



## SBA Paycheck Protection Program

On December 27, 2020, the President signed legislation that provides additional funding for the Paycheck Protection Program. **Iowa State Bank will continue our participation in this program under the new legislation to provide ongoing support to our communities.**

The bill makes many substantial changes to the Paycheck Protection Program, including access to second loans for some businesses. We have received initial guidance from the Small Business Administration for the re-funded program and we expect to begin accepting applications on January 15th.

### Who May Apply:

1. Once the application period opens, PPP loans are available to the following:  
First-time qualified borrowers, including
  - Businesses with 500 or fewer employees that are eligible for other SBA 7(a) loans
  - Sole proprietorships, independent contractors, and eligible self-employed individuals
  - Nonprofits (including places of worship)
2. Businesses that previously received a loan as a new “second-draw” option, including businesses
  - With 300 or fewer employees
  - That have used or will use the full amount of their first PPP loan in accordance with program requirements
  - Able to show a 25% gross revenue decline in any 2020 quarter compared with the same quarter in 2019

**Eligible Expenses:** PPP loan funds must be spent on at least 60% of a borrower’s payroll expenses, with the remaining 40% eligible for expenses like rent, covered mortgage interest, and utilities. Provisions of the regulation expand the eligible expenses to include covered operations expenses, following expenses may also potentially be forgivable in the current 2021 program: covered property damage costs, covered supplier costs and covered worker protection expenditures.

**Loan Amount Calculation:** Most PPP loan borrowers may receive a loan amount of up to 2.5 times their average monthly payroll costs. Borrowers considered in the accommodation or food service industry may receive up to 3.5 times their average monthly payroll costs on second draw loans.

Regardless of the type of borrower, the maximum amount of a second draw PPP loan is \$2 million, first loans are still available up to the \$10 million maximum from 2020.

**Simplified Forgiveness:** As part of the latest round of 2021 PPP funding, a simplified forgiveness application process for loans of \$150,000 or less will be available. Specifically, those who borrow \$150,000 or less shall receive forgiveness if they sign and submit, to the lender, a certification no more than one page in length. Additional guidance and a new Forgiveness application is expected for these loans. Eligibility for full PPP loan forgiveness is contingent on whether borrowers will have spent no less than 60% of the funds on payroll over a covered period of either 8 or 24 weeks.

#### **Additional Important PPP Changes for 2021**

- **EIDL (Economic Injury Disaster Loan) Advance Change:** This eliminates the requirement that recipients of EIDL advances have their PPP forgiveness amount reduced, borrowers that previously had PPP forgiveness reduced as a result of an EIDL advance will be made whole
- **EIDLs (Economic Injury Disaster Loans) may be refinanced with a new first or second draw PPP loan**
- **Tax Deductibility:** The bill also specifies that business expenses paid with forgiven PPP loans are tax-deductible, previous IRS guidance stated that such expenses could not be deducted - *borrowers should consult their tax advisor(s) for specific applicability*
- **Reapplying for the maximum amount:** Some businesses may be eligible to request increases to a PPP loan received in 2020, additional eligibility rules and guidance from the SBA is expected

More information about our PPP efforts, including application details may be added to this page as they become available. You can also reach out to our Loan Department Team at Iowa State Bank if you have questions or would like to learn more about how we can help.

**Really good at the things that count!**

*Iowa State Bank - Loan Department Team*