

We Didn't Get a PPP Loan! Now What?

By David Shapiro

This weekend most of my emails from clients shared a common theme - whether or not they received a Paycheck Protection Plan ("PPP") loan from the federal government. Several did. But, sadly, many of those emails were to report that the client had not received a PPP loan. Of course, anyone who has been dealing with these issues like we have knew ahead of time that most of the PPP loan funds for small businesses - all \$349 billion - would be claimed quickly. And they were ... in less than two weeks. Funding for the SBA's Economic Injury Disaster Loan ("EIDL") program also are gone.

While the PPP is a great program to help small business (in this instance, businesses with fewer than 500 employees), there were two facts that, while not absolute, could predict who would receive a PPP loan and who wouldn't - speed to act and business size (er, resources), which may be related. While we have yet to see data on where the initial PPP funds went, based on what we have seen and heard, it appears that businesses were more likely to get PPP support if they applied quickly ... as early as possible. Several of our clients who received funds were prepared to submit their application before banks and the SBA were open to accept them. But, this type of preparedness required resources - resources that may be more easily accessed by larger businesses. Primarily, these resources included financial and accounting support from a knowledgeable accountant to help prepare the information required for the application, and an established relationship with a PPP-participating bank. This left a lot of small businesses, self-employed individuals, and independent contractors at a distinct disadvantage.

So, if you didn't receive a PPP loan what should you do? All news indicates that a second round of funding is coming. Reports this morning suggest that this second package could be approved as soon as tomorrow (April 21st) or Wednesday (April 22nd) and may include as much as \$450-500 billion more, ~\$310 billion of which would be added to the PPP to help small businesses. The remaining funds would go to the SBA Disaster Relief Fund (~\$60 billion), hospitals (\$75 billion), and to coronavirus testing (\$25 billion). According to The Washington Post, rumors are that about \$60 billion of the new funding may be set-aside to provide loans for minority and lower-served areas. But, this is only seen as an interim deal - a step on the way to a larger, more comprehensive support package. This second round of funding still will not be enough to satisfy the demand for help. So, be ready! There still is an advantage towards larger businesses, but being prepared can help.

The best advice we can offer is be ready to apply when the next round of appropriations funding becomes available. If you filed for a PPP loan in the first round, you should have all of your information ready. If not, call your advisors and your bank today and get your application and your paperwork ready. As of this morning the SBA has not indicated whether applications for applicants who did not receive any PPP funding would be held or revisited or whether applicants would need to file a new application. We also understand that some banks are continuing to process PPP loan applications, though this is bank-specific and, it is not clear how this will be done. So the best advice available at this time is speak with your advisors and be ready to apply ... or to apply again, if needed.

The SBA's website did note that EIDL applicants who already have submitted their applications will continue to be processed on a first-come, first served basis.

Also, remember that SBA loans are not the only help that was made available to small businesses through the federal Coronavirus Aid, Relief & Economic Security ("CARES") Act ... even though they are the most tangible. In addition to PPP loans and EIDL, businesses may be eligible to receive a tax credit (applied against the business' employer portion of Social Security taxes) equal to 50% of qualified wages paid to employees between March 13 and December 31, 2020. To qualify for this tax credit the business' operations must have been fully or partially suspended by a government order relating to COVID-19, or the business' gross receipts for a calendar quarter must have decreased by more than 50% of the gross receipts for the same calendar quarter in 2019.

In addition, most businesses are permitted to delay payment of their 2020 employer Social Security taxes, but remember, 1) these amounts do need to be paid - 50% by December 31, 2021, and the remaining

50% by December 31, 2022.; and 2) if the business ultimately does receive a PPP loan, then once the business receives a decision from its lender that its PPP loan is forgiven, the business would no longer be eligible to defer the business' Social Security tax due after that date ... but the amount that properly was deferred through the date that the PPP loan is forgiven continues to be deferred and subject to repayment as provided above.

If you need help getting ready - let us know.

We will continue to monitor developments in this area. In the interim, stay safe and stay healthy.