



Paycheck Protection Program: Congress passes legislation allowing for a second round of forgivable loans

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This content is not to be considered legal advice. We recommend Clients speak with legal counsel specializing in labor, employment and tax law to ensure your organization meets requirements.

For more information about applying for a loan, visit the U.S. Department of Treasury's [Assistance for Small Businesses](#) webpage for a borrower application form and more information. This site also provides a zip-code based search to find eligible lenders. You may also visit the U.S. Small Business Administration site at www.sba.gov.

On December 21 2020, Congress passed the Consolidated Appropriations Act of 2021, which, among other things, reauthorized the Paycheck Protection Program (PPP). Congress added \$248.5 Billion to the PPP to provide small businesses with an additional round of forgivable loans.

While many of the PPP rules remain unchanged, there are some important updates to the program, as described below. Sun Life will continue to update this document as new information becomes available.

Q. What businesses are eligible for PPP loans?

In order to be eligible for a second round PPP loan, a business will generally need to meet two criteria:

1. Have less than 300 employees¹; AND
2. Demonstrate a 25% decrease in gross receipts from a quarter in 2019 compared to the same quarter in 2020.

These are notable changes from the first round of PPP loans, where businesses with generally less than 500 employees were eligible and were only required to certify that the economic conditions made the loan necessary to support the ongoing business operations.

Q. If my business received a PPP loan during the program's first round of lending, are we eligible for a second round PPP loan?

Yes. Businesses that meet the qualifications described above, even if they already received a PPP loan in the first round of lending, are eligible for a second round PPP loan.

Q. Are there any changes in determining the size of the loan?

Yes. An employer can include additional employer-paid group insurance premiums as payroll costs. While the first round of PPP loans only allowed employer-paid group health insurance premiums to be included, this change means **employer-paid life, disability, dental, and vision insurance premiums can also be included.**

Q: My business received a first round PPP loan and I have not yet applied for loan forgiveness. How does this change, allowing for the inclusion of additional group insurance premiums, impact my first round PPP loan?

If you have not yet applied for loan forgiveness and you have not spent all of your first-round PPP loan on forgivable expenses, your employer-paid premiums for group life,

1. Certain businesses that qualify as a small business concern by their annual size standard established by section [121.201 of Title 13](#), Code of Federal Regulations, may also be eligible.

disability, dental and vision that were made during your loan's covered period are now forgivable uses of the loan.

Example:

- ABC Company applied for and received a \$150,000 PPP loan in June 2020. During their 24-week covered period, they used \$140,000 on forgivable expenses.
- During that same period, they spent \$10,000 on employer-paid group life and dental premiums.
- They have not yet filed for loan forgiveness.
- They can now apply for \$150,000 in loan forgiveness because the new change includes employer-paid premiums (in this example, life and dental insurance) as both payroll costs and forgivable uses of the loan.

Q. What is the calculation for determining the size of the loan?

There are a number of steps to determine the amount of the loan that your business is eligible for.

- **Step 1: Determine your average monthly payroll costs**
 - For the 12 months prior to your application, add the payments of compensation you made to your employees. Include the following:
 - Salary, wages, and commissions
 - Do not include the amount of an annual salary over \$100,000
 - Payment of cash tip or equivalents
 - Payment for vacation, parental, family, medical or sick leave
 - Allowance for dismissal or separation
 - Payment for the provision of certain group insurance benefits, including health, life, disability, dental, and vision, including premiums
 - Payment of retirement benefits
 - Payment of state or local tax assessed on the compensation of employees
- **Step 2: Divide this figure by 12. This dollar amount is your average monthly payroll costs**
- **Step 3: Multiply your average monthly payroll costs by 2.5²**
- **The result of this calculation is your loan amount. (The maximum loan amount is \$2 million.)**

Your Sun Life employer-paid life, disability, dental and vision insurance premiums can be included in payroll costs for purposes of the PPP loan.

To determine the amount of Sun Life insurance premiums you paid for your employees over the past 12 months, please visit www.sunlifeconnect.com to view your past statements. Use this [video](#) as a guide.

Q. What items are not included in payroll costs?

While there are many items not included in the calculation, the legislation specifically lists these exclusions:

- The prorated amount of annual salaries over \$100,000
- The employer's portion of OASDI Payroll taxes, Railroad Retirement Taxes, and other Federal Taxes on wages
- Compensation for an individual whose principal place of residence is outside the US
- Qualified sick leave wages for which a tax credit is allowed under the Emergency Paid Sick Leave Act of the Families First Coronavirus Relief Act (FFCRA)
- Qualified family leave wages for which a tax credit is allowed under Emergency Family and Medical Leave Act of the FFCRA

Q. What are forgivable uses of the loan?

Forgivable uses for the second round of PPP loans are:

- Payroll costs
- Mortgage interest
- Computing services that facilitate business operations
- Costs related to property damage, vandalism, or looting that occurred in 2020 but were not covered by insurance
- Supplier costs that are essential to the operation of the business
- Expenditures for worker protections to facilitate business activities during COVID-19

Q. What is the interest rate and terms of the loan?

For any unforgivable portion of the loan, the interest rate is 1%, and must be repaid within two years. For the first six months of the loan, all payments are deferred (although interest does accrue).

As noted previously, additional regulations for this program are expected. As such we will update this Q&A periodically. For updates and more information about COVID-19 related legislation and Sun Life's response, visit us at www.sunlife.com/coronavirus.

2. Businesses in industries assigned to NAICS code 72 (Accommodations and Food Service) can receive 3.5x their average monthly payroll costs.

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