

Updates on COVID-19 Relief

The Latest Information on COVID-19 Relief Programs for
Small to Mid-Size Businesses, Nonprofit Organizations
and Others

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Welcome



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Disclaimer



The following information is based on a careful review of sources we believe to be accurate.

We continue to monitor and pass along updated guidance as it becomes available.

If you have any questions about the CARES Act, the PPP, or the Main Street Lending Program please get in touch with your WBL contact.



Agenda

- Updates to the Paycheck Protection Program
- Best Practices for PPP
- New \$600 billion Main Street Business Lending Program
- Tax Benefits for Businesses and Individuals

Paycheck Protection Program (PPP) Updates

- Government and private sector collaborated to get initial guidance out and enable lenders to accept applications one week after PPP was passed
- Problems and delays occurred, especially with larger banks
- Initial personal analysis reveals approximately 65% success rate
- New Interim Rule on Eligibility clarifies how self-employed individuals as well as partners/partnerships and LLCs should apply for PPP loan
- Program closed two weeks after opening when funds were committed
- An additional \$370 billion has been approved by the Senate and expect rollout by Saturday
- Recommend borrowers find community or smaller banks to process their loans
- Other guidance and clarification continues to be issued

Updates on eligibility

- Small businesses, 501(c)(3) nonprofit organizations, tax-exempt veterans' organizations and tribal businesses with 500 current employees or fewer (**including part-time workers, and in some cases contract staff**)
- Some businesses with > 500 employees could be eligible if they meet the [SBA small business definition](#) based on their industry code
- Certain hospitality businesses (e.g., restaurants, hotels) with > 500 employees, but not per physical location
- **Internationally-owned businesses with < 501 employees in the U.S. may qualify, based on recent guidance, but we are not aware of any that were approved**

Updates on eligibility (cont'd)

- Individuals with self-employment income who file a Form 1040, Schedule C, sole proprietors or independent contractors
 - Partners/members should be included in loan application submitted by the partnership/LLC and can not file separately
- A business that meets the SBA “alternative size standard” as of 3/27/20 — tangible net worth of < \$15 million and average net income after taxes for two fiscal years before application for the PPP Loan was < \$5 million.

What can PPP Loans be used for?

- 75% must be used for payroll costs:
 - Salary, wages, commission or similar compensation for employees
 - Self-employment income payments to partners/members
 - Vacation, parental, family, medical, or sick leave
 - Group health care benefits, including insurance premiums
 - Retirement benefits
 - State or local taxes on compensation to employees
 - Payroll taxes withheld do not need to be backed-out when computing the eligible payroll for the loan or the loan forgiveness amounts
- Up to 25% can be used for:
 - Mortgage interest (but not prepayments or the payment of principal)
 - Utilities
 - Rent
 - Interest on other debt initially incurred by the borrower before the 2/15/20

What *can't* PPP Loans be used for?

- **Compensation** for employees and payments to partners/members that is in excess of **an annual amount of \$100,000 (a maximum of \$15,385 ($\$100,000/52 \times 8$) for the eight-week period)**.
 - This only applies to cash compensation, including commissions and bonuses, and not to non-cash benefits including employer contributions to benefit plans, group health costs including insurance premiums and state and local taxes assessed on compensation
- **Employer's share of federal payroll tax**
- Compensation to a non-U.S. resident
- Sick leave or qualified family leave under the recently enacted FFCRA

What are the terms?

- Borrowers can request up to \$10 million
- Loan amount based on average monthly payroll costs during the 2019 calendar year or the 12 months before loan submission X 2.5 (different calculation if not in business all year or seasonal)
- Applicants can refinance Economic Injury Disaster Loans (EIDL) obtained after 1/31/20 and roll into PPP Loan, which can exceed the \$10 million limit
- The loan maturity date is two years from the date of origination
- Principal and interest payments are deferred six months and interest accrues during the deferral period, and then amortized over 18 months
- Interest is 1% per annum

NEW

Eligible loan amount calculation for Self Employed Individuals

Self Employed with no employees:

Net profit from Schedule C, line 31*
/ 12 = average monthly net profit

(Average monthly net profit X 2.5)
+ any outstanding amount of an EIDL from between
1/31/20 and 4/3/20 to be refinanced**
= PPP loan amount

Self Employed with employees:

[Net profit from Schedule C, line 31*
+ (2019 gross wages and tips paid to U.S. resident
employees — payments to employees over \$100,000)
+ 2019 non owner employer health insurance,
retirement contributions, state and local payroll
taxes] / 12 = average monthly amount

(Average monthly amount X 2.5)
+ any outstanding amount of an EIDL from between
1/31/20 and 4/3/20 to be refinanced**
= PPP loan amount

[Click here to download spreadsheet tool.](#)

*If more than \$100,000, use \$100,000; if zero or less, you are ineligible for a PPP loan. Note that Benefits and Plan contributions are not added in.

** Less any advance under EIDL COVID-19 which does not have to be repaid

Best Practices to Ensure PPP Loan Forgiveness

- Time your PPP loan funding, if possible, to receive funds immediately before pay date (bank must fund loan within 10 days of approval)
- Create separate bank account for PPP loan funds
- Meticulously track when and how funds are used
- Use consistent formula to calculate FTEs
- Within 8 weeks of loan funding OR by 6/30/20 restore number of employees to former level (equal to EITHER 2/15/19-6/30/19; OR 1/1/20-2/29/20)
 - Rehire laid off/furloughed employees (or hire new staff to fill their open roles)
 - Restore salaries reduced by more than 25% for staff making less than \$100,000 annually

Best Practices to Ensure Forgiveness (cont'd)

- Leverage timing of payroll, bonuses, utilities, profit sharing, pension contributions, etc. during covered period to maximize forgivable loan amount
- Note that employee retention credits will offset the forgiveness and payroll tax deferrals will need to be caught up on forgiveness
- Defer principal and interest payments for six months, then repay loan over next 18 months (no prepayment penalty)

New Main Street Business Lending Program

- For companies too big to qualify for the PPP but too small to access capital markets
- U.S.-based borrowers with 10,000 or fewer employees OR up to \$2.5 billion in 2019 annual revenues
 - Good news for PE-backed companies that had to count PE portfolio companies' employees for PPP loan applications
- Available soon (2-3 weeks) through 9/30/20
- Program includes new loans and expansion of existing loans (borrowers can participate in one or the other)

Two Main Street Business Loan Facilities

- New loans
 - May borrow between \$1 million and \$25 million unsecured
 - Borrower's debt with new loan cannot exceed 4 x 2019 EBITDA
- Expanded loans
 - May borrow between \$1 million and \$150 million with no additional collateral
 - Borrower's debt with new loan cannot exceed 6 x 2019 EBITDA

What are the terms?

- Borrowers that applied for PPP loan may also apply for Main Street Business loan
- Loans mature in four years from the date of origination
- Principal and interest payments may be deferred for one year; interest accrues during deferral period
- No prepayment penalty
- Funds may not be used to repay or refinance existing loans or lines of credit
 - Borrower can only pay mandatory principal payments until Main Street loan is repaid
- Interest is adjustable, starting at 0.01% plus 250 to 400 basis points
- Restrictions on compensation, stock repurchases and capital distributions



Who are the lenders?

- Check with your current banker first
- Any federally-insured lender
- Some non-bank lenders

IRS Extended Many Deadlines to 7/15/20

- Federal tax returns (now also applies to U.S. non-resident aliens)
- Request for extensions to 10/15
- Estimated Q1 and Q2 taxes payments
- Unclaimed tax refunds from 2016 tax year
- ID or complete purchase of replacement property for like-kind exchange
- Invest in a Qualified Opportunity Zone to defer certain gains
- Recognize income related to property received for services rendered [Section 83(b)]
- Recognize certain corporate acquisition gains [Section 338(h)(10)]
- Change accounting method/period
- File petitions with the Tax Court

Recovery Rebates (Stimulus Payments)

- Eligible individuals began receiving payments two weeks ago
- Stimulus payments are advance credits of refund expected on 2020 income tax return
 - Stimulus payment will reduce that credit (but not below \$0)
 - Theoretically, no repayment is necessary if they send you more than you should have received
- Payment amounts: \$1,200 for single/HOH filers; \$2,400 for MFJ filers + \$500 for each dependent younger than 17
- Phases out by \$5 for each \$100 above AGI of \$75,000/\$150,000/\$112,500 (S/MFJ/HOH)
- IRS using 2019 or 2018 tax returns to determine eligibility and payment amount. Consider holding your 2019 filing if AGI in 2018 was more favorable for this purpose
- IRS will deposit payments directly if they have info on file. If not, checks will be mailed and may take weeks.
 - If the IRS does not have your account info, you can provide it here: <https://www.irs.gov/coronavirus/get-my-payment>
 - Non-filers who don't receive SS benefits or other gov't payments: <https://www.irs.gov/coronavirus/non-filers-enter-payment-info-here>

FFCRA & CARES Act Leave Provisions & Credits

- Emergency Paid Sick Leave – 2 weeks
 - 100% of normal wage for conditions A, B, C (up to \$511 per day/\$5,111 per employee)
 - 2/3 of normal wage for conditions D, E, F (up to \$200 per day/\$2,000 per employee)
- Emergency Family & Medical Leave – 12 weeks (10 weeks paid)
 - 2/3 of normal wage for condition E (up to \$200 per day/\$10,000 per employee)
 - Can use with EPSL for 12 total weeks
- Retention Credit
 - 50% of wages paid up to \$10,000 per employee
- Conditions:
 - A) Are subject to a federal, state or local quarantine or isolation order related to COVID-19;
 - B) Have been advised by a health care provider to self-quarantine due to concerns related to COVID-19; or
 - C) Are experiencing symptoms of COVID-19 and seeking a medical diagnosis
 - D) Are caring for someone described in criteria A or B above
 - E) Are unable to work from home and are home caring for minor child(ren) because school or daycare is closed due to COVID-19
 - F) Are experiencing a similar condition specified by Secretary of HHS

CARES Act Tax Provisions

- Business interest limitation increased from 30% in 2018 to 50% in 2019-2020 (may need to file an amended return if already filed)
- Eliminated limitation on business losses for partnership/S-Corp owners
 - Retroactive to 2018 and applies through 2020
- NOLs, including those created by increased interest and eliminated limitation on business losses, can now be carried back 5 years in order to recover taxes paid in prior years
 - Retroactive to 2018 and applies through 2020
- Deferred payments of employer payroll taxes for the remainder of 2020
 - 50% due on 12/31/21 & 50% due on 12/31/22

How can WBL help?



- Check out WBL's [website](#) for:
 - PPP loan and forgiveness calculators
 - Recorded webinar and slides
 - Blog posts and updated FAQs
 - SBA, Federal Reserve and other resources
- Contact WBL advisors who are available to answer questions, discuss concerns and develop strategies

Q & A



Thank You

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