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# Second Draw PPP Loan Eligibility: Calculating “Gross Receipts” in the Non-Profit Context

## Description

Many organizations are in the process of determining whether or not they are eligible to receive a second draw Paycheck Protection Program (“PPP”) loan. Although many of the eligibility requirements for second draw PPP loans are the same as for first draw PPP loans, second draw PPP loans have additional eligibility requirements.

In particular, an organization is only eligible for a second draw PPP loan if it suffered a revenue reduction of 25% or greater in 2020 relative to 2019. This can be established by showing either (i) that the “gross receipts” for any one quarter of 2020 were at least 25% less than the gross receipts for the same quarter of 2019, or (ii) that gross receipts for 2020 were at least 25% less than gross receipts for 2019 (which would inherently require at least one quarter to have reduced gross receipts in excess of 25%).

The SBA has provided guidance clarifying that in the non-profit context, “gross receipts” has the meaning set forth in section 6033 of the Internal Revenue Code of 1986. Under this definition, a non-profit’s gross receipts is the gross amount received during the organization’s annual accounting period from all sources without reduction for any costs or expenses.

This includes, but is not limited to, the following: (i) the gross amount received as contributions, gifts, grants, and similar amounts without reduction for the expenses of raising and collecting such amounts, (ii) the gross amount received as dues or assessments from members or affiliated organizations without reduction for expenses attributable to the receipt of such amounts, (iii) gross sales or receipts from business activities (including business activities unrelated to the purpose for which the organization qualifies for exemption, the net income or loss from which may be required to be reported on Form 990-T), (iv) the gross amount received from the sale of assets without reduction for cost or other basis and expenses of sale, and (v) the gross amount received as investment income, such as interest, dividends, rents, and royalties. Note that any amount of an organization’s first draw PPP loan that has been forgiven by the SBA is not included in the calculation of gross receipts.

Prior to applying for a second draw PPP loan, it is important for prospective borrowers to perform a revenue reduction calculation to ensure that the organization meets the eligibility requirements. Borrowers seeking second draw PPP loans in excess of \$150,000 will need to provide documentation substantiating the revenue reduction with their applications, while borrowers seeking less than \$150,000 will need to provide substantiating documentation prior to seeking forgiveness. Failing to properly calculate and document the revenue reduction amount could result in a denied application, or worse, denied forgiveness.

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