

Wisconsin Technology Council: Latest PPP round better targeted to small businesses

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MADISON, Wis. – It is tempting to look skeptically at the COVID relief package passed by Congress. The bill has 5,593 largely unexplored pages dog-eared by billion-dollar helpings of pork; it will cost about \$1 trillion at a time when the federal deficit is already huge; and it was plagued by partisan gamesmanship, start to finish.

Still, the bill has its saving graces – although *not* among them is the nanny-state provision to create a commission to educate “consumers about the dangers associated with using or storing portable fuel containers for flammable liquids near an open flame.” Seriously, it’s in there.

A cornerstone of the package is the latest version of the Paycheck Protection Program, or PPP in its acronym form, because it aims to truly help small businesses that have suffered the most during the nine-month-old pandemic.

Round One of PPP, which ran from April to August, allowed some larger businesses to crawl under the fence. Critics said it generally favored well-connected businesses over the Mom-and-Pop variety that couldn’t afford to lawyer their way through the maze.

For example, restrictions on chain-ownership, affiliations and public companies were a bit fuzzy in the \$522-billion first PPP round. The second round makes it clear that public companies listed on a national securities exchange are not eligible.

Another major change involves lending institutions that process the loans. Round

One made it attractive for lenders to focus on the biggest loans first because they paid more. In the latest round, Congress increased the reimbursement on loans under \$50,000 so that lenders have incentives to help even the smallest of small businesses.

The attention to smaller and hardest-hit businesses shows in other ways:

- Most important, small businesses may qualify for a second forgivable loan. For many business owners, the first round of PPP was not enough to keep open their doors or to keep employees on the payroll. The new bill will allow eligible business owners to receive a second draw (another 2.5 months of payroll) on their PPP loan, so long as they meet new requirements.
- Basically, second-time business applicants must show a 25% drop in revenue in at least one 2020 quarter compared to the same quarter in 2019; cannot exceed 300 employees; and must have already spent Round One money.
- First-time applicants may still qualify for PPP loans of up to \$10 million; second-time loans are generally limited to \$2 million.
- Hotels and restaurants may qualify for up to 3.5 times their payroll, up from 2.5 times in the previous round of PPP.
- The new round sets aside a portion of the total PPP money to small community banks, credit unions and community development financial institutions. That's because those institutions may be better able to make loans to underserved communities and the smallest businesses.
- Money has been earmarked for a "Targeted Economic Injury Disaster Loan" advance program for eligible entities located in low-income communities. Also, money is designated specifically for minority-owned businesses and businesses in underserved communities.
- Live event venues, independent movie theaters and cultural institutions such as museums may qualify, although they would need to choose between a possibly forgivable PPP loan and a separate grant program for "shuttered venue operators."
- More non-profit businesses have a chance to apply. For example, 501c6 organizations were left out in Round One.
- Round Two clarifies that certain expenses count toward loan forgiveness, including employer-provided group insurance benefits such as group life, disability, vision and dental insurance. Some COVID-related expenses may qualify, too.
- The SBA previously established a simplified forgiveness application process for

certain borrowers with PPP loans under \$50,000. The new stimulus package creates a similar streamlined forgiveness application process for borrowers with PPP loans under \$150,000

Still to come: Final rules must be written by the U.S. Small Business Administration, so be sure to watch for updates, touch base with your professional advisors or both. The application period for Round Two PPP loans probably won't open until mid-January and won't end until March 31, but the time to learn what may or may not help your small business is now.

The relief bill has more than enough flaws, but the revised PPP may help many businesses on the brink.