What to Know When Applying for a New PPP Loan By March 31

Recent revisions made it possible for more businesses to get in on the federal Covid-relief program, but there is some key information to keep straight.

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Under the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Small Business Administration (SBA) let businesses apply for loans under the Paycheck Protection Program (PPP). Through forgiveness of PPP loans, these businesses could have portions of the loan proceeds used toward eligible costs forgiven in full.

While the applications for PPP loans closed in August 2020, some recent revisions in its provisions allow businesses to apply for a new PPP loan. But applicants wanting to apply for the new loan must do so by March 31.

For existing loans, the program also allows borrowers to apply for loan forgiveness. More than five million loans were issued under the PPP. However, businesses were able to request forgiveness since August.

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Loan forgiveness under PPP

Borrowers can apply for loan forgiveness once they use all loan proceeds for which they are requesting forgiveness. The SBA allows them to apply for forgiveness any time up to the loan's maturity date. However, if borrowers do not avail of it within 10 months after the last date of the covered period, then the loan payments will not be deferred. They will need to start making loan payments to their PPP lender.

Depending on the business's circumstances, it can apply for loan forgiveness using one of the three loan forgiveness applications. These circumstances include the type of the business, the loan amount, and the reduction in staffing, salary or wages.

Firstly, there is the 3508EZ Form, which is available for self-employed individuals with no employees or those who kept their employees count, and salaries and wages at a specified level.

The second form is Form 3508S for loans of $50,000 or less. Form 3508S makes the process less complicated for eligible applicants and is designed for any businesses that don't qualify in the above categories.

Businesses can get their first draw and second draw PPP loans forgiven. However, during the eight-to-24-week covered period following the loan disbursement, they need to have:

- Maintained employee and compensation levels.
- Spent the loan proceeds on payroll costs and other eligible expenses.
- Spent at least 60% of the proceeds on payroll costs.

For second draw PPP loan forgiveness, they must also ensure that they have maintained employee and compensation levels similar to the requirement for the first draw PPP loan.

Related: How to Obtain an SBA Coronavirus PPP Loan and Have It Forgiven

Applying for loan forgiveness

Businesses must contact their PPP lender and complete the correct form to get their PPP loan forgiven. As mentioned, they can use one of the three forms to do so. They must also compile their documentation that goes with the forgiveness application. These documents can either relate to payroll or non-payroll expenses.

For payroll expenses, the documentation required includes the following:

- **Bank account statements or other third-party payroll service provider reports.** These statements or reports should document the amount of cash compensation paid to employees.
- **Tax forms overlapping with the covered period.** These include payroll tax filings reported to the IRS and state quarterly business and individual employee wage reporting and unemployment-insurance tax filings.
- **Payment receipts, canceled checks or account statements.** These will document the amount of any employer contributions to employee health insurance and retirement plans included in the forgiveness amount.

For non-payroll expenses, businesses must provide the following documentation:

- Copy of lender amortization schedule and receipts or lender account statements for business mortgage payments.
- Copy of current lease agreement and receipts or canceled checks for business rent or lease payments.
- Copies of invoices and receipts, canceled checks or account statements for business utility payments.

After compiling the required documents, businesses must submit their forgiveness form and documentation to their PPP lender. The lender may request additional documentation, which they must also provide.

The SBA may take some time to approve the forgiveness application. During this time, businesses need to stay in contact with their PPP lender, who notifies the borrower when the SBA takes a review of their loan and the decision it reaches. Businesses also have an option to appeal certain SBA loan review decisions.

Best of luck to everyone trying to keep their company afloat in this extraordinary time.

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