



The **TAXREDUCTION**[®]
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PPP & Stimulus Update

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CLEVELAND COUNTY
Chamber
CLEVELANDCHAMBER.ORG

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Overview


- Background of various stimulus incentives & “blending”
 - General overview / high-level
- All references, FAQs, links mentioned will be emailed after the webinar
- Unanswered questions will be emailed after the webinar
 - Please keep questions broad based vs individual specific situations
- Continued updates posted to our Facebook page “Fedyshyn CPA Group”
- EVERYTHING is subject to change and there are still unknowns!
- DOCUMENT DOCUMENT DOCUMENT DOCUMENT DOCUMENT


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Background & Resources


- On the frontlines since day 1
- Facebook group with 415 full-time SBA/Credit consultants
 - Tracking hundreds of banks & results
 - Tracking thousands of individual applications
 - Immediate access to program changes, interpretations
- We know what's working and what's not and have boots on the ground vs following headlines


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Assess Current Reality


- Business owners be prepared for extended difficulties
 - V Shaped recovery looking less likely
 - Rolling re-openings & possible re-closures
 - Return of the virus in the fall?
- It's time to get creative and update your business plan
- What are you doing to change your business that's working?
 - Contact the Chamber to share your success story


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Incentive Overview


- For everyone
 - Paid sick time off
 - Expanded unemployment
- Non PPP loan recipients
 - Tax credits and cash flow relief
- PPP loan updates
- EIDL loan updates
- Additional stimulus packages, tax incentives, & stimulus 3.0


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Incentives for Everyone – Paid Sick Time Off


- Required benefit program
- Applies to 2020 Coronavirus illnesses only
- 2 weeks paid sick time for employees
 - Paid by employer
 - Reimbursed up to \$511/day or \$200/day via payroll tax credit
- 10 weeks paid sick time for employees
 - Reimbursed up to \$200/day via payroll tax credit
- Can not take this credit and use PPP money also!
- See Facebook post video from March 24th


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Incentives for Everyone – Cash Flow Focused


- Retirement plan withdrawals
 - Up to \$100,000
 - No 10% penalty if under 59 ½
 - Tax due spread over 3 years
 - Zero tax if paid back within 3 years
- Stimulus payments up to \$1,200/adults and \$500/children
- 5-year Loss Carrybacks 2018-2020
- 6-month payment relief for current SBA loans


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Incentives for Everyone – Unemployment


- Complete or partial reduction of hours or pay
- Applies if receiving furlough payments during shutdown
- If you qualify for \$1 of NC benefits, Federal benefits of \$600/week kick in also through July 31st (anticipate extension)
- States are aware of abuse so be careful
 - Notification if re-employment is refused
 - Document & have employee sign acceptance OR refusal
 - PPP loan impact!


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Non-PPP Loan Recipients


- Employee Retention Tax Credit
 - 50% of wages paid per employee up to \$10,000 wages
 - \$5,000 maximum tax credit per employee
 - Sometimes this can be a greater benefit than the PPP loan
 - Eliminated in full if you receive PPP funds
- Payroll tax deferral
 - Skip payments on 2020 payroll taxes
 - 50% is due before December 31, 2021
 - 50% is due before December 31, 2022
 - Eliminated after the date you receive PPP funds


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Non-PPP Loan Recipients


- Still processing loans
- Try smaller banks
- Online lending programs “Fintech lenders”
 - Paypal
 - Kabbage
- Submit multiple applications
- Call around (person vs online application)


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PPP Loan Recipients


- Contact your specific lender – rules can be interpreted differently
- Forgiveness
 - 8 weeks from day of deposit
 - Gross wages up to \$100,000 annualized income
 - For budgeting use simplified method
 - Vacation, sick time, medical leave, severance, tips, bonus
 - Do not reduce by employee deductions (health, 401k)
 - 1099 Independent contractors NOT included
 - Employee benefits
 - Health care insurance premiums (no HSA)
 - Retirement plan employer contributions
 - State unemployment employer contributions


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PPP Loan Recipients


- Forgiveness (Continued)
 - Contracts / loans in place PRIOR to February 15, 2020
 - Mortgage INTEREST payments
 - Rent payments
 - Utility payments
 - Gas, water, transportation, telephone, internet
 - Interest payments on any other debt
 - Anything not forgiven converts to a 2 year 1% loan
 - Oh yea, and none of these expenses are tax deductible
 - Until that changes


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PPP Loan Recipients


- Forgiveness (Continued)
 - Contracts / loans in place PRIOR to February 15, 2020
 - Mortgage INTEREST payments
 - Rent payments
 - Equipment leases?
 - Personal property leases?
 - Vehicle leases?
 - Utility payments
 - Gas, water, **transportation**, telephone, internet
 - Interest payments on any other debt
 - Shareholder loans?


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PPP Loan Recipients

TRAPS

Mathematical, Logistical, Political


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PPP Loan Recipients

- Forgiveness (Continued)
 - Payroll 75%
 - Other 25%
- CAUTION
 - Beware of calculation
 - Ex:
 - \$100,000 PPP loan
 - \$50,000 qualifying wages
 - \$25,000 "other"

\$75,000 forgiven?????

Nope! $\$50,000 / .75 = \$66,667$ total forgiveness

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PPP Loan Recipients


- Forgiveness (Continued)
 - Maintain headcount
 - 10 employees prior to COVID19
 - 8 employees by June 30, 2020
 - 20% reduction in headcount = 20% reduction in forgiveness


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PPP Loan Recipients

- Forgiveness (Continued)
 - Maintain salary levels of existing employees @ 75%
 - Pre COVID salaries \$100,000
 - 75% = \$75,000
 - Post COVID salaries \$60,000
 - \$75,000 - \$60,000 = \$15,000 PPP loan NOT forgiven


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PPP Loan Recipients

- Forgiveness (Continued)
 - Example:
 - Pre COVID – 10 employees @ \$48,000 total salary each
 - \$100,000 PPP loan
 - Post COVID 8 employees (5 retained, 1 rehire, 2 new)
 - Existing salaries reduced by 30%
 - Full \$100,000 spent on wages

How much forgiven?

\$65,600

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PPP Loan Recipients

- Unemployment
 - Refusal to return to work
 - HUGE recent clarification = benefit to business owners
 - Slippery slope

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Coronavirus PPP loan recipients in 'panic' over unintentional fraud as safe harbor deadline looms
 Borrowers have until Thursday to return the cash if they believe they are ineligible

Federal Charges Of PPP Loan Fraud Are Here To Remind You These Loans Are Not "Free Money"
 Bruce Brumberg, JD Contributor
 Taxes
 I make the law and the tax code understandable to everyone


How To Avoid Going To Prison For Your Paycheck Protection Program Loan: Advice From Former Federal Prosecutors
 Bruce Brumberg, JD Contributor
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Why SMBs Are Suddenly Reluctant To Apply For The SBA's PPP Loan Program
 COVID-19 Update: Federal Investigators Prepare to Investigate and Prosecute Fraud in Emergency Loan Programs
 Saturday, April 25, 2020

SBA ALLOWS BORROWERS TO RETURN PPP LOANS IF UNABLE TO SHOW LOAN NECESSITY

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PPP Loan Recipients

Take it seriously and respect the program's

INTENT

but don't be


AFRAID

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PPP Loan Recipients


- Breaking news as of May 13, 2020
- All PPP loans under \$2M are deemed economic need!

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PPP Loan Recipients – What if's?

- Can I increase salaries to use up the PPP funds?
- Can I prepay or past due rent/utilities/payroll?
 - Paid and/or accrued? Waiting on clarification
- One time bonuses?
- Compensation of owners, spouses, family, children?
- Timing of retirement plan contributions?
- Change payroll frequency? Hire 1099 contractors?
- Should I use PPP money or take the sick time credits?
- How to prepare for the forgiveness application?

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PPP Loan Recipients

GET ORGANIZED YESTERDAY


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PPP Loan Recipients – Documentation


- Take great caution if you do your own accounting
- Take great caution if you don't do your own accounting
 - Look for numbers that never change year after year
 - Look for balances you don't recognize
 - Look for negatives on your P&L and Balance Sheet
- Tracking/reconciliation of expenses will be a significant challenge, even with professional guidance
- Be brutally honest with yourself regarding organization
- Additional bank accounts are not necessary and can add to complications – advanced journal entry adjustments will be necessary in accounting software
- Expect high-scrutiny on forgiveness applications


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EIDL Loan Updates


- True loan programs
- Requires owner guarantees, credit checks
- 30 year 3.75%
- Forgivable grants of \$1,000 per employee and/or owner, up to \$10,000 (reduces PPP forgiveness)
- For “working capital” needs, for economic necessity
- Limits on owner distributions, subject to frequent review and substantiation (clarification needed)
- Could require expensive CPA audit and/or reviews
- History indicates loan amounts given around 50% of 2019 gross income

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Additional Resources & Proposed Items

<https://clevelandchamber.org/covid-19-resources/>

- COVID Bill 3.0 House Proposal
- Payroll tax holiday
- Additional round of stimulus
- Industry specific relief
- Extended tax filing and payment deferrals
- Fedyshyn CPA Group Facebook page

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