

Second Draw PPP Loans Fact Sheet

Eligibility Requirements

To qualify for a Second Draw PPP Loan, you must have:

- 300 or fewer employees.
- Experienced a revenue reduction of 25% or greater in 2020 relative to 2019 (more on this below).
- Received a First Draw PPP Loan.
- Have used, or will use, the full amount of the First Draw PPP Loan on or before the expected date on which the Second Draw PPP Loan is disbursed to the borrower.

Revenue Reduction Calculation

The 25% revenue reduction can be calculated in a few ways:

- **Quarterly Gross Receipts**
 - You can compare your quarterly gross receipts for one quarter in 2020 with gross receipts for the corresponding quarter of 2019.
 - Example: a borrower with gross receipts of \$50,000 in the second quarter of 2019 and gross receipts of \$30,000 in the second quarter of 2020 has experienced a revenue reduction of 40 percent between the quarters and is therefore eligible for a Second Draw PPP loan.
- **Annual Receipts**
 - If you were in operation in all four quarters of 2019, you can qualify if the annual receipts show a 25% or greater reduction in 2020 compared to 2019.
 - If you did not experience a 25 percent annual decline in revenues, or weren't in operation in all four quarters of 2019, you must meet the quarterly revenue reduction requirement listed above.
- **Newer Business Clarifications**
 - Must be operating before February 15, 2020 to qualify.
 - If you were not operating during the first, second or third quarter of 2019 but were operating in the fourth quarter, you must demonstrate that you had gross receipt reduction of 25 percent in the first, second, third or fourth quarter of 2020 from the fourth quarter of 2019.
 - If you were not operating at all in 2019 but were in operating before February 15, 2020 and had gross receipts during the second, third, or fourth quarter of 2020 that demonstrate a 25 percent reduction from the first quarter, you can also still qualify.

Definition of "Gross Receipts"

The SBA defines gross receipts as all revenue in whatever form received or accrued (in accordance with the entity's accounting method) from whatever source, including from the sales of products or services, interest, dividends, rents, royalties, fees or commissions, reduced by returns or allowances.

For sole proprietorships, independent contractors, or self-employed individuals you can look to "gross income" on your Schedule C. For everyone else you can see "total income" plus costs of goods sold, excluding net capital gains or losses as these are terms defined and reported on your tax return. You do not need to include any forgiveness amount of the First Draw PPP Loan received in calendar year 2020 in your gross receipts.

Loan Amount

The maximum amount of the loan is two and half months of your average monthly payroll costs (capped at \$2 million). There is increased flexibility for calculating payroll costs. You can use either calendar year 2020 or calendar year 2019 or use the precise 1-year period before the date on which the loan is made (does not apply for those who are self-employed).

Application Documents

The documentation required to substantiate your payroll cost calculation is generally the same as documents required for First Draw PPP Loans. Because of that, you will not need to submit additional documentation to substantiate payroll costs if all the following apply:

- Used calendar year 2019 figures to determine its First Draw PPP Loan amount.
- Used the calendar year 2019 figures to determine its Second Draw PPP Loan amount.
- Used the same lender for the Second Draw PPP loan as the First Draw PPP Loan.

For Loans under \$150,000, you will not have to provide documentation of the 25% reduction with your [application](#). However, you will need to provide it for when you apply for loan forgiveness.

If you do not meet the three criteria above or are applying for more a loan amount greater than \$150,000, you must:

- Submit documentation that proves your 25% or greater revenue reduction in 2020 relative to 2019.
- Documentation can consist of relevant tax forms (e.g., Form 941s), including annual tax forms (e.g., Schedule C, Form 1065, Form 1120S), or if relevant tax forms are not available, quarterly financial statements or bank statements.

Loan Forgiveness

Second Draw PPP Loans are also eligible for loan forgiveness on the same terms and conditions as First Draw PPP Loans (payroll, rent, covered mortgage interest, and utilities), but have added the following new list of eligible expenses.

- Covered worker protection and facility modification expenditures, including personal protective equipment, to comply with COVID-19 federal health and safety guidelines.
- Expenditures to suppliers that are essential at the time of purchase to the recipient's current operations.
- Covered operating costs such as software and cloud computing services and accounting needs.

To be eligible for full loan forgiveness, PPP borrowers will still have to spend no less than 60% of the funds on payroll. For the majority of borrowers (loan of less than \$150,000), you can apply for forgiveness with a one-page attestation. However, you will be required to provide documentation of revenue reduction if you did not supply that documentation at the time of the loan application.

Loan Terms

The terms and conditions of the Second Draw PPP Loans are subject to the same terms and conditions as First Draw PPP Loans. These include but are not limited to no collateral or personal guarantees required and that the loans will have a 1% interest rate calculated on a non-compounding, non-adjustable rate with a maturity of five years.

Useful Links for Additional Information

- [IFR on changes to PPP Loans](#)
- [IFR on Second Draw PPP Loans](#)
- [First Draw Borrower Application](#)
- [Second Draw Borrower Application](#)

Please reach out to the ACR at covid@rheumatology.org with questions or if you need assistance. Visit the ACR's website for [COVID-19 updates, advocacy, and resources](#) specific to the rheumatology community, to help rheumatology practices and patients during this challenging time.

Note that the recommendations in this document are based on current knowledge and are subject to revision as circumstances evolve. This document is for reference purposes only. It is intended to provide general guidance and is not legal or financial advice.