

What to expect from the SBA's PPP loan questionnaire

✘ Paycheck Protection Plan (PPP) loan recipients who received \$2 million or more may soon be facing questions from the Small Business Administration (SBA). The SBA has floated two loan necessity questionnaires—one for nonprofit employers and the other for those in the for-profit sector. It is likely the forms are a response to scathing newspaper articles about millions of dollars in fraudulent PPP loans. The SBA says that failure to complete the form and supply supporting documents may result in a determination that you were never eligible for a loan in the first place.

Unfortunately, the forms are drafts and not yet available on the websites of the SBA or Treasury Department. However, we have taken a sneak peek at the forms to provide you insights into what you can expect.

In a nutshell: lots of documentation backing up your need for the loan.

Business activity assessment

Under the original criteria for a PPP loan, your business must have been open on Feb. 15, 2020. In addition, you either had to have employees to whom you paid salaries and withheld payroll taxes or paid independent contractors at least \$600, which you'll report on [Form 1099-NEC](#).

The overriding qualification for a PPP loan was uncertainty regarding how the pandemic was going to affect your business. There was no rule requiring you to close or alter your business operations. Likewise, employees weren't required to quarantine.

There were two ways to qualify for the employee retention credit. Either, you were required to shut the business due to a quarantine order, you experienced a significant decline in gross receipts. This requires you to compare your gross receipts for a calendar quarter this year against the gross receipts for the same calendar quarter last year.

February was in the first quarter, and you could begin to apply for PPP loans in April, the first month of the second quarter.

The draft questionnaire asks for the following information for both nonprofit and for-profit employers:

- Gross revenue for the second calendar quarter of 2020.
- Gross revenue for the second calendar quarter of 2019.
- Whether a state or local authority ordered you to shut down.
- Whether you had to significantly alter your operations, either because of a government order or you chose to alter them.

The gross revenue reporting requirement for the second quarter of 2020 is significant since you would have applied for a PPP loan prior to knowing your gross revenue. That shouldn't mean you applied for a PPP loan in bad faith.

Liquidity assessment

The liquidity assessment portion of the questionnaire for for-profit employers asks such questions as:

- How much cash and cash equivalent you had on hand as of the last day of the calendar quarter immediately preceding the date of your PPP loan.
- Whether between March 13, 2020 and the end of the loan forgiveness-covered period, you paid dividends or made other capital distributions.
- Whether, during the loan forgiveness-covered period of the PPP loan, any of your employees earned more than \$250,000 on an annualized basis.

Nonprofits have to answer liquidity questions, too:

- How much cash, savings, and temporary cash investments you owned as of the last day of the calendar quarter immediately preceding the date of your PPP loan.
- Whether during the loan forgiveness covered period of the PPP loan, any of your employees earned more than \$250,000 on an annualized basis.
- Whether you or a related organization hold assets in any endowment funds.

Needless to say, the draft forms aren't sitting too well with those who would have to file them or their legal and financial advisors. It's possible the SBA will withdraw them.

We'll be watching.