



Paycheck Protection Program (PPP) – Details for New PPP Borrowers ("First Draw Loans")

This is the [official guidance for first-time borrowers](#)

Refer to this document *if you are a first-time borrower*. There is separate guidance for borrowers seeking their second PPP loan.

Who is eligible?

Any one of these in operation since February 15, 2020:

- small businesses with fewer than 300 employees
- an independent contractor, eligible self-employed individual, or sole proprietor – the annual self-employment income of owner/partners may be reported as a payroll cost up to \$100,000
- Seasonal business - must have been in operation for at least 12 weeks at any time between February 15, 2019 and February 15, 2020
- 501c3 or 501c6 organization (business association such as a chamber of commerce) - the 501c6 allowability is an addition from the last PPP
- Tribal business
- news / media organization including nonprofit
- hospitals
- electric telephone / housing cooperatives
- tourism marketing business

SBA recommends borrowers apply for the maximum amount as they will not be allowed to re-apply for a second First Draw loan.

*** Please refer to pages 23-27 for ineligible borrowers ***

What forms must you submit to apply?

- SBA Form 2483 -- [PPP Application Form](#)*
- payroll records
- payroll tax filings
- Form 1099-MISC
- Schedule C or F
- income and expenses from a sole proprietorship or bank records

*or your lender's equivalent form

Max Loan Amount

Lesser of \$10 million or an amount that you will calculate using a payroll-based formula on pages 31-33. Self-employed individuals must refer to the formula on pages 34-36, and seasonal employers must refer to pages 37-40.

*** We strongly recommend you work with an accountant to calculate your payroll, taxes, and other required expenses information. ***



Interest Rate and Term

1%, fixed over 5 year term

Collateral

None

What qualifies as “covered costs” (how can PPP loans be used)?

- Payroll costs – 60% of the loan must be used for payroll costs
- Group health care, life, disability, vision, or dental benefits during periods of paid sick, medical, or family leave, and group health care, life, disability, vision, or dental insurance premiums
- Mortgage interest payments (but not mortgage prepayments or principal payments)
- Rent
- Utility
- Interest payments incurred before February 15, 2020
- Refinance of an SBA EIDL loan made between January 31, 2020 and April 3, 2020
- Covered operations expenditures
 - o 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
- Covered property damage costs (costs related to property damage and vandalism or looting due to public disturbances that occurred during 2020 that was not covered by insurance or other compensation)
- Covered supplier costs expenditures for the supply of goods that—
 - o (A) are essential to the operations of the borrower at the time at which the expenditure is made (e.g. PPE purchases); and
 - o (B) is made pursuant to a contract, order, or purchase order
- Covered worker protection costs –
 - o (A) operating or capital expenditures to facilitate the compliance with HHS, CDC, OSHA or State/local government requirements
 - o (B) such expenditures may include – the purchase, maintenance, or renovation of (I) a drive-through window facility; (II) an indoor, outdoor, or combined air or air pressure ventilation or filtration system; (III) a physical barrier such as a sneeze guard; (IV) an expansion of 51 additional indoor, outdoor, or combined business space; (V) an onsite or offsite health screening capability; or (VI) other assets relating to the compliance with the requirements or guidance described in subparagraph (A)

*** Refer to pages 51-55 for self-employed individuals ***

What qualifies as “payroll costs”?

- Salary, wages, commissions, or similar compensation (note: student worker wages can also be counted)
- Cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips)



- Payment for vacation, parental, family, medical, or sick leave
- Allowance for separation or dismissal
- Payment for the provision of employee benefits consisting of group health care or group life, disability, vision, or dental insurance, including insurance premiums, and retirement
- Payment of state and local taxes assessed on compensation of employees
- For an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment, or similar compensation.

*** Refer to pages 44-45 for exclusions of payroll costs ***

Loan Forgiveness Rules

- To receive full loan forgiveness, a borrower must use at least 60 percent of the PPP loan for payroll costs, and not more than 40 percent of the loan forgiveness for nonpayroll costs.
- Payroll costs that are qualified wages taken into account in determining the Employer Retention Credit are not eligible for loan forgiveness
- The “loan forgiveness covered period” is the period beginning on the date the lender disburses the PPP loan and ending on any date selected by the borrower that occurs during the period
 - o (i) beginning on the date that is 8 weeks after the date of disbursement and
 - o (ii) ending on the date that is 24 weeks after the date of disbursement

When Does Principal need to be Repaid?

If you submit to your lender a loan forgiveness application within 10 months after the end of your loan forgiveness covered period, you will not have to make any payments of principal or interest on your loan before the date on which SBA remits the loan forgiveness amount on your loan to your lender (or notifies your lender that no loan forgiveness is allowed).