

**PPP GUIDANCE FOR 990 FILERS**  
(as of January 25, 2021)

**NOTE: This guidance is meant for Nonprofits that file IRS Form 990.**

Paycheck Protection Program (“PPP”) loans are intended to provide forgivable loans to help you during the on-going economic uncertainty caused by COVID-19. There have been several updates to the program. Please see below for our current guidance.

If you have not yet received a PPP loan and you meet eligibility requirements, you may apply for a PPP loan (also called a **1<sup>st</sup> Draw PPP loan**). If you already received a 1<sup>st</sup> Draw PPP loan and you meet additional eligibility requirements, you may apply for a **2<sup>nd</sup> Draw PPP loan**.

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**Am I eligible for a PPP loan (also called a 1<sup>st</sup> Draw PPP loan)?**

In general, you are eligible for a PPP loan if all of the following statements are true:

- You were operating on February 15, 2020 and either (a) had employees for whom you paid salaries and payroll taxes, or (b) were a sole proprietor, independent contractor, or self-employed individual. (If you operate a seasonal business, you are considered to have been operating on February 15, 2020 if you were operating for any 12-week period between February 15, 2019 and February 15, 2020).
- For most nonprofits, you must have no more than 500 employees (including employees of your Affiliates). To determine whether related entities are Affiliates, review SBA’s Affiliation Rules for PPP in the Tools & Resources section of our [website](#).
- Current economic uncertainty makes a PPP loan necessary to support your operations.
- You have not already received a PPP loan.
- You have not received a Shuttered Venue Grant.
- You have not permanently closed. (If you have temporarily closed due to the impact of COVID-19, and intend to reopen, you have not permanently closed.)
- You are able to make all of the certifications on SBA Form 2383 (PPP First Draw Loan Application).

### What is my loan amount for a 1<sup>st</sup> Draw PPP loan?

Your 1<sup>st</sup> Draw PPP loan will be equal to 2½ months of your average monthly payroll costs in 2019 or in 2020. The year that had higher payroll costs will result in a higher loan amount.

You can include gross wages paid for the year (up to \$100,000 per employee). If in addition to employee gross wages, your nonprofit paid additional amounts for employee benefits or retirement, or State and local taxes, then you may include those amounts as well. (If you work with a 3<sup>rd</sup>-party payroll processor service, they may be able to provide you with a report of your Payroll Costs.) Divide your eligible annual payroll costs by 12 to determine your average monthly payroll costs, then multiply by 2.5. This is your PPP loan amount.

### Am I eligible for a second PPP loan (also called a 2<sup>nd</sup> Draw PPP loan)?

In general, you are eligible for a 2<sup>nd</sup> Draw PPP loan if you were eligible for and received a 1<sup>st</sup> Draw PPP loan, you are still facing economic uncertainty due to the impact of COVID-19, and you meet all of the following additional requirements:

- You experienced at least a 25% reduction in “gross receipts” in calendar year 2020, as compared to calendar year 2019.
- You have used the full amount of your first PPP loan for eligible purposes.
- You have not already received a 2<sup>nd</sup> Draw PPP loan.

### What is my loan amount for a 2<sup>nd</sup> Draw PPP loan?

For most borrowers, your 2<sup>nd</sup> Draw PPP loan will be equal to 2½ months of your average monthly payroll costs in 2019 or in 2020. In most cases, 2019 will result in a higher loan amount, since most businesses had higher payroll costs in 2019.

You can include gross wages paid for the year (up to \$100,000 per employee). If in addition to employee gross wages, the business paid additional amounts for employee benefits or retirement, or State and local taxes, then you may include those amounts as well. (If you work with a 3<sup>rd</sup>-party payroll processor service, they may be able to provide you with a report of your Payroll Costs.) Divide your eligible annual payroll costs by 12 to determine your average monthly payroll costs, then multiply by 2.5. This is your PPP loan amount.

For borrowers who use NAICS code 72 (accommodation or food service), your 2<sup>nd</sup> Draw PPP loan will be equal to 3½ months of your average monthly payroll costs, so you will multiply your average monthly payroll cost by 3.5 to calculate your 2<sup>nd</sup> Draw PPP loan amount.

NAICS codes are used by the federal government to classify your primary business activity, and is entered as the “business activity code” on your Form 990 where you identify your organization’s business activities. If your primary business activity is accommodation or food service, but you inadvertently left the business activity code blank on your most recent tax filing, then alternative documentation, such as permits or licenses unique to these types of businesses and other information, are required.

### What Documentation do I need to provide to apply for a PPP loan?

To apply for a first PPP loan or a 2<sup>nd</sup> Draw PPP loan, you will need to provide:

- A valid, government-issued Photo ID (e.g., State-issued driver's license, U.S. Passport, Green Card) of the authorized signer (director or board member) who will sign your PPP Note
- Documentation you were operating on or around February 15, 2020
- Copies for all four quarters of 2019 (or 2020 if you are basing your loan amount on 2020) of:
  - IRS Form 941, and
  - State wage & unemployment insurance tax filings for all four quarters of 2019 (or 2020 if you are basing your loan amount on 2020)
  - If you work with a 3<sup>rd</sup>-party payroll processor, we may be able to accept their report instead, if it includes equivalent information as the information contained on your 941s and State wage & unemployment insurance tax filings
- If your loan is over \$150,000 and you are applying for a 2<sup>nd</sup> Draw PPP loan, you will need to provide documentation of your reduction in gross receipts. Please review our PPP FAQ and SBA Guidance – How to Calculate 2<sup>nd</sup> Draw PPP Loans in the Tools & Resources section of our [website](#) for details on required documentation.

SBA may require additional documentation when you apply for forgiveness of your PPP loan or 2<sup>nd</sup> Draw PPP loan. For instance, if you provide a draft tax filing, you will be required to provide the filed copy when you apply for forgiveness.

### How can I use my PPP loan?

SBA has expanded the ways you can use your PPP loan proceeds. Whether you have a 1<sup>st</sup> Draw PPP loan or a 2<sup>nd</sup> Draw PPP loan, you can use your loan for the following purposes:

- Payroll Costs: to be fully forgiven, you must use at least 60% of your PPP loan on eligible payroll costs. There are no exceptions to this rule.
- Non-Payroll Costs: if you do not use all of your PPP loan for payroll, you can use up to 40% of it for other business expenses. Please see our PPP FAQ in the Tools & Resources section of our [website](#) for more information on eligible Non-Payroll Costs.

### What are the forgiveness requirements for my PPP loan?

Please see our PPP FAQ in the Tools & Resources section of our [website](#) for information on forgiveness.

### How to document 25% reduction in gross receipts for a 2<sup>nd</sup> Draw PPP loan

For a nonprofit, SBA defines gross receipts within the meaning of section 6033 of the Internal Revenue Code, which is the gross amount received by the organization during its annual accounting period from all sources without reduction for any costs or expenses including, for example, cost of goods or assets sold, cost of operations, or expenses of earning, raising, or collecting such amounts. Gross receipts includes, but is not limited to:

- the gross amount received as contributions, gifts, grants, and similar amounts without reduction for the expenses of raising and collecting such amounts,
- the gross amount received as dues or assessments from members or affiliated organizations without reduction for expenses attributable to the receipt of such amounts,

- gross sales or receipts from business activities (including business activities unrelated to the purpose for which the organization qualifies for exemption, the net income or loss from which may be required to be reported on Form 990-T),
- the gross amount received from the sale of assets without reduction for cost or other basis and expenses of sale, and
- the gross amount received as investment income, such as interest, dividends, rents, and royalties.

If you are calculating your reduction on an annual basis, you will need to look at Part VIII of your Form 990:

- **Line 12 (column (a)) of Part III** equals your organizational Total Revenue at the bottom of the page. It is the same as the Total Revenue shown on p. 1, Line 12, of your Form 990.
- **Line 6b(i)** is an addback to Revenue of your expenses incurred in any gross rent from investment real property your organization receives for the year.
- **Line 6b(ii)** is an addback of any gross rent from investment real property your organization received for the year.
- **Line 7b(i)** is an addback of the costs of any securities you sold during the year.
- **Line 7b(ii)** is an addback of the costs of any other assets you sold during the year.
- **Line 8b** is an addback of any expenses you have incurred on fundraising event income you booked for the year.
- **Line 9b** is an addback of any expenses you have incurred on any gaming activities you conducted in the year.
- **Line 10b** is an addback of the cost of goods sold for any inventory you sold during the year.

To calculate the correct figure, start with your Total Revenue, then look to see if you have incurred any of the expenses outlined here that must be added back to Total Revenue. Here's a table that you can use in making the calculation from your 990 data:

Line 12 Total Revenue	\$
Add line 6b(i)	\$
Add line 6b(ii)	\$
Add line 7b(i)	\$
Add line 7b(ii)	\$
Add line 8b	\$
Add line 9b	\$
Add line 10b	\$
<b>Gross Receipts</b>	\$

**Annual Calculation:** If you're making an annual calculation, compare your 2019 Form 990 results with draft comparable figures for your 2020 operations (or with your 2020 Form 990, if completed). You must make calendar-year comparisons, with this exception:

If you use a non-calendar fiscal year: You can use fiscal-year data for an annual calculation if your fiscal year begins on the first day of February, March or April. If your non-calendar fiscal year starts on any other date, you will need to either provide a comparable calculation for calendar years 2019 and 2020 or do your calculation on a quarterly basis.

Quarterly Calculation: If you're making a quarterly calculation, compare one quarter of 2019 with the same quarter in 2020, with this exception for new entities (entities that started operations after June 30, 2019):

If you were not operating prior to July 1, 2019, but were operating during the third quarter of 2019, you may compare your third or fourth quarter in 2019 to any quarter in 2020; if you were not operating prior to October 1, 2019, but were operating during the fourth quarter of 2019, you may compare your fourth quarter in 2019 to any quarter in 2020; and if you were not operating prior to January 1, 2020, you may compare your first quarter of 2020 to any of your second, third or fourth quarters in 2020.

Include a calculation of your gross receipts for the compared quarters that includes the addback to your bottom-line Total Revenue figure of any of the line-item expenses cited in the SBA formula above that were incurred during those quarters.

A couple of observations:

- Many nonprofits, especially smaller ones, may have few or none of these expense categories to add back to their Total Revenue. In short, if you have none of these addbacks, your gross receipts will be your Line 12 Total Revenue.
- That said, it is important that you review your financials carefully and include any of the expenses required in SBA's formula.
- The SBA has confirmed that your first PPP loan is not included in your calculation of Total Revenues (PPP loans are not considered income for tax purposes).
- If your organization received an SBA Economic Injury Disaster Loan (EIDL) Advance, the SBA has confirmed that your EIDL Advance is not included in your calculation of Total Revenues (EIDL Advances are not considered income for tax purposes).
- These figures are critical to your calculation of a 25% reduction – so please make sure you have examined both your 2019 and 2020 figures – be they annual or quarterly – to ensure you have included all relevant expenses as an addback to your Total Revenue.
- Because we have just received the SBA's guidance on this point, we are still seeking out updates and clarification that may make these calculations easier for you. As we learn more, we'll pass it along immediately.

Please remember: We cannot serve as your accountants and/or financial advisors – so we recommend you reach out to your organization's financial consultants if you have questions about these calculations or whether certain expenses fall within these categories.

Please see our PPP FAQ and SBA Guidance – How to Calculate 2<sup>nd</sup> Draw PPP Loan in the Tools & Resources section of our [website](#) for additional information.

**If you are applying for a 2<sup>nd</sup> Draw PPP loan**, here are a few other key points for you to consider:

- Any business that uses a NAICS Code starting in "72" (mostly restaurants, food service businesses and hotels or accommodations businesses) can get a loan based on 3.5 times the eligible payroll amount rather than the standard 2.5 times. If your business fits this criterion, our system should calculate your loan amount at the 3.5 times multiple.

- Because SBA rules for PPP loans have continued to change since we worked with you on your first PPP loan, we may need to take a more in-depth look at your information before we can approve you for a 2<sup>nd</sup> Draw PPP loan.