



Additional PPP Funding Available, Subject to New Eligibility Requirements

December 28, 2020

On December 27, 2020, President Trump signed into law the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act. Among other things, the act allocates additional funds to the Paycheck Protection Program, albeit under new eligibility rules and with other updates.

Under the act, first-time PPP borrowers may continue to borrow under the original PPP (PPP1), subject to some new eligibility restrictions and programmatic improvements noted below. PPP1 was extended until March 31, 2021. The act also authorized second draw PPP (PPP2) loans for second-time PPP borrowers who have exhausted their PPP1 funds. Neither PPP1 nor PPP2 loans are available to publicly traded companies.

As to PPP2 loans, they are capped at \$2 million (versus \$10 million for PPP1 loans). Additionally, to be eligible for a PPP2 loan, businesses must have seen at least a 25% decrease in gross receipts in comparable quarters of 2020 relative to 2019 and have (together with affiliates) fewer than 300 employees (compared to the PPP1 size standard of 500 employees).

While making some of the eligibility criteria stricter, the new relief package loosens other aspects of the original PPP, including allowing earlier PPP borrowers to apply for a PPP2 loan. Further, all PPP borrowers can now choose the end date for their forgiveness covered period, which must start on the date the loan is disbursed but can run for anywhere between 8 to 24 weeks at the borrower's discretion. The new rules also permit additional types of forgivable expenses (including certain supplier costs and certain group insurance payments). Additionally, expenses paid with PPP funds can be deducted from a business's taxes, and a forgiven PPP loan will not be included in calculating a borrower's gross income.

The [Senate Small Business Committee's summary](#) of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act provides an overview of other relevant provisions of PPP2.

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