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Many New Haven area small businesses look to new round of PPP funding for survival

By Natalie Missakian

Claire Criscuolo hasn't laid off a single employee in 45 years serving up fresh, organic meals and tasty desserts at Claire's Corner Copia, her iconic vegetarian eatery at the corner of College and Chapel streets.

So when the coronavirus forced her to temporarily shut the doors last March, sending her finances into a tailspin, Criscuolo made herself a promise.

"If I have to lay people off, I'm shutting down. I'm not going to choose," the longtime restaurateur told herself. "It's either all of us, or none of us."

She said the federal Paycheck Protection Program loan she received in early May was "a godsend" that saved her from having to make that choice.

Now, with that money long spent and customers few and far between because of the pandemic, Criscuolo is applying for a second loan that she hopes will get the restaurant through winter and into spring.

“Which is perfect because by then we’ll be able to eat outside again. Our capacity will basically be doubled,” she said.

Criscuolo is one of millions of struggling small business owners around the state and nation that are expected to take advantage of the latest round of PPP funding, which the U.S. Small Business Administration and Treasury Department made available in January.

Applications are open through March 31 for the next wave of loans available under the program. Businesses with 500 or fewer employees that didn’t get a loan last year can borrow up to \$10 million.

And businesses that have spent the money from their initial loan can apply for a “second draw” of up to \$2 million, as long as they have fewer than 300 employees and can show a 25 percent decline in gross receipts. It’s a threshold Criscuolo says she’ll easily meet.

While this new round of PPP funding likely won’t get as many takers as it did last spring and summer, Connecticut businesses were very active in drawing on the funds last year.

In fact, through Aug. 2020, 64,629 businesses in the state received \$6.7 billion in PPP loans, which are potentially forgivable if borrowers meet certain guidelines in how they spend the money.

Tips from the experts

So what do businesses taking out a second loan need to know?

Michael Maksymiwiw Jr., a CPA and partner with accounting and advisory firm Marcum LLC, said the most common question he gets from clients is how to show the required 25 percent drop in gross receipts.

He said businesses should use the same accounting method they use on their tax return.

“Most of these businesses file on a cash basis. So they can look at their 2020 tax return compared to their 2019 return,” he said.

Since all revenue that a business brings in — sales, interest, dividends, commissions — count as gross receipts, he said looking at bank statements from comparable quarters is another easy way to see if a business is eligible for a second loan.

“Grab April, May and June for 2020 and add the deposits. Grab April, May and June for 2019 and add the deposits,” he said. “If you’ve got a 25 percent decrease, that’s good. That means you can qualify.”

What hasn’t changed from the first PPP loan is how the loan amount is calculated. It’s based on payroll expenses, and businesses may use payroll from 2019, 2020 or the last 12 months, whichever is largest, Maksymiwiw said.

Businesses can still borrow up to 2.5 times their average monthly payroll costs, but now restaurants and hotels can borrow up to 3.5 times their monthly payroll. (Salaries are limited to \$100,000 a year.)

Like last time, the federal government will fully forgive the loans as long as the money is used for allowable purposes.

Businesses still must spend 60 percent of the proceeds on payroll costs, but Congress built more flexibility into the program by expanding what can be included in the remaining 40 percent, said Stephanie Cummings, an attorney with Carmody, Torrance, Sandak & Hennessey.

“And that’s a great thing for businesses,” she said. “It just gives them the opportunity to prioritize what needs to be done and decide what’s right for them.”

For example, companies can now use their PPP loan to pay for personal protective equipment, plexiglass sneeze guards, air filtration systems and other expenses incurred to meet COVID guidelines.

“If you expanded your physical footprint into the parking lot [to allow for outdoor restaurant seating], you can use that PPP money to pay for that,” Cummings said. “These are huge expenses for a small business that they weren’t anticipating.”

Unlike typical financing applications, banks won’t be doing any vetting, so it’s wise for businesses to consult an attorney or accountant to make sure their business meets all of the loan’s qualifications, she said.

Smoother rollout

The latest round addresses criticism that too many loans last spring went to large companies, squeezing out some of the smallest and most vulnerable businesses.

This time, \$15 million is set aside for first-time PPP borrowers with 10 employees or less, or businesses in low- and moderate-income neighborhoods seeking loans of \$250,000 or less.

Community financial institutions, which work with economically disadvantaged borrowers, were given the first crack at the loans, and the process opened to all lenders on Jan. 19.

Steve Webb, Southern New England regional president for TD Bank, said the bank gets calls daily from businesses inquiring about the program. He's expecting demand to be high, but not as overwhelming as it was last spring because of the tighter requirements.

"Many businesses didn't see the dramatic reduction in gross revenue to qualify [for a second loan]," he said. "I think our industry and most pundits will tell you we really don't have the risk of running out of money as we did the first time around."

While the initial application process was plagued by technical snafus, delays and confusion nationwide, Webb said banks are expecting a smoother rollout this time. Businesses can apply through a designated PPP portal on the bank's website.

"All of this was moving so quickly last spring," Webb said. "Congress has had a lot of time to tweak the program based not only on feedback from the [banking] industry and clients, but also based on what they've seen. We think it's going to be a better process for everybody."