

Biden Administration Issues PPP Loan Revisions Focused on Small Businesses

Hinshaw Alert | 1 min read

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On Monday, February 22, 2021, the Biden Administration announced changes to the Paycheck Protection Program (PPP) designed to assist small businesses in securing PPP loans. The PPP—which is scheduled to end on March 31, 2021—will only accept applications from companies with fewer than 20 employees for a 14-day period starting Wednesday, February 24, 2021, and ending at 5:00 p.m. (ET) on March 9, 2021. Larger businesses will not be allowed to apply for PPP loans during this period.

The revisions will also help sole proprietors, independent contractors, and self-employed workers by allowing applicants to calculate their PPP loan amounts using their gross income rather than their net profits as listed on their tax returns. Under the current calculation rules, many of prospective borrowers could only borrow \$1.00. In addition, the revised program will set aside \$1 billion for businesses in this category located in low income and moderate income areas.

Under the current rules, a borrower is not eligible for a PPP loan if at least 20% of it is owned by an individual who has either an arrest or conviction for (1) a felony related to financial assistance fraud within the previous five years, or (2) any other felony within the previous year. The revised rules will eliminate the one-year lookback provision unless the owner is incarcerated at the time of the application.

Applicants who have defaulted on their federal student loans within the last seven years, or who are currently delinquent on such loans, are not currently permitted to apply for a PPP loan. The revised rules will remove these restrictions.

The PPP is available for all lawful U.S. residents, but Small Business Administration (SBA) guidance is not clear whether holders of individual taxpayer identification numbers (ITINs), like green card holders or those in the United States on visas, may participate in the program. The SBA has been directed to provide clear guidance indicating that applicants cannot be denied access to the PPP program because they use ITINs to pay their taxes.

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