

PPP Loan 2nd Draw | What You Need to Know

Video Transcript

Cheryl Ganim, Director and COVID-19 Advisory Team Leader

Andy Bertke, Director and COVID-19 Advisory Team

Kat Jenkins, Marketing Director, Moderator

Kat Jenkins ([00:09](#)):

Hi, and welcome to Barnes Dennig Ask the Experts. I'm Kat Jenkins, Marketing Director. New legislation designed to alleviate the cash crunch for businesses and organizations hardest hit by COVID-19 has just gone into effect. And one of the major provisions is a Second Draw PPP Loan, but the rules are different this time. Here to explain those rules are our COVID-19 Advisory Team Leaders, Cheryl Ganim and Andy Bertke. Cheryl and Andy, thanks for joining us.

Cheryl Ganim ([00:36](#)):

Okay. Thank you, Kat.

Andy Bertke ([00:38](#)):

Thanks for having us, Kat.

Kat Jenkins ([00:39](#)):

Thanks for being here. First of all, tell me who qualifies for the PPP loan draw two?

Cheryl Ganim ([00:46](#)):

I can take that. So in PPP draw two, similar to the PPP first loan under the CARES Act, eligible businesses are for-profit entities, certain non-profits, housing cooperatives, veterans organizations, tribal businesses. Also, there's self-employed individuals, sole proprietors, folks who report their business income on a schedule C, and also small agricultural co-ops.

Andy Bertke ([01:23](#)):

Yeah, I know this is just about PPP, but I did want to mention that there are other stimulus items out there for other folks, and we need to keep an eye on those, as well as the PPP loan. One is the Shuttered

Venue Operators Grant, and that's for motion picture theaters, live event type of items. Now you can't get the PPP loan and the grant, but I think it's worth mentioning that there are alternatives out there for people.

Kat Jenkins ([01:51](#)):

Fantastic. And then are there any other just provisions around that, around that Shuttered Venue? Like when they had to be in operation or any other guides?

Andy Bertke ([02:00](#)):

Yeah, they needed to be in operation by February 29th of 2020. And similar to the PPP, which has a particular item in it that your sales or your gross receipts have to have dipped 25% from 2019 to 2020.

Kat Jenkins ([02:19](#)):

Okay. What are other qualifications for the PPP second draw?

Cheryl Ganim ([02:25](#)):

Right. To qualify for the Second Draw PPP Loan, you had to have gotten a first round of the PPP loan under the CARES Act. And you had to have used 100% of your PPP loan for qualifying expenses. And you also have to have 300 or fewer employees, and we believe that's at the time of application. This round of aid is really geared towards small businesses who've been especially hurt by the pandemic.

Andy Bertke ([03:00](#)):

All right, the other qualification that I alluded to with the Shuttered Venue Operators. Is for the PPP loan, also you need to have a 25% reduction in gross receipts in 2020, in any quarter of 2020 over the same quarter in 2019. Now they mean a calendar quarter in this case, not three months in a row, not a fiscal quarter. At least that's what the legislation says right now. It's a calendar quarter. And then the other item that comes to mind is how do you calculate gross receipts? What accounting method do you use? Do you use cash? Do you have accrual?

Andy Bertke ([03:40](#)):

Well, SBA guidance says you use the method that you use for your tax return. But in the instructions on the form, it says to use the method that the company's currently using, which we don't know if that means their books and records, or if that means their tax return. But there's a myriad of complications that come into just figuring out what your sales are, unfortunately. Every industry has a different accounting method that's available to them. So that's something we're really keeping our eye on

because it can, and I have seen it already. I've done several of these applications, and it makes a difference in what accounting method you use in this application.

Kat Jenkins ([04:24](#)):

Okay. And one thing I just want to follow up on, you had mentioned, Cheryl, to qualify for the second draw, you have to have taken out a first-round PPP loan. What if you didn't take out a PPP loan in the first round and now need one?

Cheryl Ganim ([04:38](#)):

So, if you didn't take out a PPP loan or you were a business who took it and then gave it back, the portals will now allow for you to apply for the first round of PPP loans. So you will be able to go back and get an application for the first round of PPP under the CARES Act legislation.

Kat Jenkins ([05:03](#)):

Excellent. So those people aren't out of luck at this point, which is great.

Cheryl Ganim ([05:06](#)):

That's right.

Kat Jenkins ([05:07](#)):

Okay. And then what's the covered period for the Second Draw PPP Loan?

Cheryl Ganim ([05:13](#)):

The covered period is the same as it was under the CARES Act for the first PPP loan. It's between eight and 24 weeks. So you can work with your tax advisor on planning really the best way to apply your expenses for the loan forgiveness part of this process at the backend so that you can really maximize how much of your PPP loan you use on wages because you're also going to be thinking about some of the other credits that are in this new legislation, such as the Employee Retention Credit, which is also calculated using your employee wages. So there is some planning to do if you're going to look at those retroactively, the other credits, and prospectively into the first and second quarters of 2021.

Kat Jenkins ([06:10](#)):

Okay. And then another question, I know you had some insight on how the new PPP loan amount is calculated. I know you just talked a little bit about that in the covered period, but anything else that we need to know about how it's going to be calculated?

Andy Bertke ([06:23](#)):

Sure. I can answer that. It's easier this time around. I'll say that. Course nothing so far in this whole program has been easy, but basically, what you're going to do for this second round is it's based on your wages. More properly called your payroll costs, which includes your gross wages, plus health insurance, life insurance, vision, those types of insurances, are all payroll costs. And what you'll do is you'll look at 2019, and you'll also look at 2020, and you'll take the greater of the two. And you'll divide that by 12 and multiply it by 2.5 to get the amount that you can borrow. Now, for folks that are in the recreation hospitality business, they get a factor of 3.5 times monthly wages or payroll costs. So there's a little advantage there, but as we all know, they were hit very hard.

Kat Jenkins ([07:24](#)):

And that additional factor is designed to help them recover a little bit more because they've suffered more?

Andy Bertke ([07:30](#)):

That is correct.

Kat Jenkins ([07:31](#)):

Fantastic. And so you mentioned other costs that calculate into payroll cost. So there are other eligible expenses that can be covered under the loan?

Andy Bertke ([07:40](#)):

Yeah. The new act added four new additional costs, worker protection cost, property damage, expenditures for supply chain disruption, and then they also have operating expenses. Now, there's no clear guidance on what all those are, but you know what I'm thinking of as far as operational, you have companies had to invest in laptops, right? They had to invest in Teams or Zoom. They had to buy all these things so that people can continue working. And when I think of the restaurants, I don't know of a restaurant right now that doesn't have a tent out in the parking lot. I would have to assume maybe these costs cover that as well. So yeah, there's four new costs. And as we get more information on it, we'll pass it along.

Kat Jenkins ([08:33](#)):

Fantastic. What's the certification of need? How do they show that they have a need for the loan?

Cheryl Ganim ([08:39](#)):



All right. So similarly to the first PPP loan, borrowers will have to make the certification of need, which means that at the time of your loan, that the uncertainty that's happening in your business, in the world, and with your supply chain, your employees, the health, the pandemic that seems to be on the uprise. You will be certifying that you need the loan to continue your operations because of all of this uncertainty. So it's really an economic uncertainty that you're looking at, but it's really driven by the pandemic and what's happening in the world. You also have to certify that you're going to use the funds for qualifying expenses only and that you will use them at least 60% on payroll and retaining your employees, which is the whole spirit of this act and of the CARES Act is to keep your employees off of unemployment and employed and keep your business alive.

Kat Jenkins ([09:53](#)):

There's a reason they call it the Paycheck Protection Program, right?

Cheryl Ganim ([09:57](#)):

Exactly.

Kat Jenkins ([09:58](#)):

All right. Fantastic. Andy and Cheryl, thanks so much. Great information here that I'm sure is going to be useful to many people. If you believe that you may qualify for a Second Draw PPP Loan, Barnes Dennig offers a turnkey process that begins with a simple qualification test. You can find out more, or you can set up a conversation with Cheryl or Andy, or another member of our COVID-19 Advisory Team at barnesdennig.com. Thanks so much for joining us, and we'll see you next time on Ask the Experts.