

8 Things I Misunderstood About the Latest Stimulus Plan (And You Might, Too!)

- *Published on January 7, 2021 by Jeanette Mulvey*

You might think that as a person who covers small business, I would be on top of exactly what's in the government's latest stimulus plan. And I thought I was, too. But after my [latest interview](#) with Neil Bradley, the U.S. Chamber of Commerce's Chief Policy Officer, I realized there were a few things I actually misunderstood and I'm guessing you may have, too. So, here are a few tricky parts of the law spelled out more clearly:

Original Paycheck Protection Program vs. Second Draw PPP

At first I thought the new second draw program was just a reopening of the original Paycheck Protection Program. But, that's not true. The original PPP is set to reopen and will have some rule changes about who qualifies, allowable expenses and deadlines. The Second Draw PPP allows businesses who got a PPP loan already to get another one. Unlike the first PPP loan, which did not require that businesses show a loss of revenue, the second draw does require businesses to show a loss of at least 25% of 2020 revenue from the same quarter in 2019. You can read more about changes to the original and the second draw PPP loans [here](#).

How To Apply for a First or Second PPP Loan

While it's important to understand the difference between the two PPP loans so you know what options are available to your business, the application process for both still requires you go through a lender — whether that's your bank or a fintech company that is offering the loans. (See a list [here](#).) You are not required to use the same bank for a second draw loan, but it might make things easier if you already got one from them because they will have all of your information already.

Allowable PPP Expenses

The original PPP loan included utilities as an allowable use of the loan (allowable in that it would be forgiven and you wouldn't have to pay it back). I assumed that "utilities" included things like technology expenses and software. But it did not, until now. Changes in allowable expenses now include: cloud computing services, business software, human resources and related expenses among many other new things you may not know about. There are several other additional allowable expenses. You can read the full list [here](#).

How to Claim Your Employee Retention Tax Credit

The ERTC got overshadowed by the PPP early on because small businesses had to choose one or the other. Most people chose the PPP. However, that is no longer the case. You can now get a PPP loan AND an ERTC. The ERTC allows any business with 500 employees or fewer to get up to a \$14,000 tax credit per employee if they can show they saw a decline of 20% or more in gross revenue during any quarter of 2020 as compared to the same quarter of 2019. That's a lot of money! Here's the confusing part: This is not something you apply for when you file your taxes in April. It's a credit against your payroll tax that you file quarterly. (Or a refund of payroll taxes you already paid). So, if you think you qualify, you should speak to your accountant or payroll company ASAP before your next quarterly payroll payments are filed. Learn more about ERTC [here](#). Also note this applies to the first two quarters of 2021, as well.

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Access to Minority-Owned Business Funding

The new stimulus package sets aside PPP funding specifically for minority-owned businesses. If you qualify, you won't apply directly to the government for those funds. Instead, they are being dispersed to banks and third-party lenders like [Community Development Financial Institutions](#) that will then lend the money to businesses. Additionally, the newest stimulus package will reopen the Economic Injury Disaster Loan (EIDL) Advance program with a specific focus on minority businesses. When the program reopens, you can apply for the EIDL grants [here](#). We cover that topic more clearly in my latest interview with Neil Bradley [here](#).

Live Venue Grants Are Very Specific

There is a lot of excitement around the \$15 billion set aside for live venue grants, but the definition of live venue is pretty specific. It includes: venue operators or promoters, theatrical producers, live performing arts organization operators, museum operators, motion picture theatre operators, or talent representatives that have experienced at least a 25% drop in revenue. So, if you're in a business that serves the events industry, you don't qualify. However, you may qualify for the PPP loans and the ERTC - even if you're a self-employed contractor. Read more about the live venue grants [here](#).

PPP Loan Forgiveness

There has been a general understanding that the new law "automatically" forgives PPP loans of under \$150,000 but that is not technically true. Businesses that received loans for \$150,000 or less still have to fill out a forgiveness application. However, it is a simplified one-page form. Read more about PPP loan forgiveness [here](#).

EIDL Grant Forgiveness

During the first phase of the stimulus, EIDL (Economic Injury Disaster Loans) were \$10,000 emergency grants that businesses could apply for while awaiting their PPP loan application approval. Even if you were denied for a PPP loan, you were allowed to keep your \$10,000 EIDL Advance. Here's where things have changed. Originally, your PPP loan forgiveness deducted the \$10,000 advance. So, if you got a \$10,000 advance and then a \$100,000 PPP loan, only \$90,000 of your loan would be forgiven. The latest stimulus changes that. Going forward, whether you're applying for your first or second PPP loan, if you receive the \$10,000 EIDL Advance, your entire PPP loan will still be forgiven (assuming you have followed all the allowable expense regulations).

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