



U.S. Small Business
Administration

First Draw and Increases Paycheck Protection Program

SBA Procedural Notice: 5000-20076 Loan Increases After Enactment of the Economic Aid Act

Who is Eligible:

- Partnerships*
- Seasonal Employers*
- **Farmers & Ranchers***
- Other PPP Borrowers Eligible for a PPP Loan Increase (or Reapplication):
 - Eligible Borrowers that fully repaid a First Draw PPP Loan before December 27, 2020
 - Borrowers that returned part of a First Draw PPP Loan before December 27, 2020:
 - Borrowers that did not accept the full amount of a First Draw PPP Loan for which they were approved
- **if SBA has not** remitted a forgiveness payment to the Lender

What is a First Draw PPP Loan?

For eligible applicants that did not receive a PPP loan prior to Aug. 9, 2020

- PPP loan eligibility now includes additional types of entities
- Covered eligible expenses are expanded
- Borrowers can set the covered period to use PPP loan proceeds to be any length between 8 and 24 weeks after disbursement
- Certain borrowers may request an increase to their original PPP loan amount
- Must have been in business by Feb. 15, 2020
- Must apply **on or before March 31, 2021**, or until Congressional appropriations are exhausted



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Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.

WHO CAN APPLY FOR PPP FIRST DRAW LOAN

- Business entities (e.g., partnerships, corporations, LLCs) including Farmers and Ranchers.
- Sole proprietors, independent contractors, self-employed individuals
- 501(c)(3)
- 501(c)(6)
- 501(c)(19) Veterans organization
- Tribal business, and
- Housing cooperatives, destination marketing organizations, and eligible news organizations.

Must comply with size standards, eligibility criteria, and certain limitations.

PPP First Draw Loans

Eligible borrowers may apply for a PPP Loan of up to \$10 million. Must use a minimum of 60% for wages and a maximum of 40% for eligible expenses.

- For most borrowers, the maximum loan amount of a PPP Second Draw Loan is 2.5x average monthly 2019 payroll costs up to \$10 million.
- PPP First Draw Loan applicants must use the SBA Form 2483 Borrower Application.
- Eligible applicants that did not receive a PPP loan prior to August 8, 2020, will now have the ability to apply for a PPP First Draw Loan on or before March 31, 2021.
- Covered eligible expenses expanded and now includes the following: payroll costs, rent, mortgage interest, utilities, operations expenditures, property damage costs, supplier costs, and worker protection expenditures.

What is a Second Draw PPP Loan?

For borrowers that previously received a PPP loan, have 300 employees or less, and suffered a 25% reduction in gross receipts

- For most borrowers, the maximum loan amount of a Second Draw PPP loan is 2.5x average monthly 2019 or 2020 payroll costs, up to \$2 million.
- For borrowers in the Accommodation and Food Services sector (NAICS 72), the maximum loan amount for a Second Draw PPP loan is 3.5x average monthly 2019 or 2020 payroll costs, up to \$2 million.
- Second Draw PPP loan applicants must submit the information on **SBA Form 2483-SD** (Borrower Application) when applying to their lender.



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Second Draw PPP Loan Eligibility

**Must have previously received a First Draw PPP loan
and covered periods cannot overlap**

Additional Eligibility Criteria

- Has used or will use the full First Draw PPP loan amount only for eligible expenses before the Second Draw PPP loan is disbursed
- Has no more than 300 employees
- Can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020.



SBA.gov/PPP



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PPP Loan Application Process



1. Find a PPP Lender

- SBA.gov/LenderMatch
- SBA.gov/PaycheckProtection/find
- Contact SBA Resource Partner: SBA.gov/local-assistance

2. Complete Application

- Include all supporting documentation
- Get help from SBA Resource Partner: SBA.gov/local-assistance

3. SBA Issues Loan

- Lender submits application electronically to the SBA for compliance check & loan number

March 31, 2021 (or when appropriated funding is exhausted) is the final deadline for lenders to submit PPP loan applications to the SBA



SBA.gov/PPP

Information Current as of 2/5/21 – Visit www.sba.gov/CoronavirusRelief for the most up-to-date information.

SCHEDULE F
(Form 1040)Department of the Treasury
Internal Revenue Service (99)
Name of proprietor**Profit or Loss From Farming**▶ Attach to Form 1040, Form 1040-SR, Form 1040-NR, Form 1041, or Form 1065.
▶ Go to www.irs.gov/ScheduleF for instructions and the latest information.

OMB No. 1545-0074

2020Attachment
Sequence No. **14**

A Principal crop or activity		B Enter code from Part IV	C Accounting method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual	D Employer ID number (EIN) (see instr.)
E Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on passive losses		<input type="checkbox"/> Yes <input type="checkbox"/> No		
F Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions		<input type="checkbox"/> Yes <input type="checkbox"/> No		
G If "Yes," did you or will you file required Form(s) 1099?		<input type="checkbox"/> Yes <input type="checkbox"/> No		

Part I Farm Income—Cash Method. Complete Parts I and II. (Accrual method. Complete Parts II and III, and Part I, line 9.)			
1a	Sales of livestock and other resale items (see instructions)	1a	
b	Cost or other basis of livestock or other items reported on line 1a	1b	
c	Subtract line 1b from line 1a	1c	
2	Sales of livestock, produce, grains, and other products you raised	2	
3a	Cooperative distributions (Form(s) 1099-PATR)	3a	
3b	Taxable amount	3b	
4a	Agricultural program payments (see instructions)	4a	
4b	Taxable amount	4b	
5a	Commodity Credit Corporation (CCC) loans reported under election	5a	
5b	CCC loans forfeited	5b	
5c	Taxable amount	5c	
6	Crop insurance proceeds and federal crop disaster payments (see instructions):		
a	Amount received in 2020	6a	
6b	Taxable amount	6b	
c	If election to defer to 2021 is attached, check here <input type="checkbox"/>	6d	Amount deferred from 2019
6d		6d	
7	Custom hire (machine work) income	7	
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	8	
9	Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions.		
		9	

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.			
10	Car and truck expenses (see instructions). Also attach Form 4562	10	
11	Chemicals	11	
12	Conservation expenses (see instructions)	12	
13	Custom hire (machine work)	13	
14	Depreciation and section 179 expense (see instructions)	14	
15	Employee benefit programs other than on line 23	15	
16	Feed	16	
17	Fertilizers and lime	17	
18	Freight and trucking	18	
19	Gasoline, fuel, and oil	19	
20	Insurance (other than health)	20	
21	Interest (see instructions):		
a	Mortgage (paid to banks, etc.)	21a	
b	Other	21b	
22	Labor hired (less employment credits)	22	
23	Pension and profit-sharing plans	23	
24	Rent or lease (see instructions):		
a	Vehicles, machinery, equipment	24a	
b	Other (land, animals, etc.)	24b	
25	Repairs and maintenance	25	
26	Seeds and plants	26	
27	Storage and warehousing	27	
28	Supplies	28	
29	Taxes	29	
30	Utilities	30	
31	Veterinary, breeding, and medicine	31	
32	Other expenses (specify):		
a		32a	
b		32b	
c		32c	
d		32d	
e		32e	
f		32f	
33	Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions	33	
34	Net farm profit or (loss). Subtract line 33 from line 9	34	
35	If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.		
36	Reserved for future use.		
37	Check the box that describes your investment in this activity and see instructions for where to report your loss:		
a	<input type="checkbox"/> All investment is at risk.	b	<input type="checkbox"/> Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 11346H

Schedule F (Form 1040) 2020

SCHEDULE F
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Farming

▶ **Attach to Form 1040, Form 1040-SR, Form 1040-NR, Form 1041, or Form 1065.**
▶ **Go to www.irs.gov/ScheduleF for instructions and the latest information.**

OMB No. 1545-0074

2020

Attachment
Sequence No. **14**

Name of proprietor

Social security number (SSN)

A Principal crop or activity

B Enter code from Part IV

C Accounting method:

☐ Cash ☐ Accrual

D Employer ID number (EIN) (see instr.)

E Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on passive losses ☐ Yes ☐ No

F Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No

G If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

Part I Farm Income—Cash Method. Complete Parts I and II. (Accrual method. Complete Parts II and III, and Part I, line 9.)

1a	Sales of livestock and other resale items (see instructions)	1a		
b	Cost or other basis of livestock or other items reported on line 1a	1b		
c	Subtract line 1b from line 1a	1c		
2	Sales of livestock, produce, grains, and other products you raised	2		
3a	Cooperative distributions (Form(s) 1099-PATR)	3a		3b Taxable amount
4a	Agricultural program payments (see instructions)	4a		4b Taxable amount
5a	Commodity Credit Corporation (CCC) loans reported under election	5a		5a
b	CCC loans forfeited	5b		5c Taxable amount
6	Crop insurance proceeds and federal crop disaster payments (see instructions):			
a	Amount received in 2020	6a		6b Taxable amount
c	If election to defer to 2021 is attached, check here <input type="checkbox"/>	6d	Amount deferred from 2019	6d
7	Custom hire (machine work) income	7		
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	8		
9	Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions	9		

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.

10	Car and truck expenses (see instructions). Also attach Form 4562	10		23	Pension and profit-sharing plans	23	
11	Chemicals	11		24	Rent or lease (see instructions):		
12	Conservation expenses (see instructions)	12		a	Vehicles, machinery, equipment	24a	
13	Custom hire (machine work)	13		b	Other (land, animals, etc.)	24b	
14	Depreciation (see instructions)	14		25	Repairs and maintenance	25	

accrual method, enter the amount from Part III, line 30. See instructions.

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.

10	Car and truck expenses (see instructions). Also attach Form 4562	10		23	Pension and profit-sharing plans	23	
11	Chemicals	11		24	Rent or lease (see instructions):		
12	Conservation expenses (see instructions)	12		a	Vehicles, machinery, equipment	24a	
13	Custom hire (machine work)	13		b	Other (land, animals, etc.)	24b	
14	Depreciation and section 179 expense (see instructions)	14		25	Repairs and maintenance	25	
15	Employee benefit programs other than on line 23	15		26	Seeds and plants	26	
16	Feed	16		27	Storage and warehousing	27	
17	Fertilizers and lime	17		28	Supplies	28	
18	Freight and trucking	18		29	Taxes	29	
19	Gasoline, fuel, and oil	19		30	Utilities	30	
20	Insurance (other than health)	20		31	Veterinary, breeding, and medicine	31	
21	Interest (see instructions):			32	Other expenses (specify):		
a	Mortgage (paid to banks, etc.)	21a		a		32a	
b	Other	21b		b		32b	
22	Labor hired (less employment credits)	22		c		32c	
33	Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions			d		32d	
34	Net farm profit or (loss). Subtract line 33 from line 9			e		32e	
	If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.			f		32f	
35	Reserved for future use.						
36	Check the box that describes your investment in this activity and see instructions for where to report your loss:						
a	<input type="checkbox"/> All investment is at risk.		b	<input type="checkbox"/> Some investment is not at risk.			

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Cat. No. 11346H

Schedule F (Form 1040) 2020

Question: Section 1102 of the CARES Act provides that PPP loans are available only to applicants that were “in operation on February 15, 2020.” Is a business that was in operation on February 15, 2020 but had a change in ownership after February 15, 2020 eligible for a PPP loan?

Answer: Yes. As long as the business was in operation on February 15, 2020, if it meets the other eligibility criteria, the business is eligible to apply for a PPP loan regardless of the change in ownership. In addition, where there is a change in ownership effectuated through a purchase of substantially all assets of a business that was in operation on February 15, the business acquiring the assets will be eligible to apply for a PPP loan even if the change in ownership results in the assignment of a new tax ID number and even if the acquiring business was not in operation until after February 15, 2020. If the acquiring business has maintained the operations of the pre-sale business, the acquiring business may rely on the historic payroll costs and headcount of the pre-sale business for the purposes of its PPP application, **except where the pre-sale business had applied for and received a PPP loan.** The Administrator, in consultation with the Secretary, has determined that the requirement that a business “was in operation on February 15, 2020” should be applied based on the **economic realities** of the business’s operations.

Question: For all entity types (e.g., for-profit businesses and nonprofit organizations), do “gross receipts” include PPP Loan proceeds that are forgiven (or EIDL advances)?

Answer: No. The amount of any forgiven First Draw PPP Loan or any EIDL advance, which are not subject to federal income tax, is not included in the calculation of “gross receipts”.

USDA, State, and Local Partners Grants exempt from IRS taxes.
Would not count in revenues, based on the guidance.

***We are not the IRS and make no determination on programs outside the SBA. Please check with local IRS offices.**

Question: What reference periods can be used to determine whether the Applicant can demonstrate at least a 25 percent gross receipts reduction in order to qualify for a Second Draw PPP loan?

Answer: The appropriate reference periods depend on how long the Applicant has been in business:

For all Applicants, except those satisfying the conditions set forth below, the Applicant must demonstrate that gross receipts in any **calendar quarter** of 2020 were at least 25 percent lower than the same quarter of 2019. Alternatively, Applicants may compare annual gross receipts in 2020 with annual gross receipts in 2019 if they were in business in 2019. (Sole Prop)

For entities not in business during the first and second quarters of 2019 but in operation during the third and fourth quarters of 2019, Applicants must demonstrate that gross receipts in **any quarter of 2020** were at least 25 percent lower than **during either the third or fourth quarters of 2019.**

Continued

For entities not in business during the first, second, and third quarters of 2019 but in operation during the fourth quarter of 2019, Applicants must demonstrate that gross receipts in **any** quarter of 2020 were at least 25 percent **lower than the fourth quarter of 2019.**

For entities **not in business during 2019** but in operation on February 15, 2020, **Applicants must demonstrate that gross receipts in the second, third, or fourth quarter of 2020 were at least 25 percent lower than the first quarter of 2020.**

PPP Loan Forgiveness

**Borrowers must apply for PPP loan forgiveness through their lender;
lenders submit lender forgiveness decisions to the SBA**

Updates per the Economic Aid Act

- EIDL Advances are no longer deducted from PPP loan forgiveness payment
- Expenses paid with PPP loan funds are federally tax deductible; **consult the IRS** for details on this
- Expanded forgivable expenses are permissible for any unforgiven PPP loan
- **New:** simplified forgiveness application for PPP loans \$150,000 and under

Per the CARES Act

- Forgiven PPP loans are not federally taxable income



SBA.gov/PPP



How To Apply: You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating in the program. Click Here to find your [Local SBA District Office](#).

The best sources for current available information on the Paycheck Protection Program: At SBA website: [Coronavirus \(COVID-19\): Small Business Guidance & Loan Resources \(sba.gov\)](#) or Treasury's website: <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>. Most questions can be answered by the FAQ and the “Interim Final Rule” documents posted there.

Report Fraud to OIG

<https://www.sba.gov/about-sba/oversight-advocacy/office-inspector-general/office-inspector-general-hotline> PDC Suspected EIDL Fraud - PDC.SuspEidl.Fraud@sba.gov

Paycheck Protection Program Top Takeaways

- Expands PPP eligibility and how funds can be used
- A borrower can now select a covered period to be **between 8 and 24 weeks**
- Offers a Second Draw PPP loan option for hardest hit small businesses
- Allows for deduction of expenses covered with forgiven PPP loan debt on federal taxes
- Updates simplified forgiveness form to include PPP loans of up to \$150,000 (86% of PPP loans submitted in 2020)
- No longer subtracts EIDL Advance from PPP loan forgiveness amount



SBA.gov/PPP



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New Program: Targeted EIDL Advance

No action required until contacted by the SBA via direct email invite

New Program in the Economic Aid Act

- Will balance out a previous EIDL Advance to the full \$10,000 if the business is: 1) in a low-income community; 2) suffered greater than 30% economic loss; and 3) has 300 or fewer employees
- Those who applied for an EIDL Advance but didn't receive funds due to lack of funding will receive a full \$10,000 if they meet same requirements above and per Targeted EIDL Advance funding availability
- The **SBA will reach out to those who may qualify** via email with instructions to determine eligibility and submit documentation.



SBA-Backed Loan Debt Relief

Program for 7(a), 504 and Microloan Borrowers Only

- Assistance varies based on when the SBA-backed loan was approved and by type of loan (7(a), 504 and/or Microloan).
- Borrowers do not need to apply for this debt relief; the SBA provides it automatically.
- Letters have been distributed to eligible borrowers; a sample letter can be found at www.sba.gov/coronavirusrelief > Debt Relief > Sample Section 1112 Borrower Letter
- Contact your lender with debt relief questions



Questions and Comments

Thank You!