

## Senate Passes the PPP Extension Act and Other Related News

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Yesterday, the Senate passed the PPP Extension Act of 2021 (Act) extending the deadline for filing for a first draw or second draw Paycheck Protection Program (PPP) loan from March 31 to May 31. The Act also gives the Small Business Administration (SBA) an additional 30 days, until June 30, to process loan applications received by May 31. The Act does not provide additional funding for the program, which was allocated an additional \$290 billion of funding last December. According to testimony by the SBA's Associate Administrator, Patrick Kelley, approximately \$90 billion of funds remain, which should be sufficient to last through mid-April. So if you are eligible for a first or second draw PPP loan and haven't yet applied, don't delay.

The most recent round of the PPP has been challenging for lenders and many borrowers because of new validation checks instituted by the SBA to help prevent fraud. We have heard that up to 30 percent of the loan applications submitted have been delayed by often difficult to resolve error codes. In addition, we understand that in order to preserve funds, the SBA has instituted limits on the amounts of second draw loans, reducing the amount of approved loans without notice or reason. If you need additional funding to support your business through these challenging times, don't let this be a reason not to apply.

### Other PPP Developments You May Have Missed

The American Rescue Plan Act of 2021 (ARPA), signed by the President on March 11<sup>th</sup>, expanded and enhanced the PPP, making many new borrowers eligible for first or second draw loans. These include, among others:

- **501(c)(3)** nonprofit organizations with no more than 500 employees *per physical location* are now eligible for first draw loans, and 501(c)(3) organizations with no more than 300 employees *per physical location* are eligible for second draw loans.
- **501(c)(5)** (labor organizations), **501(c)(7)** (social and recreational clubs) and **501(c)(8)** (fraternal societies) with not more than 300 employees *per physical location* are eligible for first draw loans as long as they receive and spend less than 15% of their revenue and expenses (and not more than \$1 million) on lobbying activities.

In addition to having received a first draw PPP loan, in order to be eligible for a second draw loan borrowers must demonstrate a 25 percent reduction in gross receipts during any calendar quarter in 2020 as compared to the same calendar quarter in 2019. (There are special rules for businesses that were not in business for all of 2019.) **What you may have missed:** In an Interim Final Rule released on March 18<sup>th</sup>, the SBA announced that *if a borrower meets this gross receipts test, they will be deemed to be in compliance with the certification of need.*

ARPA also introduced the Restaurant Revitalization Fund (RRF) and expanded eligibility for the Shuttered Venue Operator Grant (SVOG) program.

The RRF provides grants to restaurants, food trucks, caterers, bars and similar establishments with not more than 20 locations. The grant is equal to the decline in gross receipts from 2019 to 2020 (the pandemic-related revenue loss), not to exceed \$5 million per physical location and \$10 million for an affiliated group, reduced by the amount of any PPP loans received in 2020 or 2021.

The SVOG provides grants to a range of live venue operators, including certain museums, equal to the lesser of 45 percent of their 2019 revenue or \$10 million. The original SVOG program forced borrowers to choose between receiving a 2021 PPP loan or applying for a SVOG. **ARPA expands eligibility for a SVOG to those that have received a 2021 PPP loan, meaning eligible businesses may now apply for**

**both a PPP and SVOG.** The only catch is that the SVOG will be reduced by the amount of the 2021 PPP loan, and businesses are ineligible for a PPP once they receive an SVOG.

Both the RRF and SVOG program are expected to open up in early April.

### **Contact Us**

If you need assistance in computing your first or second draw loan amount, or with any other matters related to the Paycheck Protection Program, Employee Retention Credit or other business relief programs, please reach out to your PKF O'Connor Davies client service representative or email us at [LoanForgiveness@PKFOD.com](mailto:LoanForgiveness@PKFOD.com).

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