



CFO Call Series

“PPP Phase 2: Questions To Ask”

January 22, 2021



Agenda

- **Paycheck Protection Program (PPP) – Overview**
- **PPP – Round 2**
 - Eligibility
 - Terms
 - Qualifying Costs
 - Documentation
- **PPP Loan Forgiveness**
 - Observations





PPP Overview

- COVID Relief Act – Dec 27, 2020
- Additional \$284 billion in small business aid
- Extended deadline to apply (March 31)
- Changes to:
 - Eligibility requirements
 - Covered expenses
 - Loan amounts
 - Tax treatment





PPP2 - Eligibility

- Employee threshold of 300 or less
- First Round PPP Loan
 - Must have received a first round draw and used or will use all of the funds for qualified expenses
- Requires 25% or more reduction in 2020 Gross Receipts from a comparable quarter in 2019
- Availability until March 31, 2021





PPP2 - Terms

- Amount of Loan cannot exceed \$2 million
- Loan to be based on average monthly payroll for either 2019 or 2020
- Principal amount:
 - 2.5x average monthly payroll for eligible borrowers
 - If NAICS code 72* = 3.5x avg monthly payroll
- Duration – 5 years, Interest rate 1%

* Restaurant or Hospitality



PPP2 - Qualifying Costs

- **Payroll** - original PPP forgiveness expenses:
 - Salaries, wages, tips, etc.
 - State and local employer taxes
 - Group healthcare & Retirement benefits
- Now added: Group Life, Disability, Dental & Vision
- **Non-Payroll** - original PPP forgiveness expenses:
 - Rent, Utilities, Mortgage interest or interest on other debt
- Now added: Operations expenditures, Property damage costs, Supplier costs, Worker protection (e.g. PPE)





PPP2 - Documentation

- For PPP2 loans less than \$150,000, documentation is not required at time of loan request (but will be for forgiveness)
- For PPP2 loans greater than \$150,000, proof of revenue loss will be required for lender approval





PPP Forgiveness

Overview

- Covered Period: 8 or 24 weeks from loan origination
- 60/40: 60% payroll costs (min), 40% non-payroll costs
- 3rd Party Payroll documentation requirement
- Forms: 3508S (<\$50,000), 3508EZ, 3508 (>25% FTE/Wage Reductions)
- Attestation requirements (Borrower certifications)
- Lenders have 60 days to make recommendation
- SBA has an additional 90 days to evaluate lender decision
- Forgiveness is non-taxable income, related expenses deductible



Thank you.

- Reach out to your Charles River CFO team member if you need assistance with the PPP program.
- Our next “CFO Call” is Friday, February 5th, 12:00 -12:45
“R&D Tax Credit. The Government Will Reimburse Your R&D Expenditures. How to Get Cash Now”

