

PPP Update

prepared for
Pennsylvania Bus Association
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by





1: PPP – new rules etc.

2: Employee Retention Credit



Are the banks ready?

Which bank should I use?

Do I need forgiveness on my
first loan to apply for my
second loan?

Questions on First Draw Loan

- Is applicant presently suspended, debarred, declared ineligible, voluntarily excluded from participating (do not pay list)?
- Has the applicant or any owner defaulted on SBA/Federal Loan in the last 7 years?
- Do the applicant or any owners also own another entity?
- Receive an EIDL between 1/31/20 – 4/3/20?
- Is any 20% owner incarcerated or currently charged with a felony, subject to an indictment, etc.?
- Has the applicant or any owner been convicted, plead guilty, etc. of fraud, embezzlement, or false statement in a loan application in the last 5 years?
- Is the US the principal place of residence for the payroll on the application?
- Is the applicant a franchisee?
- Is the applicant in SBA's Franchise Directory?

Eligibility for First Draft Loans

- Operation before 2/15/20 and not permanently closed
- Economic uncertainty makes loan necessary
- Funds will be used to make eligible payments
- 500 or fewer employees

Who isn't Eligible?

- A Shuttered Venue Operator
- Owner of 20% or more is the Pres, VP, Executive Dept Head, Congress Member/Spouse
- A public company
- Entity organized in, has significant operations in, has board member an ownership interest from China/Hong Kong
- Entity required to register under the Foreign Agents Registration Act of 1938
- Entity is engaged in political or lobbying activity

First Draw Loans

- 8 or 24 week covered period
- Same rules regarding employee retention or safe harbors
- Same rules for how to spend loan proceeds (with some new categories)
- 60% to be spent on payroll and related costs
- Can reapply if previously returned funds
- Application period open until March 31, 2021

New Eligible Expenses

Covered operations expenditures - any business software/cloud computing software that facilitates business operations, product/service delivery, payroll processing, or accounting functions

- Dispatch software
- GPS monitoring software
- Accounting software
- ELD software
- CRM Software
- Communications Software

New Eligible Expenses

Covered property damage costs – property damage, vandalism, looting not covered by insurance during 2020 public disturbances

Covered supplier costs – goods essential to the operations of the entity when the expenditure is made pursuant to a contract existing before the PPP covered period OR with respect to perishable items in effect before or during covered period

New Eligible Expenses

Covered worker protection expenditure – operating / capital expenditure to comply with DHHS, CDC, OSA, or state and local guidance from March 1, 2020 until the national emergency is ended

Sneeze guards

Face masks

Sanitizers

Foggers

Cleaners

Questions on Second Draw Loan

- Is applicant presently suspended, debarred, declared ineligible, voluntarily excluded from participating (do not pay list)
- Has the applicant or any owner defaulted on SBA/Federal Loan in the last 7 years?
- Do the applicant or any owners also own another entity?
- Is any 20% owner incarcerated or currently charged with a felony, subject to an indictment, etc.?
- Has the applicant or any owner been convicted, plead guilty, etc. of fraud, embezzlement, or false statement in a loan application in the last 5 years?
- Are all payroll costs for employees living within the United States?
- Is the applicant a franchisee?
- Is the applicant in SBA's Franchise Directory?

Eligibility for Second Draft Loans

- Operation before 2/15/20 and not permanently closed
- Economic uncertainty makes loan necessary
- Have a 25% loss of revenues in any 2020 quarter (proof required)
- Received a First Draw Loan previously
- Can only apply for and receive one second draw loan
- Funds will be used to make eligible payments
- 300 or fewer employees
- Have used or will have used all first draw loan for eligible expenses

Simplified Forgiveness

For loans under \$150,000

Not all banks are ready for this!





Tax Deductibility

PPP expenses are now tax deductible for federal income taxes

Your state may or may not treat this the same - depends on your state's conformity with federal income tax law

Employee Retention Credit

Originally unavailable to companies who received PPP loans

Eligible if fully or partially shut down or if quarterly revenues have fallen below 50% of the corresponding 2019 quarter

Is claimed on an amended or original form 941, federal Employer's Quarterly Payroll Tax Return

Employee Retention Credit

CANNOT use the same dollars for PPP, FFCRA, and ERC

If eligible, companies may receive up to

- \$5,000 per employee for 2020
- \$14,000 per employee for 2020



Employee Retention Credit

If you haven't applied for forgiveness
on a first or second draw loan, you
have the opportunity to plan for the
maximum benefit using both the
PPP forgiveness and the ERC

Questions?

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