

Federal Relief Questions and Answers
April 2, 2020

Some bullet points on **Payroll Protection Program Loans**, the latest information. **Do not Delay:**

1. Please contact your bank immediately in order to take advantage of the Payroll Protection Loans. **Do not wait** as time and resources are limited. **Your bankers will be the most informed about how to obtain these loans.** We will support you by assisting with gathering the tax documents you will need.
2. Up to 100% of the loan can be forgiven. Payroll costs, rent obligations, utility payments etc. are eligible costs.
3. The forgiveness will be for expenses over the 8-week period from the loan origination date.
4. If loan is not forgiven maximum interest rate on loans not forgiven is 4% with terms up to 10 years.
5. If you use this program you will not get the payroll tax credits.
6. This loan is available to self-employed individuals and independent contractors.
7. There is no collateral required for the payroll loans.
8. You will need certain documents.
 1. Likely a written statement detailing how the business has been negatively impacted.
 2. Payroll reports for 2019 and 2020.
 3. Entity documents such as Articles of Incorporation/Organization, By Laws/Operating Agreement, By Laws/Operating Agreement
 4. Information on Officers using this form <https://www.sba.gov/sites/default/files/2018-03/SBA-1919.pdf>
 5. Copy of Owners Driver's Licenses front and back.
9. Generally, we recommend pursuing a loan, and doing so **Immediately.**
10. For companies who have already laid off their workforce, you may apply for a special 7(a) loan when the company is ready to start up again. The loan must close by June 30, 2020. Forgiveness provisions would cover 8 weeks of operations when you start up operations again.
11. The recommendation now is to strive to re-hire its workers and re-instate reduced salaries by Jun 30,2020 in order to maximize the loan forgiveness benefit.
12. The Application (copy the link below to your internet browser):
https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf?j=268557&sfmc_sub=124903842&l=3151_HTML&u=8813279&mid=7306387&jb=631&utm_medium=email&SubscriberID=124903842&utm_source=NewsUp_A20Mar225&Site=aicpa&LinkID=8813279&utm_campaign=Newsupdate&cid=email:NewsUp_A20Mar225:Newsupdate:Paycheck+Protection+Program+application:aicpa&SendID=268557&utm_content=Special
13. The Guide: (copy the link below to your internet browser):
https://home.treasury.gov/system/files/136/PPP%20Borrower%20Information%20Fact%20Sheet.pdf?j=268557&sfmc_sub=124903842&l=3151_HTML&u=8813282&mid=7306387&jb=631&utm_medium=email&SubscriberID=124903842&utm_source=NewsUp_A20Mar225&Site=aicpa&LinkID=8813282&utm_campaign=Newsupdate&cid=email:NewsUp_A20Mar225:Newsupdate:accompanying+borrower+guide:aicpa&SendID=268557&utm_content=Special

Question:

So if I look at last year's 2019 financials, can I simply add up all Labor/wages, payroll taxes, workers comp, benefits, and liability insurance, for all three areas on our P&L, limiting my comp to \$100K, and then divide that by 12?

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1. Yes, you are correct. Per the application:
 - a. For purposes of calculating “Average Monthly Payroll”, most Applicants will use the average monthly payroll for 2019, excluding costs over \$100,000 on an annualized basis for each employee. For seasonal businesses, the Applicant may elect to instead use average monthly payroll for the time period between February 15, 2019 and June 30, 2019, excluding costs over \$100,000 on an annualized basis for each employee. For new businesses, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding costs over \$100,000 on an annualized basis for each employee.

Question:

Can we have some layoff, without hurting us on potential forgiveness of this loan? Or do we want to keep people on payroll, work or no work. I am confused on this aspect of the law. Currently, a few of my staff have been on sick leave, but they also decided to register (?) for unemployment. Is that a thing? Do we need to take action to deny a claim? Everyone has remained getting paid each week to date.

1. Per the guide:
 - a. **How much of my loan will be forgiven?** You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. You will also owe money if you do not maintain your staff and payroll.
 - i. Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
 - ii. Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
 - iii. Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.
 - b. **How can I request loan forgiveness?** You can submit a request to the lender that is servicing the loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must make a decision on the forgiveness within 60 days.
2. Note that what you do and what your employees do are two separate things. There is no indication from what we can see where if an employee files for unemployment you will not get the loan, or this will hinder your chance for getting the loan forgiven. You can focus on complying with your requirements. If you partially comply you may get partial forgiveness. Keep in mind that there are no guarantees that your entity will fully qualify for loan forgiveness. If your entity is severely impacted and if you comply with the guidelines you are likely to have your loan forgiven.

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Question:

I laid off all on my employees starting day one of the non-essential business shut down. I had full-time employees, and part time employees. The part-time was already to scaling back heading into spring and summer, as that is slower than winter. I've been working solo to process the minimal online orders we are getting. I'd like to hire one full time employee back starting next week until we reopen. I really don't need more than one employee until we're able to reopen our doors. Once we can re-open our doors, we'll be going into our slowest months when I would normally scale back part time hours. So, I'd like to apply for the PPP forgivable loan, but I'm concerned about the language of having to maintain current staffing levels. If I use 75% of it for payroll, is that sufficient?

1. If we are understanding your question, it appears that the answer is yes. You should be able to reduce your payroll by 25% (leaving payroll at 75% of what it was) and still qualify for full loan forgiveness. Note that this does not consider other factors which will be evaluated in determining the extent to which your business was impacted which will also have an impact on the amount of your loan being forgiven.
 - a. **See How much of my loan will be forgiven? In the answer above.**
2. Note that for companies who have already laid off their workforce, you may apply for a special 7(a) loan when the company is ready to start up again. The loan must close by June 30, 2020. Forgiveness provisions would cover 8 weeks of operations when you start up operations again. Please contact your banker as they will be the best versed in your borrowing options.

Question:

Question #3 on page one: I have payroll in a business and second entity that leases real estate but and does not have employees/ payroll. Do I need to answer this question No or Yes. If yes, where is addendum A?

1. Generally, based on the intent of this form, I would answer the question no. However, it will not hurt to answer the question Yes and to add an addendum (just a printed page with a heading "Addendum A" listing this one property and describing the fact that this entity holds supplemental rental income property. Since they do not provide a form you would simply write up a paragraph and attach it to the application. Looking at your entity I do not see that your business rents from this entity. Therefore, it appears that the only affiliation has to do with you being a partner in the business as well as being a partner in this completely separate entity which holds rental real estate.

Question:

I've been asked by a member of the family if seniors who no longer file tax returns will be able for any federal relief. I don't believe I read anything about that in the information that we've received.

1. The answer is yes, they are supposed to get the checks. Here is an article on it. I suggest reading it because there is a possibility that returns will need to be filed. Hopefully not.
2. <https://www.forbes.com/sites/kellyphillipserb/2020/03/31/irs-adds-to-confusion-about-whether-seniors-have-to-file-tax-returns-to-get-stimulus-checks/#2b4b02ca52ad>

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Question:

Questions on the Payroll Protection Program Loan Application (PPPLA).

1. Since we are a cooperative, how do I respond regarding ownership? We have many entities with stock in our company.
 1. You will need to attach a list of all of the entities which have a greater than 20% ownership in the cooperative following the headings indicated on the application.
2. Question 3. Can I answer no to this question?
 1. You can answer No as long as you are referring to whether or not the owners are affiliates. Otherwise, if there are other entities which are affiliated with this entity you would need to answer yes and explain in a separate attachment.
3. Question 7. Regarding citizenship, how do I answer?
 1. You would answer: Yes.
4. Certifications: Do I just initial these as the General Manager?
 1. Yes, you would initial these as the General Manager.
5. Signatures: Who signs as owner of our business?
 1. Ideally the Chairman of the Board would sign. You may be okay to sign as well. I recommend taking a look at your entity documents to make sure regarding borrowing restrictions.

A Note about Communication during the Next Few Weeks

Clients are quite understandably in need of communication. We appreciate the opportunity to assist you. The format of communication with regard to the government relief programs at this time must be in the form of emails. We have to consider and weigh the communication needs of the many compared with the needs of the few. While in-person and individual telephone communication is preferred, we need to focus on helping the most clients in the least amount of time.

Please email your government relief questions to Relief.Q-A@sorgecpa.com so that we can work together to get questions and answers disseminated as quickly as possible. Thank you!