

January 27, 2021, Governor's Small Business Webinar Series.

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>> Spillane: So I'd like to welcome you today. I can see we have quite a few people who have joined us already. And we can see actually that people are joining at a fast rate, which is great.

We'll take our time starting to allow people to join us. And we'll we're waiting I am going to post our accommodations notice.

We have accommodations for people who are hard of hearing and would appreciate a captioning service and the instructions are on this slide as to what's available and how to access it.

The link to the service is actually posted in our Q&A feed. You can see in your upper right-hand corner of your screen the double speech bubble with the question mark. If you click that you will see in the featured feed the link to the captioning services there. You can cut and paste that into your browser and access the service that way.

But I'll leave the slide up for a moment for those who are interested to read those instructions.

And also a transcript of this event is available from our website within 48 hours. Anybody who registered will

receive an email with a link to that after the event.

And once again, I'll just mention that the link to the captioning service is in the Q&A feed, in the featured feed. You can access that by clicking on the speech bubble in the upper right-hand corner of your screen, the one with the question mark on it, and cut and paste the link into your browser.

So respecting everybody's time we're going to move along and I'm going to hand over to Adriana Cruz the executive director of economic development and tourism, which is an important part of the Office of the Governor. Over to you, Adriana.

>> Cruz: Thank you, Kelly. Good afternoon, everyone and thank you for joining us today. I am Adriana Cruz, the executive director of the economic development and tourism office in the office of Governor Greg Abbott. And on behalf of Governor Abbott and the entire team at the economic development and tourism office, I want to thank you and welcome you for joining us for the second Governor's small business webinar of 2021.

Through these webinars our goal is to provide you information and to connect you with local resources to

help you find success on your entrepreneurial journey. Last year we held 15 small business webinars throughout the year with more than 22,000 small businesses registered.

We wanted to start off 2021 right away. Given the passage of the consolidated appropriations act on December 27th. And today we'll be hearing from experts from the Small Business Administration, the small business development center to give us the latest information on the new round of PPP funding.

Under Governor Abbott's leadership our office is committed to work with you to make sure that Texas continues to be ranked as the top state in the country to start a business and to be an entrepreneur.

Texas' small business owners and the entrepreneurs are the backbone of our economy and we want to thank you for everything that you do to keep our economy going. Working together we'll continue to keep the strong trajectory of its economic growth for Texas.

Please don't hesitate to reach out to our small business office. Kelly Spillane, Jarvis Brewer and Sam and our small business office, Sonia Galliard, if we can

do anything for you as you continue to do business in the Lone Star state. Now I'll turn it over to our small business advocate, Kelly Spillane. Kelly.

>> Spillane: Great. Thank you, Adriana. We're going to move along and start our event today. Thank you all for joining us and thank you for making time.

I'm going to introduce our panelists now. These are the people who will be sharing expert information. These are the people at the moment serving small businesses with the new resources and new information from the Small Business Administration. So today we have Tim Jeffcoat, the director of the Small Business Administration in Houston. He's the district director. We have Rodney Johnson, the director of the Small Business Center in Tarrant County. And we also have Nestor Astorga, in the COVID Business Recovery Accelerator, COBRA, that serves not just the State of Texas, but also San Antonio. So we are delighted to have these three experts join us today to answer your questions and share information that's on the top of everybody's mind right now.

And so before we move along to talk to them, I just want to mention that our live question and answer feed is

now open I can write your own questions in there, but before you go look at the featured feed in front of you. My colleagues will be publishing questions that have been asked. I would urge you to like the questions that you want to see answered and we are going to prioritize the questions that have the most likes.

So make sure before you ask your question that somebody hasn't already asked it.

Thank you very much, we will unfortunately not get to all the questions but we have two of our colleagues back of house. We have Sam and Michael who are answering questions directly. So if you do ask a question, you may get a direct answer. So make sure to double-check for that.

So thank you very much in advance for asking those questions and we will move along and we're going to start with some frequently asked questions. And I'm going to start by talking to Tim Jeffcoat, the district director of the SBA in East Texas. Thank you for joining us, Tim. Thank you for making time.

>> Jeff coat: It is my pleasure.

>> Spillane: Great. I'll go to the questions on the

slide. The first question is how is the small business administration ensuring smaller companies will have a better chance of securing a PPP loan in this new round?

>> And I have recent data on that. There have been a number of provisions that we've undertaken so first let's give Congress some attribute. This Congress specifically set aside pieces of the funding for small business support in this act to go to small depository institutions, often minority deposit institutions, to make sure that the money gets to the smaller borrowers, and then amounts of the funding -- which by the way is \$284.45 billion. Some of that was set aside just for the very smallest, first-time borrowers, as well as for the smallest second time PPP borrowers.

And as of yesterday, late yesterday, it looks like 65% of all of the loans that are currently being done are going to folks for about 50 or \$60,000 or less, so the very smallest ones. So we can also tell you with real up to date data that it is working.

>> Spillane: Okay. Great. It's fantastic to hear about these provisions to just make sure that the smaller businesses have a good chance.

With that in mind you and I were talking recently and you were pointing out some interesting things and I'd like for you to share with the audience, what are the key things that sole proprietors and independent contractors should consider before applying for a PPP?

>> Jeffcoat: Sure. That's great. I was talking to an Uber driver earlier. As an independent contractor, he was asking is PPP the right thing for me? The Paycheck Protection Program is what PPP stands for, so it's really intended to businesses that have a staff and need to pay paychecks, but if you're an independent contractor or you're a sole proprietor with no employees then it's your paycheck that we're talking about and in that case it is defined as your net profit.

In your case if you look at your line 31 a your form 1040 tax return that's the amount that constitutes your paycheck to the internal revenue service.

So the way that works is you will take that amount, divide it by 12 to get it on a monthly basis, multiply by 2.5. That's your loan.

In some cases if you don't earn much profit it won't be very much money. The specific example today, the

individual says I only have about 20,000 in profits.
Should I bother applying?

well, 20,000 divided by 12 times 2.5 is about \$4,200.
It's not a huge amount of money, but it might make a
difference and it's 100% forgivable. So in that case if
it were me I think I would be very interested in it.

>> Spillane: That's great to know and thank you, Tim.
We'll come back to Tim during the live Q&A. We'll move
along now to Rodney Johnson. Thank you for joining us
today, Rodney. It's great to have you back.

>> Spillane: You need to unmute.

>> Johnson: Very nice to be here.

>> Spillane: I'm going to go into the questions we
discussed. The first question is can you explain the
difference between a first and second draw PPP loan?

>> Johnson: Yes. There are provisions that are
being made that if you during the course of 2020, during
is not from the time that the loans -- PPP opened until
the time that it closed, if you were not able to -- if you
qualified, but was not able to procure or to submit an
application for the PPP loan, then you would be considered
a first-time applicant.

There are other provisions in there that consider you a first-time applicant, things such as if you had applied and you were approved, but yet you did not -- you did not secure the funds, you did not use the funds, then you would be reconsidered as a first-time applicant.

If you had applied and you were refused or you were denied and now your circumstances have changed, you again are considered a first-time applicant.

So the difference between a first-time applicant and a second-time applicant is that the first-time applicant, you know -- the second-time applicant must have secured PPP loan and it should have been either forgiven or rolled into an additional loan.

So the second-time applicant certainly would have already successfully have been awarded a PPP loan.

First-time applicants have not received PPP funding before when the process was open.

>> Spillane: Okay. Thank you for that clarification.

And the second question really is how would you advise a first-time PPP applicant to get ready to prepare -- sorry, to prepare for apply for that loan?

>> Johnson: Well, I think that I've always coached

and counseled and advised my clients to have four people on their speed dial on their phone. I think they should have a mentor, they should have somebody who is business savvy, preferably in their industry. I think they should have a confidante who is able to speak confidently to them to tell them the truth and the hard news.

I think they should have a lawyer on their speed dial because of the legalities that small businesses express. And a fourth one is that they should have a CPA or somebody who is financially savvy working directly with their business.

So when they -- in order to prepare, it is best that you bring all parents to the table, you bring all information to the table -- you bring all parties to the table, you bring all information to the table so your package can be best prepared before being presented to one of the lenders.

The better you prepare your package, your applicant, the higher your likelihood that your application is going to go through without delays or denial.

So how would I advise you to prepare? Pull your team together, pull your data together, pull your facts

together. Have your data already organized, sequenced and ready to go interpreted. That's the best way to prepare for a PPP application.

>> Spillane: Okay. Great advice. And the numbers of course are the most important to have those numbers ready and organized.

>> Johnson: Understand your numbers, sure.

>> Spillane: Great. Thank you, Rodney. I'm going to move along and the last couple of questions we're going to ask of Nestor. Thank you, Nestor.

Can you tell us what makes a business eligible to apply versus ineligible?

>> Well, first I have to say why it is important to be eligible. You have to be eligible so you can apply for a first or a second draw of PPP. Being ineligible will be regarded as a use of PPP funds for unauthorized purposes, which that means use of the PPP funds for unauthorized purposes will direct SBA to you to repay those amounts and worse, if you knowingly use the funds for unauthorized purposes you will be subject to additional liabilities such as charges for fraud.

So according to the guidance for the first draw and

some of these might apply to the second draw for PPP, you are eligible for a PPP loan, if you are together with any affiliates or a small business concern under the applicable revenue based size standard established by the SBA or under the SBA alternative size standards. Or you are an independent contractor eligible self-employed individual or sole proprietor. Or you are a business concern and you were in operation in 2020 and had employees for whom you paid salaries or payroll taxes and contractors reported on form 1099 or were Austin eligible self-interested or sole proprietorship with no employees. There are also industry specific eligibilities to be considered.

Now, with regards to ineligible causes for the first draw, these are some -- if you are doing illegal activities, number one. Number two, if you are a household employers. Number three, if you have incarcerated or committed a felony.

Number four, for those who have an B loan or any other federal loan currently, delinquent and has defaulted in the last seven years. Number five, businesses not in business by February 15 of 2020. Number six, those who

received or will receive a charter operator grant.

Number seven, if you are the president, vice-president or executive department or members of Congress or spouse who have an involvement in a business. Number eight, the business is an issuer of securities k number nine, the business has permanently closed and has no intention to reopening.

Number 10, an entity that together with the domestic and foreign affiliates does not meet the 300 employee or other applicable PPP size standard.

Number 11, next, entities that use PPP funds to support non-U.S. workers or operations.

Number 12, the business is in bankruptcy.

Number 13, the applicant or the owner of the applicant becomes [indiscernible] during the bankruptcy proceedings after receiving a PPP, but before the loan is disbursed. Number 14, it's a hedge fund or private equity firm.

Number 15, business are barred to sell to the government.

Number 16, you applied and got more than one PPP. So that's for the first draw.

Now, for the second draw, some of the previous apply and you will be eligible if you have received previously a PPP first draw and have used or will use all the funds on the additional PPP loan for unauthorized purposes on or before the disbursement of the second draw PPP.

You have under 300 employees and experience a revenue reduction in 2020 of at least 25%.

A borrower temporarily closed or temporarily suspended remains eligible for a second draw of PPP.

Now, you can be ineligible if you applied and got more than one PPP second draw.

Number one, an entity that is ineligible to receive a first draw PPP loan under the CARES Act, it's also ineligible for a second PPP draw.

Number two, a borrower that received a first draw loan, despite being ineligible to receive the loan is not eligible to receive a second draw PPP.

Number three, a business concern or entity primarily engaged in political activities or lobbying.

Number four, certain entities organized under the laws of people of the Republic of China or Hong Kong.

Number five, a person required to submit a

registration statement under a foreign agents registration act.

Number six, very important, a person or entity that receives a grant for [indiscernible] venue operations.

Number seven, if you are related politically and have a company.

Number eight, if you are a public traded company and are an issuer of securities.

Number nine, an entity has previously received a second draw of PPP.

Number 10, an entity that has permanently closed. And this answers that question.

>> Spillane: Wow, Rodney, that's amazing. That's so complex. That's a lot of information.

>> I'm sorry.

>> Spillane: No, on our second last slide we have links to information from the SBA. So people didn't quite get all of that, then there are links for you to go get that out if it's a concern. Thank you, Rodney.

I have a last question for you. For those who already have a PPP loan, how can they make the most of this second draw opportunity?

>> Mostly I would say that by abiding to the SBA guidance for forgiveness, published over the ones published on the 19th of this month. So it can be fully forgiven, hopefully 100%. But to accomplish this you need to use it at least in the following proportions.

So 60% or more should be used for payroll costs and 40% or less for eligible non-payroll costs, which includes rent, mortgage, utilities that were in the previous guidance for 2020.

And now for 2021 we have in those non-payroll costs categories, we have covered operation expenditures, covered property damage, covered supplier costs and covered worker protection expenditures. That's it.

>> Spillane: O super. Thank you, Nestor. That was loads of information.

We're going to move along to the live question and answer section, which is our most popular section. I can see that we have plenty of questions answered.

Do look at the featured feed and like the questions you want to hear so that we can prioritize those. And at this point I'm going hand it over to my colleague Jarvis Brewer. Over to you, sir.

Yeah. You're muted, sir.

>> I fell victim to my own statement.

Thank you, Kelly. Before I begin I want to say continue to submit your questions. I see a ton of questions already have been submitted. Continue to also like the questions. And from these questions I can see how varied our audience is. There's a lot of questions regarding first round or first draw as well as second round, second draw.

So with that, I know our panelists, we have a great lineup of panelists here. I will be assigning these questions to specific panelists, but I know that all three of you are equally able to answer any of these questions.

So if there's anything you want to add on to another panelist's statements, definitely feel free to do so.

I'll just go in a straight order of Tim, Rodney, Nestor again, but if you have anything to add, please do so.

I'll start with Tim, I'm going to go slightly out of order because I've seen a lot of interest in first round PPP.

This question is from Chandler and the question is what is the process for round one PPP loan forgiveness?

So I know that's a lot that goes with simply the forgiveness, but effectively I'm assuming they're saying okay, I am done with my expenditures. How do I begin to ask for forgiveness?

>> Very good. I owe Jarvis 20 bucks. I told him to give me the easy ones.

So the answer there is if you have finished spending your first round PPP, from the end of your covered period that you would have been either eight or 24 weeks, you get 10 months, 1-0, and in that time frame that's the time you get to finish your forgiveness PPP application.

There are four applications. I guess there might technically be five now. I think they combined the 50,000 and 150. But now you will be in a matter of choosing what's the right path forward regarding forgiveness.

But you have 10 months to finish that process. There are some lenders right now that say don't send us your application. We don't want to work with it right now.

And if you're like me you want to get it over with, would like to get the forgiveness behind you. But it's okay. You've got 10 months. No need to rush.

In fact, a month ago I would have told you just hang

on because there's a new forgiveness application coming out which already has, which makes it simpler for folks with loans of \$150,000 or less to get forgiveness.

So generally speaking, and I'll go one step farther, if you have [Internet frozen].

If you have lots of employees, you have had a very large PPP loan, then probably what some would call the long form, the 4408, is probably what you want to work with because it gives you lots of flexibility in how you approach forgiveness.

If it's just a couple of others and you've got a relatively small loan under 150, use that form, really easy. It's only one page long. And you just have to make sure you keep your records for I think it's four years.

>> That is perfect. Thank you so much for that detailed explanation. And I kind of went out of order simply because there's some follow-up questions to that which I think first we have to go through this forgiveness process for the first draw before I ask this one.

So this next question comes from Jack. In the second round of PPP, are the rules for forgiveness the same as in the first round? And I'll ask this question to Rodney.

>> Okay. So in the second round the rules for forgiveness for the most part are the same, with one of the exceptions being you have an option of selecting any time period between eight and 24, eight and 24 weeks. So you get to determine what that time frame is that you want as your review period, if you will.

So that's critical. Before it was either if you had gotten a loan before June the fifth I think it was a definite eight weeks and then after June fifth it was a definite 24.

Well, those rules have been modified to say okay, somewhere between eight and 24, based off of the context of your business, you tell us what makes sense for you as far as a cover period.

So that's one of the major changes that I know that has taken place as far as the difference in round number 2.

>> Thank you for that, Rodney.

Again, another follow-up from the first round PPP forgiveness and second draw of PPP forgiveness.

So Nestor I have another follow up question. Can I apply for the second round of PPP forgiveness before the

first round of forgiveness is processed?

>> My understanding is that you need to finish the use of -- I'm going to reply with if you have received the previous PPP draw and you have used the full amount for authorized uses on or before the expected date of the second draw of PPP.

And you have experienced 25% decrease in revenue comparing the years 2019 and 2020.

>> Okay, okay.

So Kathy has a question about the time. How long do you have to spend the money in order for it to qualify for forgiveness? I believe Rodney just touched on this. I'll relay this to Tim.

>> Yeah, Rodney nailed it. If you go now and get PPP loan you're going to choose eight, 10, 24 weeks. Anything up to 24 weeks, whatever makes sense for you.

And there's no way to tell without knowing your business which date makes more sense or which duration.

>> Thank you, sir.

So Rodney, this question was also submitted. How will the forgiveness loan be treated? Is it treated as income? So once you receive your forgiveness amount is

that treated as income?

>> That's a great question. Tim, I'm going to throw that one over to you. [Laughter].

>> Okay. The IRS has been instructed by the economic relief act to make sure that it is not considered as income for taxable purposes.

That also includes if you got the economic injury disaster loan grant, it also will not be viewed -- now, this is an IRS thing, not SBA, but it also will not be viewed as income for purposes of taxation.

>> Thank you. So it does not count as income. I'll keep that in mind.

So another question, all right, moving right along. What are the specifics for allowed expenses for the second PPP? So what can I use my PPP loan for that will be allowable for forgiveness? And I'm going to begin with Nestor with this question.

>> Yes.

There are I would say two buckets. One is salary costs, which are wages, commissions or similar compensation on other hand cash tips or equivalent, payment for vacation, parental, family, medical or sick

leave, allowance for separation or dismissal, payment for the provision of employee benefits consisting of group health care or group life, disability, vision, or dental insurance, payment of local taxes assess and for employees. And for independent contractor and sole proprietor wages, commissions, income or net earnings from self-employment or similar compensation.

So this is one of the buckets and this should be used at least in order for the whole PPP to be 100% forgivable it has to be used at least for 60% or more.

And now on the other bucket, I'm going to call them buckets, non-payroll costs, the ones that aren't eligible and you can use the PPP at most 40% or less. This would include the originals that we had from 2020 which would be rent, mortgage interest. If you have your commercial property. And utilities. And then we got four new ones for this year, which are covered operation expenditures, covered property damage, covered supplier costs and covered worker protection expenditures, which connects to PPE, masks, disinfectants and these kind of expenses.

>> Thank you so much for that, Nestor. With that I want to mention at the end of this -- our slides and

presentations, there will be -- well, Kelly is ahead of me. Has posted the links and whatnot. But the link where all of this information can be found will be included at the end of this slide presentation, which of course will owe be able for everyone who is prejudiced for the event as well as -- registered for the event as well as on our website. If you are looking for where this information is located you will be provided the links to that information.

Moving right along, Tim, I have another easy question. It's actually a follow-up question. I'm trying to get another \$20 from you.

So when is the deadline for the second round application?

>> March 31st. So the period that has been opened for you to apply for second round PPP's is through March 31st. But let me add a caution on this if you got a first round PPP you should have been impressed with how fast it was. Except for the very first few, you should have applied for it and as soon as that day or the next day the bank would say okay, you have a loan number, you're ready to go and we required them to disburse the money within 10 days.

On second draw it is not going that fast and that's intentional.

There are a lot more going on behind the scenes to make sure that there's no fraud occurring.

So where before it might have just taken a day to get a loan number from the SBA by your banker, it might take a week for that to happen. It varies. It depends on a lot of things. It could be a day or longer. So just keep that in mind.

>> Thank you, sir. And I do want to mention something I know this question was asked of you in our partners call this morning. Is that deadline of March 31st related to my application being submitted or what does that necessarily mean?

>> You know, I can't be definitive. I believe, though, because with the first round it was you have to be approved by the end of the time period. So now that you have this little bit of extra time that might have involved in getting approved, I would encourage if you you're looking for a second draw PPP to go ahead and get your application in.

If you wait longer than, let's say, March 20th, you

might not hit the March 31st cutoff. You probably will, but might not.

If you want to be sure about it, I would pull it up and do it sooner.

Now, Nestor of the exactly right, if you're still spending money on your first draw PPP, you can apply for a second draw but you won't get funded until the first draw is exhausted. So just keep those things in mind. If you know you will be going for one, my recommendation is go ahead and talk your banker now.

>> May I add one more thing to that.

>> Absolutely.

>> The experience that I had is the process, once you have submitted your application to the lender, the lender's process may have caused a lot of additional questions and information that was required so there was a lot of -- best way to describe it, there was a lot of back and forth, which is very typical for a loan process.

So if you wait until the last minute or the last hour, you may not allow for sufficient time to go through that vetting process.

So please don't be a late comer to this. Treat it like

it's first in, first out. Get your application in, get it as complete as possible and give yourself a fighting chance to get this loan.

>> Yes, great point, Rodney. You absolutely don't want to wait until the last minute and have some technicality or hold prevent you from getting access.

>> And I would like to add another thing in the same topic. Last year we had -- we experienced a couple of lenders that they closed their portal one week before the deadline.

So don't wait until the last moment. If you are expecting to be processed and your lender, your preferred lender, closes the process before, you're going to be in serious trouble.

>> And I'm going to add something too. I just want to share, I mentioned this earlier, but I have the actual statistic here. The new PPP has only been going on now for, what, a couple of weeks. As of yesterday, there are 401,000 PPP's for the money. So there's another reason if you're going it to get moving. Even though this goes through March 31st, the money may not last until March 31st. I don't want to scare anybody, I don't want

to cause a panic on all the banks, but once again, don't wait. Go on and take care of it.

>> Absolutely. And I don't think anyone who is needing this money will procrastinate if they don't have to, which actually leads into the next question.

I believe we've touched on this already. But in this scenario I haven't been forgiven for the first round. I'm waiting on the bank. So will I be eligible to apply for the second round of PPP and will I first have to receive the first draw, expend the first draw and then apply for the second draw all before this date of March 31st?

And I'll start with Nestor and then we'll start the cycle again, but as always feel free to chime in.

>> I remember reading that while everything is being checked, you can apply and SBA will separate the funds. If at the end of the process you get reviewed, they will separate those funds. And you might qualify. But I mean, the process needs to be reviewed. That's my understanding.

>> Okay. Rodney or Tim, do you have anything additional to add to that?

>> Well, my understanding is that before you -- part

of the qualifications for PPP, what I call 2.0, is that the -- I'm just going to read it verbatim here.

Previously received a first draw PPP loan and will or has used the full amount only for authorized uses.

So I like how Tim had referenced it earlier. PPP 1 must be fully exhausted, meaning that you've either returned the money, you've either paid the loan back or you've been forgiven.

So you know, you need to make sure that PPP 1 is not an issue that will prevent your loan, your PPP 2, from being processed or approved.

Now, the other point that was made, I think the question is can -- when you're in the middle of PPP 1, can you go ahead and make your application?

I believe that according to Nestor you can't, but understand your delaying your own process because PPP 1 is going to be a big roadblock for that application going forward.

>> All right. So we'll get back to some sole prior tore questions.

-- sole proprietor questions.

Let me find this question. Yes, it was my Jennifer.

Her question is can you clarify if you were paying independent contractors, not employees you are now eligible to use that money for the amount of the PPP? Is that true? I will repeat that question and this question I will give to Tim.

If you were paying independent contractors, so technically not employees, 1099, you are now eligible -- are you now eligible to use that money as an amount to apply for PPP?

>> I'm still not completely clear, but I think I can answer.

If you have independent contractors, then your PPP funds that you will have received will be based on 60% or more being spent on your w-2 employees and not your 1099 contractors. And the remaining% on her eligible expenses is.

Now, one of those eligible expenses for the second draw is if you are purchasing -- let me see. If you're purchasing -- if you have an existing contract that existed before the time of the PPP -- I'll pull it up in front of me.

>> Basically raw materials or contracted goods.

>> Right. Basically so. And if that falls into that classification -- I've got it right here in front of me. Bear with me for a second. If I could let my screen get a little bigger and it won't do it. Sorry to hold everybody up.

Here it is. So you get this thing that says expenditures pursuant to a contract in effect at the time of the loan that are essential to your operation at the time the expenditure was made.

So this is for supplies, not for contractors.

So no, I don't see anywhere with PPP where you can use PPP funds to pay for 1099.

And the biggest reason is 1099s are eligible for their own PPP.

So to use an example, if you had 10 1099s that you are paying, then you and your 1099 folks can all go to the bank together and apply for 11 PPP loans at the same time if you like. But you cannot use these funds to pay for them.

>> Yes. So it would be effectively be what I would call double dipping in that case where the PPP is intended for your w 2 employees, the 1099s can do their own PPP application.

>> For the supply cost thing, I wanted to read it for myself and make sure it didn't say services, but it doesn't. It specifically says supplier costs. To me supplier is -- so not the 1099 labor.

>> Thank you, Tim. Thank you so much for that.

All right. So Rodney, this next question for you, it's a straightforward one. Are we determining the 25% based on the net or gross profit?

>> It's based off of the change in your revenue. So when you look at -- when you look at -- when you look at a period in time, say for instance, you're going to look at the change in first quarter versus -- of 2019 versus first quarter 2020, and in most instances what you're going to want to evaluate is the impact, the loss of revenue, the dip in the profit, the changes overall in the business from one period to another.

And so you have to go through the whole process. If you filed your taxes then you have your information that you need in order to make the right determinations to submit to your banks. But it is a relatively simple formula if -- if your organization is following the forms that are being given.

Don't make it overcomplicated, but use the tax information from 2019 or 2020, go period by period, or look at it for the entire year, whichever one works out the best for you, and determine which period or which year, you know, is best describes your story of how you have been economically injured.

>> Thank you, sir. And we have a series of straightforward short questions --

>> I would like to add something.

>> Yes, sir.

>> Additional to what Rodney says.

The PPP EFR that corresponds to the second draw published on the 6th of January, there is a section 3.2 and they talk about revenue reduction requirement. And the revenue reduction requirement talks about the gross receipts. And it's great to know that information because basically the IFR defines what gross receipts mean. And because, you know, the PPP regulations, they cover from self employed to independent contractors to LLCs to C corps to S Corps to non-profits, all sorts of type of industries. It is highly recommended to visit this year's form from SBA. Again I'm going to say on the

6th of January, and that the number will be number 3 -- Roman III and number II, and it's revenue reduction requirement section, it's going to talk about the gross receipts. That's my take on this.

>> Okay. I know we're going to have some questions regarding where individuals can find that information. So Nestor, if you could message me if we receive some after this event, I would definitely like to be able to get that to our Texas small businesses.

I'm going to stick with you, Nestor, for this one. Do we have to pay taxes for this loan? I believe this question was asked earlier, but Christina was asked if I received the PPP and I assume she's talking about the forgiveness will I have to pay taxes on it?

>> Yeah, I guess it's the same question presented in a different manner.

This is an IRS question for what I understand right now, it is completely forgiven. I mean, it will not be considered as income by the IRS.

>> Correct. That is my understanding as well.

All right. So this next question is from Cara Beth and I will go to you, Tim, for this. If a business

received a PPP loan in the first round can it get a second round? Straightforward question, already been answered.

>> Yeah. You just have to meet the criteria for the second round or second draw, which is a little bit different than the first draw. And the most important one of that is you've got to document and be able to demonstrate that you have 25 percent or greater impact to your gross receipts.

And there are multiple ways of demonstrating that and some of you, for instance, may have only existed for 2019 so you may have to -- rather for 2020 so you may have to compare within 2020.

There are parameters for doing all of that and if that is you, my advice is go ahead and talk to a learned.

Most of them build forms on their websites for you to apply for these loans and you should be able to go ahead and get started and it will step you through the process.

>> Thank you, Tim.

And I just saw a question that I haven't seen before. I think this is a great question coming in from Paul. Rodney, this question is for you. And I don't even know if this has been defined before, but I would like to find

out the answer to this myself.

The question is for the second round of PPP, please define what a quarter is? Is it calendar, fiscal or is it any consecutive three month period? How is that defined, a quarter?

>> That is a great question. Typically, I'll give you the -- what I think is a traditional general acceptable accounting period. I think those would be your typical January, February, March as in the first quarter, April, May June, so forth and so on.

The time period is first, second, third, fourth quarters. I don't know if there is provisions in there for the corporation to -- if the corporation is on a different schedule. You know, in terms of defining what their fiscal year is. However, in 90, if not 95 percent or higher of the cases, the quarter is going to be a three-month period as defined and as used by most of the government and businesses as either January, February, March, April, May or June, July, August, September, October, November, December. Those are typically the quarters that is used.

>> And to add on to that, there was a recent -- I don't

know when, but some time in the last week or so, there is some additional detail if you need it. And you have a really oddball way of reporting. Like if you define a quarter as December, January, February because of the way you report, then there is some instruction on how you can adapt to that or use that in order to apply for a loan.

Once again, your lender has this information. I know in the case of in southeast Texas in my office, my learned relations team does training right now twice a week to the learns in the area to make sure they're completely up to date on all of this stuff. So they should be ready to help you with that.

>> Okay, great explanation, Rodney and Tim.

Again, I was interested in that question as well. I know that I've operated as both calendar, which is what Rodney mentioned, as well as fiscal, which is -- it's the same months, but it's different years go into effect. But the months stay the same. So January, February, March would be Q 1 or quarter 1. So thank you so much, gentlemen, for that information.

>> And can I add something?

>> Absolutely.

I want.

>> I want to say that the Tim's webinars are great. I have been a student of your team for many, many webinars for 2020. So don't miss an opportunity to go to those webinars.

>> Thank you. That's very kind.

>> Nestor, I'm going to stick with you for this question, it's another straightforward one. And the question is what is the maximum amount that I can apply for the PPP?

>> Well, goes to it depends on what you are -- what your business is because the guidance provides different situations for -- for partnerships for farmers, independent contractors. There is another classification called the next code 72 for restaurants and hospitality industry. So I mean, we need to know more about that question.

>> Okay. About the calculations, I believe I have heard before that it's also determined by -- excuse me, sorry? I thought it was also determined in part by the payroll from the quarter that you have chosen. So not necessarily that you're applying for a certain amount,

it's an amount that is calculated, is that correct, Tim?
I see you --

>> Yeah. It's going to be your average monthly payroll times 2.5. So you don't ask for an amount to calculate how much you can get. Your average monthly payroll times 2.5. And just as Nestor says, in the second draw if you are in accommodations or food services, it's three, 3.5 times.

>> Correct. So it's not necessarily you're applying for a loan, but there's a calculation involved from the information that you provide.

All right. So this question was sent in. It's based on a percentage. This question will go to Tim. I believe we're back to you.

We were down in 2020, 24.7%, so just under 25%. Will that qualify me for a second round?

>> Nope. It's got to be 25% or more.

There are plenty of folks in your case. I will mention that there's three ways that you can do this. So I'm guessing that you used quarterly financial statements, which is what I would do. You may also in some cases just as Rodney said, use your 2019 tax return and

your 2020 tax return to compare all of one year to the next year, and that can be used.

And then there's another method that is possible. I think it's particularly important for like people that get paid on 1099s where you can use your bank statements because they are the ones that capture your revenue and you can annotate your bank statements to show what your income was in 2019 and 2020 and compare those.

So if you're using one of those methods and not one of the other ones, you may look at that. You may look at if there's another way of approaching your situation.

It's tragic that if you're at 24.7%, well, that means you don't qualify, but maybe if do you it on an annual basis, 2019 to 2020 tax return, maybe it will be 26%. Maybe that will help.

>> And I'll go back to a point I was trying to make earlier, if you're 24.7, make sure that you have people who have great, strong financial acumen to take a look and double-check. Your CPA may find .3, .8, something else that you've overlooked. So this is where, you know, surrounding yourself by the people who can have an influence on your business positively, this is where you

use the speed dial on your phone to get the help that you need, right?

>> And to add to Rodney, you might be overstating your revenue because we're using the specific expression and I don't see it in front of me, of gross receipts. You might be including a stream of revenue that to you is income, but to this lending program is not income.

>> Correct.

>> And if you look at it the wrong way then you might be overstating your revenues and therefore understating the impact.

>> That is great information, guys. Thank you so much, Tim, thank you for that addition, Rodney. I'm actually going to stick with you for this next question, which is also based on the 25%.

So we just heard from the last question, there's a hard cutoff at that 25%. If your business -- the question is if your business is so small that you don't do a monthly P and L, a monthly profit and loss, what financial records could be acceptable for the confirmation that you have had a 25% loss in revenue?

So I don't have an official P and L statement, Rodney.

How can I prove that I have had that 25% or more deficit?

>> Well, I think Tim just gave you the answer. Use your bank statements. Use your bank statements.

So as well as if you don't have -- if that is your challenge and you don't have records to that effect, then your bank statements could serve in that effect.

The second thing that I would suggest is that you definitely want to have your CPA keep you -- to review the documents as they have been prepared.

And again, the options are not that you have to have quarterly statements if you don't use quarterly. You could use one year over the other, 2019 versus 2020. Use that information. So there's more than one way perhaps to use an old phrase, to skin this cat. But always bring your CPA or your financial person along to make sure that they can help you provide the data that answers the questions that are being asked and that is most advantageous for you.

>> Thank you for that, Rodney. Absolutely.

One thing, we're running into the last minutes of this webinar, one thing that we haven't really discussed is the economic injury disaster loan. We've mentioned it

briefly at the beginning, but we now have a question that ties the two programs together.

So the question is when I apply for forgiveness for my first PPP, my 10,000-dollar IDLE loan was deducted from it. In other words, I had to repay the IDLE. Can I recover that \$10,000 now in this second draw? And I'm leaving this open-ended for all three of our panelists. If either of you have something to add to that, and let me know if you need me to repeat the question, but if anyone.

>> I'll jump in. That provision was repealed in the economic relief act. The words that you used were economic injury disaster loan. It would have been the economic injury disaster loan grant. So assuming you got that -- it's also called an advance. If you were advanced that \$10,000, you had a PPP first draw, you applied for forgiveness, they deducted it from your forgiveness so now you have a loan balance I would assume of \$10,000, then what's going to happen is you need to tell your learned, your learned will contact the SBA and we will -- your lender will contact the SBA and we will apply it to your account. As we will say we're going to make you whole.

>> I just saw we had another question related to the EIDLE and you answered it just now. So recording the PPP forgiveness, is the EIDLE advance counted against the PPP, and it is.

>> No longer. It's been repealed.

>> Exactly.

All right. I'm going to find another good one in this last minutes.

[CART is ending at 2:00 p.m. according to schedule].

>> When will the banks like chase, Bank of America, wells Fargo start processing PPP to applications.

And I'll stick with Rodney for this one since Tim asked the last one. So when will we start processing second draw applications for PPP?

>> Well, first of all, I think January the 13th was when it all came online, okay?

And I know that different institutions have decided to roll -- first of all, January 13th it was opened up for the microbusinesses, if you will.

So January 13th and 14th. It was really restricted for just those entities that met a particular criteria.

[CART is ending at this time].

