds must be used towards payroll costs.
- Forgiveness Application to Bank/Lender that originated the loan (has forgiveness authority).
- EIDL Advances are no longer deducted from Forgiveness.
- Simplified forgiveness process for small loans \$150,000 or less just requires one-page online or paper form to their lender. Loans between \$150,001 and \$2 million will also have simplified documentation requirements. Form to come.

SBA Economic Injury Disaster Loan (EIDL) Advance

Dec 27, 2020

Economic Aid to Hard-Hit
Small Businesses, Nonprofits,
and Venues Act
(the Economic Aid Act)

EIDL Advance (GRANT) Update

- \$20B added to EIDL Advance (grant) program, application process NOT opened yet although will be through December '21 or until funds run out.
- For Business owners who have not already gotten full \$10,000 in EIDL Advance:
 - are located in a low-income community,
 - have suffered an economic loss of greater than 30 percent,
 - employ less than 301 employees
- Funds usable as working capital. Normal operating expenses (i.e. continuation of health care benefits, rent, utilities, and fixed debt payments)
- repeals the EIDL advance deduction from PPP loan Forgiveness
- clarifies EIDL grants not federal taxable income and deductible expenses paid with EIDL remain tax deductible (*no double dipping*).

<https://www.sba.gov/funding-programs/disaster-assistance>

SBA PPP vs EIDL

Can I have both a PPP and EIDL Loan?

- Yes, they are different programs; BOTH Loan products can be applied for. You must meet the respective eligibility requirements
- PPP may ask if you also have an EIDL. Previously EIDL Advance reduced what is awarded to you, but that was deleted by Economic Aid Act.
- Conceptually when utilizing respective funds, there is no “double dipping” of using two separate sources to pay the same bill (important to document where every dollar of any Loan taken is spent.



SBA Paycheck Protection Program (PPP)

Dec 27, 2020
Economic Aid to Hard-Hit
Small Businesses, Nonprofits,
and Venues Act
(the Economic Aid Act)

Final Thoughts:

- Apply NOW! (*applications end 3/31/2021 or until funds exhausted*)
- Consider in advance how you will comply (documentation)
- Make sure the right people participate (20%+ owners must sign)
- Talk to your lender.

Useful Links:

SBA PPP Website:

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

SBA EIDL Website:

<https://www.sba.gov/funding-programs/disaster-assistance>



CONTACTS

No Cost Business Advice

Enhancing the economic well-being of Hawaii, one business at a time....

-Maui

Maui Research & Technology Park
590 Lipoa Pkwy, Suite 264
Kihei, HI 96753

Phone: **(808) 875-5990** Fax: (808) 875-5989
<https://www.hisbdc.org/Locations/Maui.aspx>

-Oahu

2800 Woodlawn Drive, Suite 299
Honolulu, HI 96822

Phone: **(808) 945-1430** Fax: (808) 945-1432
<https://www.hisbdc.org/Locations/Oahu.aspx>

For questions, assistance or virtual appointments, email us at:

-East Hawaii (Hilo)

100 Pauahi Street, Suite 109
Hilo, HI 96720

Phone: **(808) 933-0776** Fax: (808) 933-0778
<https://www.hisbdc.org/Locations/HawaiiIslandHilo.aspx>

-West Hawaii (Kailua Kona)

73-970 Makako Bay Drive, Suite 108
Kailua Kona, HI 96840

Phone: **(808) 333-5000** Fax: (808) 333-5900
<https://www.hisbdc.org/Locations/HawaiiIslandKailuaKona.aspx>

-Kauai

2970 Kele Street, Suite 101
Lihue, HI 96766

Phone: **(808) 241-3148** Fax: (808) 241-3299
<https://www.hisbdc.org/Locations/Kauai.aspx>

Hawaii Small Business Development Center Network is a program of the University of Hawaii at Hilo, funded in part through a Cooperative Agreement with the U.S. Small Business Administration. Established in 1990, the Hawaii SBDC Network is the only statewide small business technical assistance provider. With 5 service centers on the 4 major islands it helps business ventures succeed & expand in Hawaii.