



# COLLEGE of AMERICAN PATHOLOGISTS

Member Resources

## Paycheck Protection Program (PPP)

Update – January 20, 2021

### Objective:

The purpose of this document is to provide general information for practices to use when considering or preparing to apply for a loan under the Paycheck Protection Program (PPP). This resource is for general informational purposes and should not be viewed as a substitute for professional accounting or legal advice.

**Application Deadline:** March 31, 2021

### Background:

On March 27, 2020 Congress passed the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which includes the Paycheck Protection Program (PPP). The PPP is administered by the Small Business Administration (SBA) and provides short-term financial assistance to small businesses to manage the economic impact as a result of the COVID-19 pandemic.

On December 27, 2020 the Consolidated Appropriations Act was signed into law. This provides additional funding to eligible new borrowers and qualifying existing borrowers that had already received a loan under the original program. The new PPP program also contains significant changes from the original guidelines and provides new criteria for second-time borrowers.

Members are encouraged to visit the SBA's website for additional information and updates.  
<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

**Update:** 01-20-21

#### 1. Eligibility – First-Time Borrowers

- a. Application deadline March 31, 2021
- b. Must meet the requirements established under the CARES Act. Refer to CAP's resource titled "Paycheck Protection Program; A Roadmap to Preparation and Application" located at <https://documents.cap.org/documents/PPP-Roadmap-FINAL-PRODUCTION-rev2-4-23-20.pdf> for eligibility criteria and other information.
- c. Publicly traded companies that were not in business on February 15, 2020 are not eligible to receive PPP loans.
- d. Receivers of "shuttered venue operator grants" are not eligible.
- e. Use of funds (**Revised**)
  - i. Payroll amount including benefits
  - ii. Mortgage interest, rent, utilities
  - iii. Worker protection costs (PPE) related to COVID-19

- iv. Uninsured property damage caused by looting or vandalism during 2020
- v. Certain supplier costs and expenses for operations

## 2. **Eligibility – Second-Time Borrowers**

- a. Must have received a First Draw PPP Loan
- b. Must have fewer than 300 employees **and** have experienced at least a 25% loss of gross receipts (gross charges) during any quarter in 2020 compared to the **same** quarter in 2019. Generally, this is found on your billing report under total gross charges or total billed charges and reflects the amount that you actually billed payers or patients for your services and not what you were paid.
- c. The maximum loan amount is \$2 million.
- d. The loan amount is calculated at 2 ½ times your average monthly payroll for the one-year period prior to the date the loan was made or for the entire year of 2019.

## 3. **Eligible Expenses for Loan Forgiveness**

In addition to the original PPP use of funds criteria (see 1.e above) practices may use the loan proceeds for the following;

- a. Business software or cloud computing services that facilitate the practice's business operations, service delivery, processing, payment or tracking of payroll expenses, human resources, sales and billing functions.
- b. Tracking supplies, inventory, records and expenses
- c. Cost related to property damage and vandalism or looting due to public disturbances that occurred during 2020 and were not covered by the practice's insurance or other forms of compensation.
- d. Expenses to suppliers for goods in connection with the practice's business
- e. Operating or capital expenditures in order to comply with requirements set forth by the Centers for Disease Control and Prevention (CDC), the Department of Health and Human Services (HHS), the Occupational Safety and Health Administration (OSHA) or any state or local government that were enacted after March 1, 2020. This may include, but not limited to;
  - i. Personal Protective Equipment (PPE)
  - ii. Physical barriers
  - iii. Ventilation and filtration systems
  - iv. Other worker safety measures

## 4. **Ineligible Businesses**

The following business are **not** eligible for a second-time PPP loan:

- a. Political or lobbying businesses
- b. Businesses owned 20% or more, directly or indirectly, by an entity created or organized under the laws of the People's Republic of China or the Special Administrative Region of Hong Kong or that has "significant operations" in those jurisdictions. Businesses that have a resident of the People's Republic of China as a board member are also ineligible to participate in the new round of PPP funding.

**5. Covered Period**

The covered period is the period of time that a practice has to use the proceeds from the PPP loan. The practice has the option to select either eight weeks or twenty-four weeks to use the loan proceeds.

**6. Economic Injury Disaster Loan (EIDL)**

Originally, if your practice was the recipient of an EIDL loan, the loan amount was deducted from the total forgiveness amount, thereby decreasing the forgiveness amount. Under the new law, this section of the PPP program has been repealed.

**7. First-time PPP loan increase**

If your practice received a PPP loan under the original criteria and by applying the new criteria you could have received more, then you may apply for the difference.

**8. Revised Forgiveness Process**

If your practice receives a PPP loan of *\$150,000 or less* you will be eligible to use a simplified one-page loan forgiveness application. The application requires the following information;

- a. The number of employees the practice was able to retain because of the loan
- b. The estimated amount of the loan proceeds that were used for payroll. You must use at least 60% of the amount on payroll expenses.
- c. The total loan amount

It should be noted, that you must certify that the practice has complied with all program requirements and have all records that will prove compliance. All employment records must be maintained for **four years** following your forgiveness application and all other records related to the PPP loan application and forgiveness must be maintained for **three years**.

If your practice elects to use this short form, it is *highly recommended* that you consult with appropriate professionals to ensure that the information you submit is accurate. There are significant liabilities attached to making or certifying false statements to the SBA.

**9. Deductibility of Expenses**

Under the original PPP program, expenses paid by PPP loan proceeds were not deductible business expenses. (e.g. supplies, reagents) The new PPP program permits your practice to include those expenses as a tax deduction. It is recommended that you consult with your accounting professionals for additional information.

**10. Second Draw Borrower Application Form**

<https://www.sba.gov/sites/default/files/2021-01/PPP%20Second%20Draw%20Borrower%20Application%20Form%20%281.8.2021%29-508.pdf>

## References

*The National Law Review*, accessed 12-30-20

<https://www.natlawreview.com/article/paycheck-protection-program-round-2-highlights>

Sidley Austin LLP, accessed 12-28-20

<https://www.sidley.com/en/insights/newsupdates/2020/12/paycheck-protection-program-update-stimulus-bill-reopens-ppp-to-new-and-existing-borrowers>

Ward and Smith, P.A., accessed 12-29-20

<https://www.wardandsmith.com/articles/what-small-businesses-need-to-know-about-ppp-loans-for-2021>

## Resources

1. SBA – “Paycheck Protection Program”  
<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>
2. U.S. Department of Treasury “ Paycheck Protection Program Information Sheet”  
<https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>
3. SBA – Loan Forgiveness Application 3508EZ  
*This form is for sole proprietors, independent contractors and self-employed individuals who had no employees at the time of the PPP loan application.*  
<https://www.sba.gov/document/sba-form--paycheck-protection-program-ez-loan-forgiveness-application-6-16-2020>  
Instructions for Form 3508EZ  
<https://www.sba.gov/document/sba-form--paycheck-protection-program-ez-loan-forgiveness-application-instructions-borrowers-6-16-2020>
4. SBA – Loan Forgiveness Application 3508  
*For C – Corporations and S – Corporations*  
<https://www.sba.gov/document/sba-form--paycheck-protection-program-loan-forgiveness-application-revised-6-16-2020>  
Instructions for Form 3508  
<https://www.sba.gov/document/sba-form--paycheck-protection-program-loan-forgiveness-application-instructions-borrowers-6-16-2020>
5. SBA – Loan Forgiveness Application 3508S  
*Use this form if your PPP loan amount is **\$50,000 or less***  
<https://www.sba.gov/document/sba-form-3508s-ppp-loan-forgiveness-form-3508s>  
Instructions for Form 3508S  
<https://www.sba.gov/document/support-ppp-loan-forgiveness-form-3508s-instructions>
6. SBA – PPP FAQ’s  
<https://www.sba.gov/document/support-frequently-asked-questions-ppp-loan-forgiveness>