

PPP LOAN INCREASES AVAILABLE FOR PARTNERS AND SEASONAL EMPLOYERS



[The U.S. Department of the Treasury](#) has released new information about [Small Business Association \(SBA\) Paycheck Protection Program \(PPP\)](#) loans for partnerships (including LLCs treated as partnerships for federal tax purposes) and seasonal employers. The new guidance allows increases in loan amounts for these businesses.

Treasury guidance from April 14, 2020 provided an interim final rule stating partners in a partnership could not submit separate PPP loan applications for themselves as self-employed individuals, but rather general income of partners would be reported as a payroll cost, up to \$100,000 on a PPP loan application on behalf of the partnership. On April 28, 2020 Treasury guidance issued another interim final rule providing alternative criterion for seasonal employers to calculate the maximum loan amount.

Because some PPP loans were approved for partners or seasonal employers before these new interim final rules were issued, many businesses may now be eligible for higher loan amounts.

The new guidance addresses loan increases for two specific situations:

For partnerships that already received a PPP loan that did not include partner compensation, loan amounts can now be increased to include it.

The borrower must provide proper documentation for the loan increase, including evidence of any partner's self-employment income, in the form of applicable partners' 2019 schedule K-1s from the partnership. In these situations, the loan amount can be increased as long as the lender has not already submitted the loan for that borrower on SBA Form 1502, which generally must be submitted within 20 calendar days after a PPP has been approved, or by May 22 for loans approved prior to the form becoming available. Once the loan has been submitted to SBA on form 1502, or the initial due date for form 1502 has passed, no further increases are allowed. The loan amount is still subject to PPP restrictions of \$10 million for individual borrowers and \$20 million for corporate groups.

In addition, some banks initially required borrowers to submit a separate loan application for "owners' earnings" from partnerships, and some loans may have been funded in this manner. If this situation applies to your business, you should consult your lender for guidance on any corrective measures they can take to maximize your available funding for the PPP.

Seasonal employers who received a loan before the alternative criterion was posted on April 28 may now be eligible for a higher loan amount, also provided the lender has not already submitted that borrower's loan on SBA Form 1502 and subject to the same loan limitations as outlined above. Initially seasonal businesses calculated their maximum loan amount by referencing the employer's average monthly payroll costs for "the 12-week period beginning February 15, 2019, or at the election of the eligible [borrower], March 1, 2019, and ending June 30, 2019." But under new guidance, "a seasonal employer may alternatively elect to determine its maximum loan amount as the average total monthly payments for payroll during any consecutive 12-week period between May 1, 2019 and September 15, 2019."

Partners or seasonal employers who qualify for these increases should act quickly. More information on the [updated guidelines](#) is available at [treasury.gov](#).