COVID PPP LOANS ROUND 2:
## Cloud Technology Coverage FAQ

What is the second round of COVID PPP loans?

An additional $284.45 billion dollars have been appropriated for small businesses to use for Paycheck Protection Program (PPP) second draw loans. These are government loans provided to companies at a fixed 1% non-compounding 5-year rate. The most incredible part of the loan program is that if businesses use the loan for certain business expenses, they may be partially or completely forgiven. The forgiven loan may also be tax-deductible!

What costs can the next round of COVID PPP cover?

The second-round loan covers the same items covered by the first round of PPP Loans – payroll costs, interest on primary mortgages (if in place before Feb. 2020), and **rent and utilities** (also if in place before Feb. 2020). However, round 2 PPP loans have been extended to also cover: **select operations expenses** (this includes **cloud-based hosting** and **computer software expenses**), covered **property damage costs** (vandalism), covered **supplier costs** (costs for essential services), and covered **worker protection** (PPP and related).
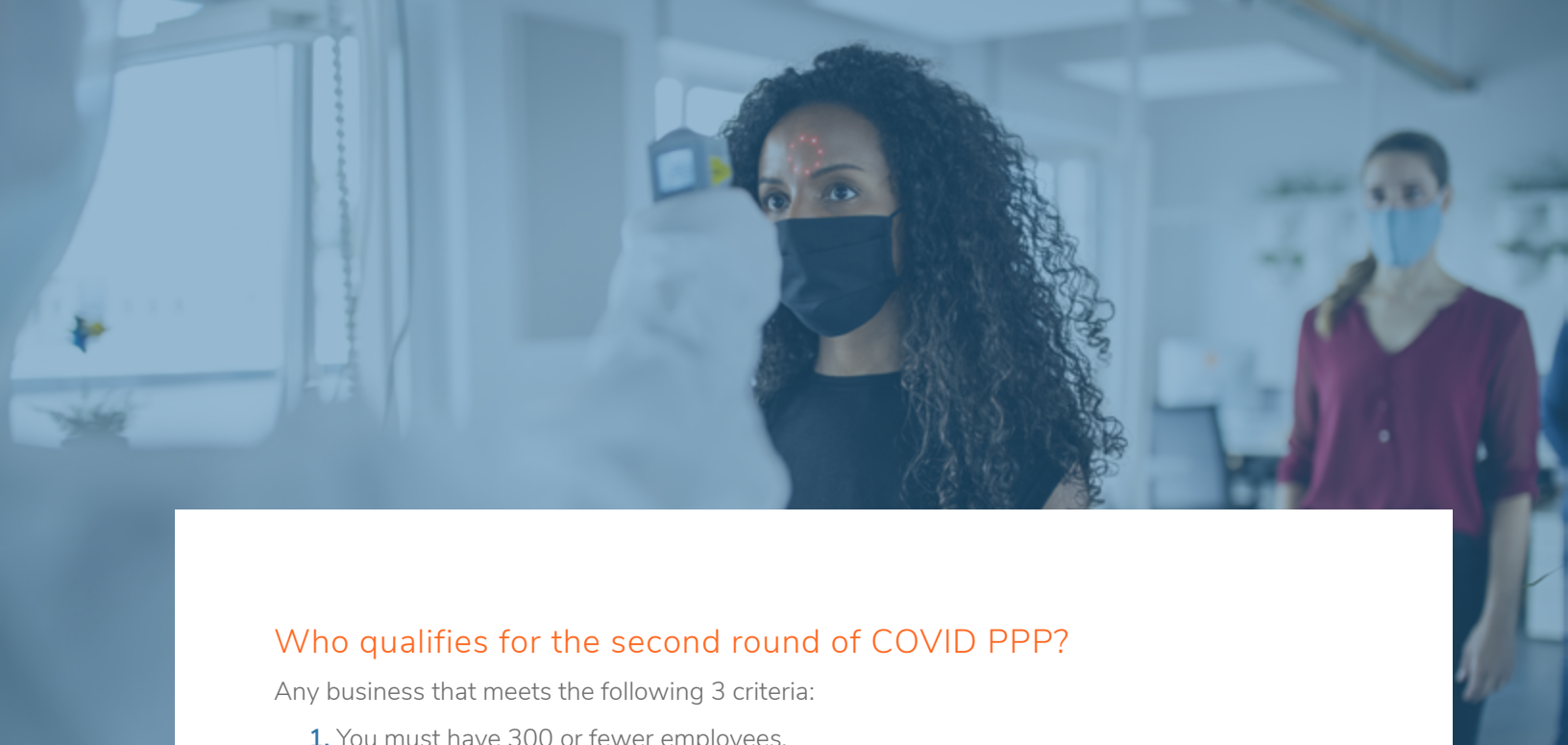
Who qualifies for the second round of COVID PPP?

Any business that meets the following 3 criteria:

1. You must have 300 or fewer employees.

2. If you participated in the COVID PPP last year, you must have used the full amount of the first round of funding. *(Participation in the last round is not required for qualification).*

3. You can demonstrate at least 25% or greater reduction in gross receipts in the first, second or third quarter of 2020 compared to the same period in 2019.

How do I apply for the next round of COVID PPP and what are the deadlines?

For those that have benefited from round one of the PPP, you will need to apply using **Form 2483-SD (Second Draw)**. If you apply with the same lender used for round one, the same documentation used for that application may be used for this application. For those applying for the first time, you will use **Form 2483 (PPP Borrower Application Form)**. The SBA announced that the deadline to apply will be March 31st, 2021.

Why is cloud technology and infrastructure now included in COVID PPP loans?

From a business operational standpoint, this is somewhat common sense and rather smart. To survive and continue to operate, businesses have had to transform to a world around the internet, Zoom meetings, and remote workforces. In order to sustain operations, businesses will need to invest in migrating traditional on-premises environments and software to cloud-based solutions and hosted environments to ease the burden of remote access and operation.

Legacy systems are not typically designed to support complete or secure functionality remotely, which is why there is such a strong wave of businesses adapting and implementing new cloud solutions to support this trend. In trying to adapt to this "new normal" rapidly, US businesses were already sitting at an average of 23% over-budget on cloud solutions by April of 2020 (according to a Flexera survey). As this need for cloud technology emerged as a vital component to helping businesses endure the pandemic and beyond, the SBA and the Treasury Department amended portions of the second round of PPP loans to include them.

What can specifically be included in the 'software and cloud computing services and accounting' category of the loan?

Although specifications continue to develop each day, it appears that **business applications and ERP software** built for accounting, inventory management, and related functions are included. The preliminary guidance states, "any software, cloud computing, and other human resources and accounting needs."

Do I have to spend any of my loan dollars on something other than software and cloud services?

In short, yes. There is a 60/40 rule in place requiring that at least 60% of the money be spent on maintaining your workforce through payroll expenses. The other 40% can go to operating expenses, such as **cloud technology and services**. Your forgiveness will be primarily based on your payroll expenses and other standard operating expenses, but if your costs do not equal the loan amount, you will not have that money forgiven.

What Clients First offerings are included in the cloud technology category I can use my PPP loan for?

Nearly all of the **ERP**, **cloud hosting and services**, and **business continuity** offerings from Clients First would be included in the category of software, cloud computing, and other HR and accounting needs to fit the bill. There is also an additional forgiveness area included for covered supplier costs. Although more tax advice is necessary, the definition from the SBA states "expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to operations at the time at which the expenditure was made." This means that if your ERP system, warehouse management system, shipping system, etc., is essential to your business, and a contract for services is in place prior to loan application, those expenses would be able to be included in the forgiveness calculation.
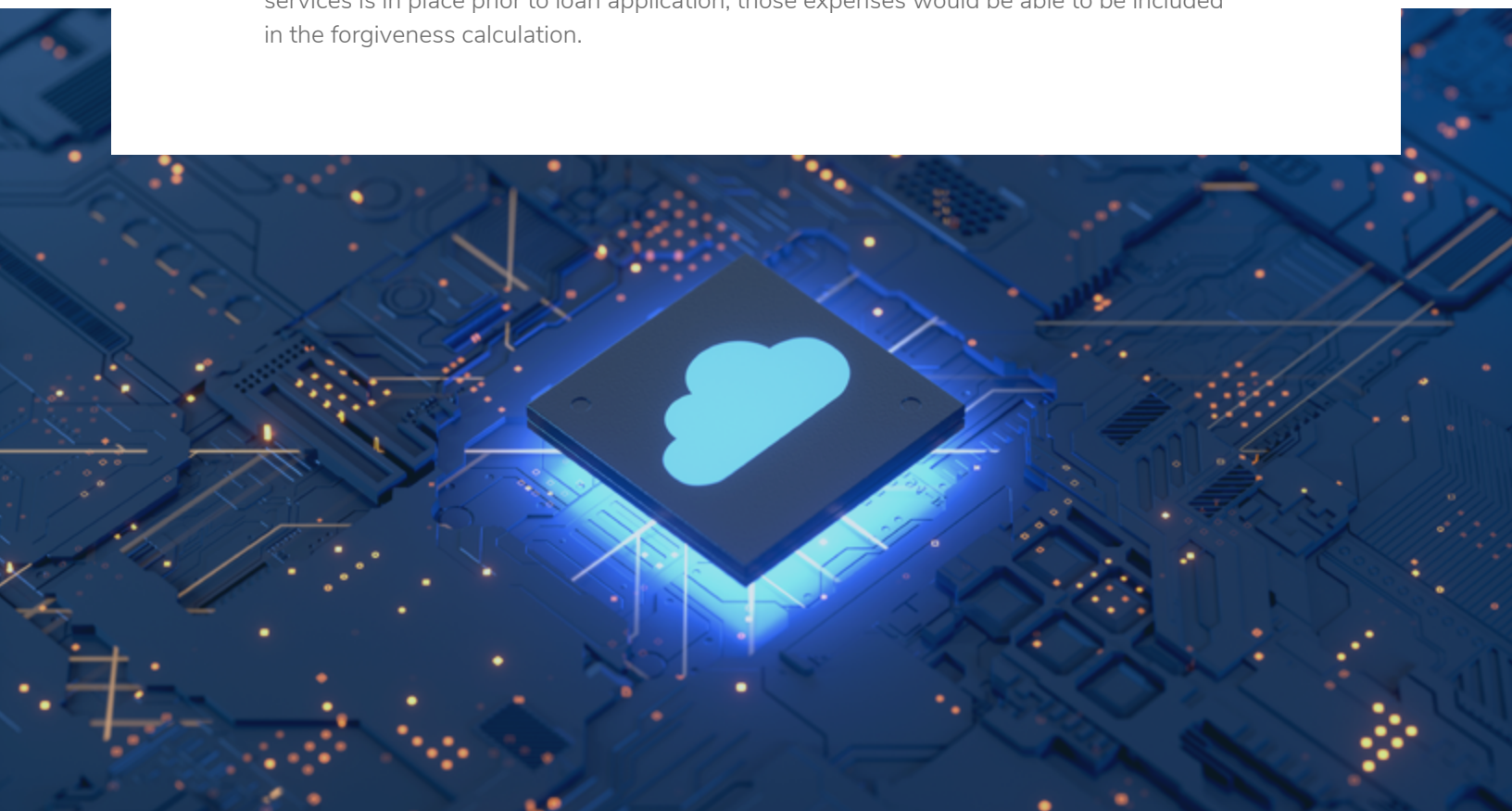
What other restrictions and timetables should I know about regarding using my PPP loan funds for IT expenditures?

The only timetable released thus far is that applications must be submitted by 3/31/2021, and the major requirement is that 60% of your loan needs to be spent on workforce retainment through payroll expenses. There will undoubtedly be a future date for those that receive the round 2 funding will need to apply for loan forgiveness.

What is the benefit of using my PPP loan for IT and cloud technology investments?

There are two major benefits available to borrowers:

1. If you have to pay for or need a new ERP system or upgrade, you couldn't find a better loan rate than 1% flat for 5 years.

2. There is a good likelihood that you can get this loan forgiven completely and deducted!

What are the first steps I can take to offset the costs of my cloud software and services with COVID PPP loans?

The first step to take is to apply for the loan before the deadline. The fastest and easiest way to do this is by using the same lender as you did for the first round of PPP loans (if you use payroll calculations from 2019 when applying the next round).

From there, contact the cloud technology and service experts at Clients First to learn more about the best cloud solutions and services to maximize your PPP and set your business up for security and success as the world's demand for remote-forward operations grows.

CONTACT US