



PAYCHECK PROTECTION PROGRAM ROUND 2: FREQUENTLY ASKED QUESTIONS FOR NONPROFIT BORROWERS

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The Paycheck Protection Program closed on May 28, 2021. The SBA is no longer accepting new applications from participating lenders. The following FAQs are for informational purposes only and to assist borrowers who obtained PPP loans with their loan forgiveness applications.

Overview

The Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) was originally established under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) to provide economic relief to small businesses and nonprofits that were financially impacted by the COVID-19 pandemic.

On May 28, 2021, the SBA announced that no new PPP applications would be accepted after that date because all PPP funding had been exhausted.

You have until the maturity date of your PPP loan to apply for loan forgiveness. To avoid having to begin making payments on your PPP loan, you should submit your loan forgiveness application within 10 months of the end of your covered loan period. Effective August 4, 2021, borrowers whose loans are \$150,000 or less and whose lenders have opted in to the SBA’s direct forgiveness program can apply for loan forgiveness directly on the SBA’s PPP loan forgiveness portal.

Below are some frequently asked questions and answers with respect to the PPP that we hope will help you understand the program. If you need more help, you can try calling the SBA’s PPP customer service line which is available at (877) 552-2692 Monday through Friday from 8 am to 8 pm EST.

Questions & Answers

What types of organizations are eligible for a first- or second-draw PPP loan?

In general, you are eligible for a first-draw PPP loan if you employ fewer than 500 employees (full-time and part-time) who live in the United States per physical location of your nonprofit, AND you were in operation on February 15, 2020. 501(c)(3) and 501(c)(6) nonprofit organizations (such as professional associations and chambers of commerce) are among the entity types that may apply. 501(c)(4) organizations are excluded from the PPP. You must certify on the PPP loan application that “[c]urrent economic uncertainty makes th[e] loan request necessary to support [your] ongoing operations.”

You are eligible for a second-draw PPP loan if you have or will have used your first-draw PPP loan by the time you receive the second-draw PPP loan, have no more than 300 employees, and experienced a decline in gross receipts of at least 25% in any quarter of 2020 compared to the same quarter in 2019. (Special rules apply for entities that did not operate in 2019.) “Gross receipts” include the total amount the organization received from all sources during its annual accounting period, without subtracting any costs or expenses. The amount of a forgiven PPP loan is excluded. Additional SBA guidance on how to calculate revenue reduction is available [here](#). Second-draw borrowers must also certify that the loan is necessary to support ongoing operations.

The Economic Aid Act authorized \$15 billion through the “Shuttered Venue Operators Grant” program for grants to live performance, museum, and movie theater operators that were forced to close due to the pandemic. Following the passage of the American Rescue Plan Act, you can receive both a grant through the Shuttered Venue Operators Grant program and PPP funding, but your Shuttered Venue Operators Grant amount will be reduced by the amount of any PPP loan you received on or after December 27, 2020.

How large can my loan be?

Loans can be for up to 2.5 times your average monthly payroll costs during any of the following time periods: the 12 months before applying for the loan, calendar year 2019, or calendar year 2020. Choose the period that reflects the largest payroll costs if you want to maximize your loan amount. That amount is subject to a \$10 million cap for first-draw PPP loans and a \$2 million cap for second-draw PPP loans. Payroll costs are capped at \$100,000 per year for each employee (note: an employee’s cash compensation above \$100,000 is not counted as part of the nonprofit’s payroll costs when calculating the amount of the loan, but the full cost of that employee’s benefits is counted).

Payroll costs are calculated on a gross basis without regard to federal taxes imposed or withheld. In other words, payroll cost is not increased by the employer’s share of payroll tax or reduced by taxes imposed on an employee and required to be withheld by the employer.

Are the loans forgivable?

In general, the loan amounts will be forgiven so long as:

- the loan is used to cover payroll costs and other eligible expenses over the 8- to 24-week period after the loan is made; and
- for loans greater than \$50,000, employee and compensation levels are maintained.
- Note: An October 2020 [SBA Interim Final Rule](#) exempts PPP loans of \$50,000 or less from loan forgiveness reductions based on workforce and wage reductions.

PPP borrowers are eligible for full loan forgiveness so long as they use at least **60%** of loan proceeds for payroll expenses, with no more than **40%** of loan proceeds going to eligible non-payroll expenses.

How can I request loan forgiveness?

You will need to submit an application for loan forgiveness either to the SBA or directly to the lender that provided your PPP loan. Effective August 4, 2021, you are eligible to submit your forgiveness application to the SBA using its PPP loan forgiveness portal if:

- your loan was for \$150,000 or less; and

- your lender opts in to the direct forgiveness program. A full list of participating lenders is [here](#).

Borrowers of loans up to \$150,000 will submit a streamlined 1-page PPP loan forgiveness application, known as the [PPP Loan Forgiveness Form 3508S](#) (either on the SBA forgiveness portal or with their lender). As required by the Economic Aid Act, the form only requires you to describe the number of employees you were able to keep on payroll as a result of the loan, estimated total payroll costs, the total amount of your PPP loan, and the requested forgiveness amount. You must also attest that you accurately completed the forgiveness application and complied with the PPP loan requirements.

Borrowers of loans exceeding \$150,000 will submit either the PPP Loan Forgiveness Form 3508 (long form) or the [Form 3508EZ](#). The “EZ” loan forgiveness application may be submitted by borrowers who can satisfy any of the following requirements:

- the borrower did not reduce salary or wages for any employee by more than 25% during the covered loan period as compared to the most recent quarter before the covered loan period, and did not reduce the number or hours of employees between January 1, 2020 and the end of the covered loan period (ignoring reductions related to employees who refused offers of rehire and whose positions could not be filled with similarly qualified workers).
- the borrower did not reduce salary or wages for any employee by more than 25% during the covered loan period as compared to the most recent full quarter before the covered loan period, and was unable to return to the same level of business activity it was operating at before February 15, 2020, due to compliance with official requirements related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.

How much of my loan will be forgiven?

You will owe money when your loan is due if you use the loan for anything other than payroll costs, interest on a mortgage, rent payments, utility payments, operating expenses, costs to repair property damage, costs of supplies necessary to entity operations, and expenses for protecting workers during the covered loan period.

For loans greater than \$50,000, you will also owe money if you do not maintain your staff and payroll.

- Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
- Level of Payroll: If your total eligible payroll expenses (excluding compensation in excess of \$100,000 per employee per year) decreases by more than 25%, loan forgiveness will be reduced by the same amount.
- Limited Exception for Workforce Restoration: You will not be penalized for lay-offs and wage reductions that occurred between February 15, 2020 and April 26, 2020, provided that you restore employment and wages to February 15, 2020 levels by December 31, 2020 (for loans made before the enactment of the Economic Aid Act on December 27, 2020) or by the last day of your covered loan period (for loans made on or after December 27, 2020).

For borrowers of loans exceeding \$50,000, some reductions in workforce will not count against you for the purpose of loan forgiveness. Loan forgiveness will not be impacted if:

- you fire an employee for cause; an employee voluntarily resigns; or an employee voluntarily requests and receives a reduction in hours.
- you have laid off employees, and then:
 - made a good faith, written offer to rehire,

- documented the employee's rejection of that offer,
- informed the state unemployment insurance office within 30 days of the employee's rejection of the offer (employees who reject offers of reemployment may forfeit eligibility for continued unemployment compensation), and
- documented your inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020 (for loans made before December 27, 2020) or by the last day of your covered loan period (for loans made on or after December 27, 2020).
- you document in good faith that your nonprofit is unable to return to the same level of business activity it was operating at before February 15, 2020, due to compliance with operating restrictions related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.

Is my loan forgiveness reduced by the EIDL Advance I received?

No. The Economic Aid Act amended the CARES Act to remove the requirement that borrowers subtract the amount of any EIDL advance (*i.e.*, the \$1,000 to \$10,000 EIDL grant received from the SBA) from the PPP loan forgiveness to which the borrower is otherwise entitled. You are eligible for full forgiveness of your PPP loan even if you also received an EIDL advance. This rule applies to both prior and new PPP loans. The SBA will issue rules to extend this benefit to borrowers whose loans have already been forgiven and whose EIDL advance was deducted from the forgiven amount.

What if my nonprofit uses government funding to cover some of its payroll costs? How should I treat the portion of my payroll already covered by other government grants?

We recommend the following steps.

So long as the nonprofit itself pays the staff member's compensation (meaning that the government does not pay the staff member directly), the whole of that compensation should be included when calculating average monthly payroll costs in the first part of the PPP application.

When calculating the amount of loan forgiveness to claim, however, some of the nonprofit's payroll costs may be excluded. If the nonprofit can defer using its other government grants to cover payroll during its covered loan period (which begins the date of loan origination and ends on the date selected by the borrower between 8 and 24 weeks after loan origination), it should do so. In that case, the nonprofit can claim all of its otherwise qualifying payroll costs (or that portion for which other government funding can be deferred) as part of its loan-forgiveness amount.

If the nonprofit cannot defer using its other government grants to cover payroll, then it should exclude the portion of its average monthly payroll costs that are covered by those other grants from the amount it claims for loan forgiveness.

The federal [Office of Management and Budget](#) has issued guidance stating that "payroll costs paid with the PPP loans or any other Federal CARES Act programs must not be also charged to current Federal awards as it would result in the Federal government paying for the same expenditures twice." Additional guidance to help nonprofits navigate the interplay of PPP loans and other government funding is available on the [Fiscal Management Associates website](#).

What if my nonprofit client is a religious organization? Can it qualify?

Yes. The government considers religious organizations to be eligible for loans under the Paycheck Protection Program.

What can I use these loans for?

You should use the proceeds from these loans on:

- payroll costs, including benefits;
- interest on mortgage obligations incurred before February 15, 2020;
- rent, under lease agreements in place before February 15, 2020;
- utilities (including electricity, water, gas, sewage, telephone, cell phone, Internet, and transportation costs), for which service began before February 15, 2020;
- operating expenses including payments for any 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;
- costs related to property damage and vandalism or looting resulting from public disturbances that occurred in 2020 and that were not covered by insurance or other compensation;
- worker protection expenses including any operating or capital expenditures to adapt business activities to comply with government-issued COVID-19 safety guidelines (e.g., air pressure ventilation or filtration systems, physical barriers to ensure social distancing, a drive-through window, an expansion of indoor or outdoor business space, onsite or offsite health screening, or the purchase of personal protective equipment); and
- cost of supplies that are essential to your operations at the time of purchase, made pursuant to a contract in effect prior to your covered loan period, or with respect to perishable goods, in effect before or at any time during the covered loan period.

When can I apply?

The PPP application period is now closed. The SBA is no longer accepting new PPP applications.

Where can I apply?

Prior to May 6, 2021, borrowers could apply for a PPP loan through any participating lender. From May 6 to May 28, borrowers could only apply for a PPP loan through participating community financial institutions. As of May 28, 2021, no lenders are accepting PPP loan applications.

How do I apply?

Prior to the close of the program, borrowers applied using the PPP loan application form. The SBA published model [first-draw](#) and [second-draw](#) PPP loan application forms (which individual lenders were permitted to modify).

What supporting documentation will I need to include with my application?

Each lender's requirements may vary. You should be prepared to provide your lender with documents that verify the number of full-time equivalent employees and pay rates, as well as eligible mortgage, lease, and utility obligations. Consider compiling the following:

- 2019 and 2020 IRS quarterly payroll tax reports.
- Last 12 months of payroll reports beginning with your last payroll date, including:
 - gross wages for each employee, including the officer(s) if paid;
 - W-2 wages;

- paid time off for each employee;
- vacation pay for each employee;
- family medical leave pay for each employee;
- state and local taxes assessed on the employee's compensation for each employee;
- documentation showing the total of all health, dental, vision, life and disability insurance expenses paid by your nonprofit for your employees; and
- documentation of the sum of all retirement plan funding paid by your nonprofit (excluding contributions from the employees).

Do I need to look for other funds first, before applying to this program?

No. The SBA waived its usual requirement that a borrower first try to obtain some or all of the loan funds from other sources.

What are the general PPP loan terms?

- Interest rate will be 1%.
- No collateral will be required.
- No personal guarantees will be required.
- You do not need to apply first for credit elsewhere.

When do I have to pay the loan back?

You will not have to start making payments on the loan until after you submit your forgiveness application, and the SBA pays the forgiveness amount to the lender. You have until the maturity date of your PPP loan to apply for loan forgiveness. However, if you do not apply for loan forgiveness within 10 months after the last day of your loan's covered period, then loan payments are no longer deferred and you must begin making payments on the loan.

For PPP loans made before June 5, 2020, the loan amount not forgiven will be due within 2 years of when you received the money. If you receive your PPP loan on or after June 5, you will have 5 years to repay the loan. Pre-June 5th PPP loans can be extended up to 5 years if the lender and borrower mutually agree. If you want to pay earlier, there are no penalties for pre-payment.

Can I certify that current economic uncertainty makes the loan necessary to support my ongoing operations, as is required for a PPP loan, if my nonprofit has a large operating reserve?

This is a business decision that depends on the facts and circumstances of your nonprofit and should be supported by careful and documented deliberation of your board members. SBA guidance issued on April 24, 2020 states that, in making the above certification, organizations should take into account their current business activity and their ability to access other funds sufficient to support their ongoing business operations in a manner that is not significantly detrimental to their business.

Will the details of my nonprofit's PPP loan be made public?

Yes. Loan data is available on the [SBA website](#).

What other relief may I be eligible for?

In addition to a first- or second-draw PPP loan, you may be eligible for other types of relief. Below is a non-exhaustive list of options to explore:

- **Targeted EIDL Advance**: The Economic Aid Act approved an additional \$20 billion for emergency EIDL advances (*i.e.*, grants) of up to \$10,000 through December 31, 2021. You may be eligible to receive funds up to \$10,000 if you are located in a low-income community, previously received an EIDL Advance for less than \$10,000, or previously applied but received no funds due to lack of available program funding. To be eligible for the Targeted EIDL Advance, you must have suffered greater than a 30% economic loss in 2020 as compared to 2019, and have no more than 300 employees. To learn more, visit the SBA [Targeted EIDL Advance portal](#).
- **Shuttered Venue Operators Grant Program**: The Economic Aid Act also approved grant funding to qualifying live venue operators and promoters, theatrical producers, live performing arts organizational operators, museum operators, motion picture theater operators, and talent representatives. Eligible venue operators must document a drop in gross receipts of at least 25% in any quarter of 2020, as compared to 2019. Grants are calculated as 45% of the venue operator's gross earned revenue in 2019, capped at \$10 million. Grants can be used for any PPP-eligible expenses. A nonprofit that received a PPP loan may apply for and receive a Shuttered Venue Operators Grant. However, the grant amount will be reduced by the amount of any PPP loan that the nonprofit received on or after December 27, 2020. A nonprofit may not apply for or receive a PPP loan after it receives a Shuttered Venue Operators Grant. For more information about the Shuttered Venue Operators Grant Program, see the SBA's FAQs [here](#) and video tutorials about the program [here](#). The SBA began accepting applications for the Shuttered Venue Operators Grant Program on April 8, 2021. Eligible entities can apply via the SBA's [SVOG application portal](#).
- **State and Local Relief**: Certain states and cities have enacted relief programs for small businesses and nonprofits. The [NJ COVID-19 Business Emergency Assistance Eligibility Wizard](#) is a helpful resource for companies and nonprofits in New Jersey. The New York City Department of Small Business Services offers [weekly webinars](#) on financial assistance for organizations financially impacted by COVID-19 that may be helpful for companies and nonprofits in the New York City area.
- **Private Sector Grants and Loans**: A number of websites aggregate private sector grant and loan opportunities. This [searchable list of private-sector grant and loan opportunities](#) developed by Start Small Think Big covers various geographical locations and industries.