

Paycheck Protection Program

COVID-19 Relief for Small Businesses, Nonprofit Organizations and Others

Tuesday

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Welcome

Your moderator:

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Disclaimer



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

The CARES Act is new, and some details and rules are still being developed. The law is not clear in certain areas.

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

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



Agenda

- Overview of the Paycheck Protection Plan
- Review of Tools
- Participant Questions

Paycheck Protection Program (PPP) Overview

- Enacted as part of Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on Friday, March 27th
- Enhances Small Business Administrations (SBA) existing small business loans through current and new private lenders from 2/15/20 through 6/30/20
- PPP Loans **fully** guaranteed by U.S. government
- Loans **will not** require personal guaranties or collateral
- Streamlined application and approval process (still being developed)
- In most cases **all, or substantially all, of the loan balance will be forgiven if a company/nonprofit maintains its work force**

Who is eligible?

- In general, small businesses, 501(c)(3) nonprofit organizations, tax-exempt veterans' organizations and tribal business concerns with 500 current employees (based on average of the last 12 months or possibly the number at the time of application) or fewer including part-time workers, but not contractors.
- Some businesses with > 501 employees could be eligible if they meet the SBA small business definition based on their industry SAIC code (if based on their number of employees) See SBA guidance on small business size standards.
- Internationally-owned businesses with < 501 employees in the U.S. may qualify, based on recent guidance

Who is eligible?(cont'd)

- Certain hospitality businesses (e.g. restaurants, hotels) with > 500 employees, but not per physical location
- Individuals with self-employment income who file a Form 1040, Schedule C, sole proprietors or independent contractors
 - Partners/members should be included in the 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?

- 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**
- Mortgage interest (but not prepayments or the payment of principal)
- Utilities
- Rent
- Interest on other debt incurred by the borrower before the covered period

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

Note: The most recent (4/6/20) guidance indicated there is no need to back out payroll taxes withheld when computing the eligible payroll for the loan or the loan forgiveness amounts.

- **Compensation** for employees and payments to partners/members that is in excess of **an annual amount of \$100,000**.
 - 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
 - Based on the most recent guidance, the maximum salary eligible for forgiveness for the eight-week covered people is \$15,385 ($\$100,000 / 52 \times 8$).
- **Employer's share of 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
- Based on average monthly payroll costs during the 2019 calendar year or the 12 months before loan submission X 2.5 (diff. 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 increase 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
- Interest is 1% per annum

Eligible loan amount calculator

SAMPLE

	Annual Salary (1)	"Leave" Payments (2)	Separation Pay (3)	Health Insurance (4)	Retirement Benefits (5)	SALT on Comp (6)	Total Payroll	Limited to \$100,000	Monthly	
Employee 1	110,000			5,000	5,000		120,000	100,000	8,333	
Employee 2	80,000			5,000	5,000		90,000	90,000	7,500	
Employee 3	50,000			5,000	5,000		60,000	60,000	5,000	
Employee 4	50,000			5,000	5,000		60,000	60,000	5,000	
Employee 5	350,000			5,000	5,000		360,000	100,000	8,333	
Employee 6	80,000			5,000	5,000		90,000	90,000	7,500	
Employee 7	60,000			5,000	5,000		70,000	70,000	5,833	
Employee 8	75,000			5,000	5,000		85,000	85,000	7,083	
Employee 9	65,000			5,000	5,000		75,000	75,000	6,250	
Employee 10	70,000			5,000	5,000		80,000	80,000	6,667	
	990,000		0	0	50,000	50,000	0	1,090,000	810,000	67,500

Annual payroll should include costs incurred during the 1 year period before the loan date

Multiplier 2.5

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

Maximum Loan 168,750

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.](#)

What portion of PPP Loans can be forgiven?

Amounts incurred and paid by borrower during the covered period (eight weeks following the date of origination of the PPP Loan) using a formula that includes:

- Payroll costs incurred and paid by borrower during covered period
- **The following non-payroll costs which may not exceed 25% of forgiven amount:**
 - Payment of interest on covered mortgage obligations on real or personal property incurred before 2/15/20
 - Payment of rent obligations covered under a leasing agreement in force before 2/15/20
 - Any covered utility payment (electricity, gas, water, transportation, telephone or internet) for which the service was begun before 2/15/20

Loan forgiveness calculator

SAMPLE

Payroll Costs incurred during the covered period (1)	135,000
Interest payments on mortgage obligations during the covered period (2)	1,000
Rent costs incurred during the covered period (3)	5,000
Utility costs incurred during the covered period	2,000
	<hr/>
	143,000
Less EPSLA and EFMLEA credits received	(20,000)
	<hr/>
Loan Forgiveness	<u>123,000</u>

- (1) - Covered period is 8 weeks beginning on the loan origination date
- (2) - Excludes prepayments and principal payments
- (3) - Qualifies if lease effective before 2/15/20
- (4) - Includes electric, gas, water, transportation, phone and internet

What are the limitations on loan forgiveness?

- Amount of *loan forgiveness is reduced* if:
 - The average number of full-time equivalent (FTE) employees during the covered period is less than it was during the comparable period (several options 2/15/19-6/30/19 or 1/1/20-2/29/20 and seasonal)
 - Employer reduces salary and wages by 25% or more during the covered period to employees who have annualized salaries of less than \$100,000 per year (compared to most recent quarter)
- If salaries and/or FTE employees are reinstated by 6/30/20 you can get credit for them in the calculations above.
- Amount of loan forgiven is **NOT** taxable income to borrower

Limits on loan forgiveness calculator

If FTE's and/or salaries are reinstated by June 30, 2020, you can get credit for them in the calculations above.

SAMPLE

Reduction Based on Number of Employee:

Average number of Full-Time Equivalents (FTEs) during the covered period (8 weeks beginning on loan origination)

8 8 8

Option 1 - Average number of FTEs per month from February 15, 2019 to June 30, 2019

8

Option 2 - Average number of FTEs per month from January 1, 2020 to February 29, 2020

11

Option 3 - Average number of FTEs per month from February 15, 2019 to June 30, 2019 - For Seasonal Employers

12

Decrease in FTEs

8 11 12

Reduction in Forgiveness

100% 73% 67%

Total Available for Forgiveness

123,000 123,000 123,000

Reduced Amount Eligible for Forgiveness

123,000 89,455 82,000

Reduction for Reduction in Salaries

(1,250) (1,250) (1,250)

Total Reduced Amount for Forgiveness

121,750 88,205 80,750

	Annual Salary	Earned Most Recent Quarter	Per Week	Normal Salary During Covered Period	Earned During Covered Period	\$ Shortage	% Shortage	Reduction Limit	Excess
Reduction Based on Reduction in Salaries:									
Employee 1 - Not eligible if annualized salary exceeds \$100,000 at any time	110,000								
Employee 2 - No reduction	80,000	20,000	1,667	13,333	13,333	-			
Employee 3 - Reduction less than 25%	50,000	12,500	1,042	8,333	7,500	833	10%		
Employee 4	50,000	12,500	1,042	8,333	5,000	3,333	40%	25%	15% 6,250 1,250



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

What business information is needed to apply?

This may vary by lender, but in general, lenders are currently requesting:

- 2019 Payroll Records
- 2019 Employees — W-2s for 2019
- **OR**
- **2019 Contractors — 1099s for 2019**
- Healthcare costs — all health insurance premiums paid by the business owner under a group health plan.
- Retirement — your company retirement plan funding paid for by the company.
- Financial Statements — some are requesting financial statements and tax returns (interesting)
- Affiliations — some are asking about common ownership

Attest and other requirements

- A borrower must **attest (note: knowingly making false statements is punishable by law):**
 - “That the uncertainty of current economic conditions make necessary the loan request to support the ongoing operations of the eligible recipient”
 - That funds will be used to retain workers and maintain payroll or make mortgage, lease and utility payments
 - Borrower does not have an application pending for a loan under this section
 - The applicant has not received a similar loan for the same purpose during the period between 2/15/20 and 12/31/20
- No requirements that business can not obtain credit elsewhere (which is standard for other SBA loans)
- No personal guaranty or collateral as security for the loan will be required

Are there other emergency funding resources available for small businesses?

- The SBA offers the Economic Injury Disaster Loans (EIDL) when federal disasters are declared (up to 30-year terms) directly from the SBA
- EIDLs can provide an immediate \$10,000 advance within three days that does not have to be repaid
- Even if the loan is not approved, you can often retain the initial advance
- Businesses can roll an existing EIDL loan into a PPP Loan. **EIDL loans have stricter underwriting than COVID-19 loans which may cause delays in approval. Borrowers cannot maintain an existing EIDL if the funds are for the same purposes as the PPP.**

Condition/Benefit	FFCRA Act		CARES Act			
	Emergency Sick Leave	Emergency Family Leave	Payroll Tax Deferral	PPP	PPP Forgiveness	Retention Credit
More than 500 employees	✗	✗	✓	✗	✗	✓
Less than 500 employees or SBA qualified as Small Business	✓	✓	✓	✓	✓	✓
Received Sick/Family Leave credits	✓	✓	✓	✓	Limited	Limited
Receive a PPP Loan	✓	✓	✗	✓	✓	✗
Gross Receipts for Quarter > 50% of comparable quarter in 2019	No Effect	No Effect	No Effect	No Effect	No Effect	✗
Gross Receipts for Quarter < 50% of comparable quarter in 2019	No Effect	No Effect	No Effect	No Effect	No Effect	✓
Cannot Attest to an economic hardship	No Effect	No Effect	No Effect	✗	✗	No Effect
Employee with COVID-19, similar symptoms, or quarantined	✓	✗	No Effect	No Effect	No Effect	No Effect
Employee Home with Minor Child	✓	✓	No Effect	No Effect	No Effect	No Effect

How will taking a PPP loan affect other CARES Act benefits?

Who are the lenders?



- Check with your current banker first
- Any qualified SBA lender
- Below is a link to **preferred** SBA lenders in Georgia as of 6/2012

https://www.sba.gov/sites/default/files/articles/Preferred%20Lender%20List%2006-2012_0.pdf

What is the timeline?



- SBA and lenders began accepting loan applications on Friday 4/3/20
- Loans are “first come, first serve” so it’s important to get in the queue early
- The covered period ends June 30, 2020 so you need to have loan funded eight weeks prior to that date

How can WBL help?



- Check WBL's website (www.wblcpa.com) frequently for up-to-date resources such as:
 - PPP loan and forgiveness amount calculation tools
 - A recorded webinar (3/31/20) and these slides (**updated as new information is available**)
 - WBL's summary of the PPP and the CARES Act (**updated as new information is available**)
 - **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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