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## PPP Loans for the Smallest Businesses

**Legal Update**

02.23.2021

On Monday, February 22, 2021, the Biden administration announced several Paycheck Protection Program (PPP) reforms in order to ensure the program supports the smallest of businesses, which make up the vast majority of businesses in the U.S. The updates include the following measures:

- An exclusive 14-day period during which only businesses and nonprofit organizations with fewer than 20 employees are eligible to apply for PPP loans, beginning on February 24 and ending on March 9.
- Revisions to the loan calculation formula for sole proprietors, independent contractors and self-employed individuals to allow these applicants to use gross income, rather than net income, when calculating the eligible loan amount. Additional details on whether this revised loan calculation will be limited by the number of employees or other factors are still forthcoming. NOTE: It is believed that the revised loan calculation formula will only be available for new applicants, and not be retroactive, but clarification from the SBA is still needed.
- \$1 billion to be set aside for sole proprietors, independent contractors and self-employed individuals in low-to-moderate income areas.
- Elimination of previous rules restricting businesses from receiving PPP loans that are at least 20 percent owned by individuals arrested for or convicted of a felony (other than one related to financial assistance fraud) in the previous year. These individuals will now be eligible; however, the restriction will continue to apply to businesses whose applicants and/or owners are currently incarcerated or have been convicted of any financial assistance fraud-related felony in the last five years.
- Elimination of previous rules restricting businesses from receiving PPP loans if the business is at least 20 percent owned by any individual(s) who is delinquent on federal student loan debts.
- Clarification that small businesses owned by non-U.S. citizens who are legal residents of the U.S. may apply for PPP loans using individual taxpayer identification numbers (ITINs).

In addition to the above, the PPP loan applications have also been revised in order to encourage the self-reporting of demographic data to better illustrate the impact PPP is having across different population segments. The SBA is also launching a new initiative to enhance its lender engagement model, which will allow opportunity for

lenders to provide recommendations on and ask questions about the PPP program to better streamline the communication process.

Additional information and developments can be found on the SBA and Treasury Departments websites.