

# COVID-19 Relief Opportunities:

## Updates for Employers & Self-Employed Individuals

April 22, 2020



# Introductions

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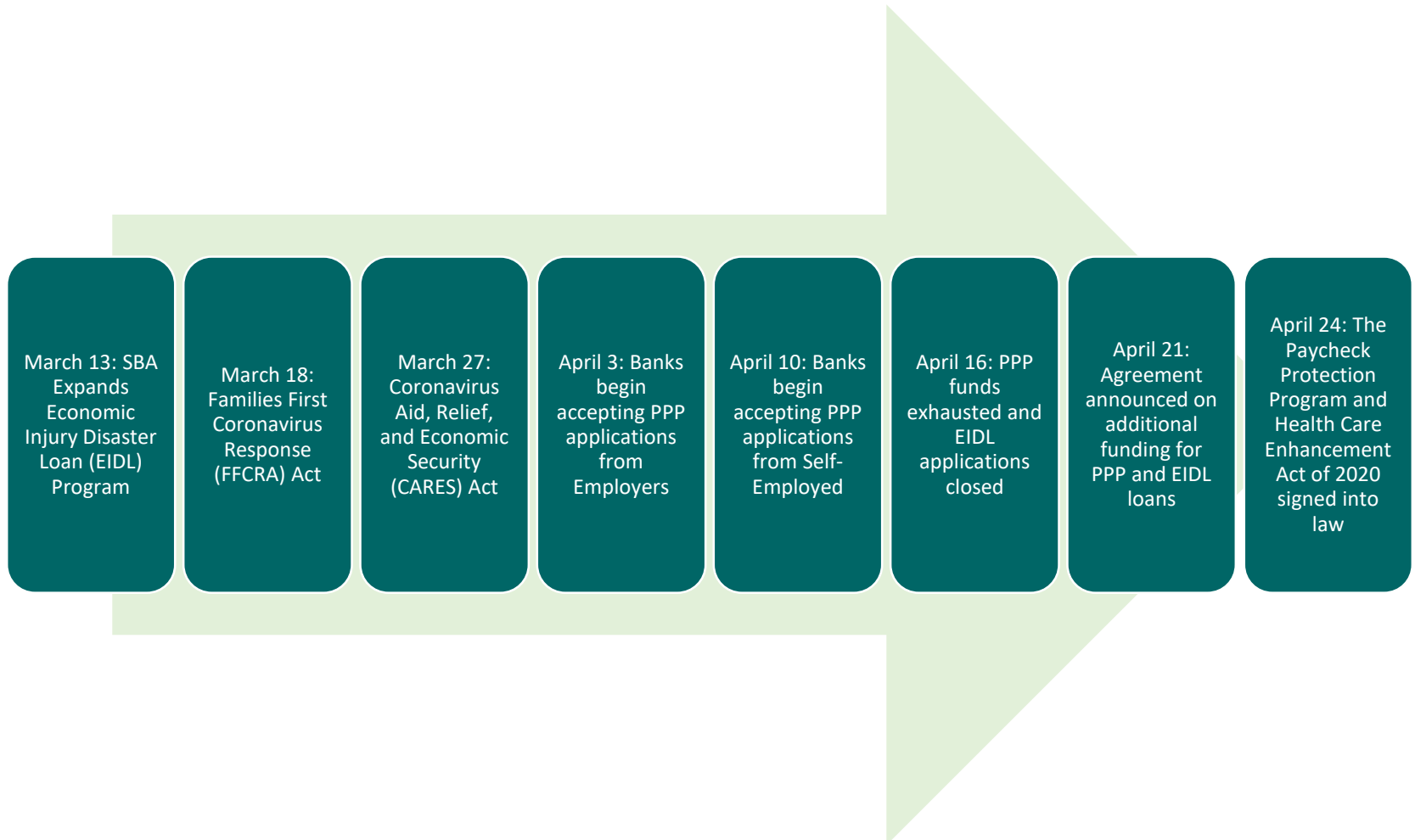
**Faye Buckley**  
Staff Accountant



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Staff Accountant

# COVID-19 Relief Timeline

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# Anticipated “Phase 3.5” Coronavirus Relief Package

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- \$320B to replenish the Paycheck Protection Program (PPP)
  - \$60B allocated for small banks and community lenders
  - \$30B to banks with \$10B or fewer in assets
  - \$30B to banks with \$10B – \$50B in assets
- \$60B for the Economic Injury Disaster Relief Loan (EIDL) program
  - \$10B allocated for EIDL grants

# Updates on Relief Opportunities

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1. Paycheck Protection Program Loan (PPP Loan)
2. Economic Injury Disaster Loan (EIDL)
3. Employee Retention Credit
4. Payroll Tax Deferral
5. SBA Express Bridge Loans
6. SBA Debt Relief
7. Unemployment Benefits
8. Other Notable CARES Act Opportunities

# PPP Loans: Program Overview

## Program Information

- As part of the CARES Act, The Paycheck Protection Program (“PPP”) authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis
- The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses (fewer than 500 employees) to keep their workers on the payroll
- SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities
- You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating
- Lenders may begin processing loan applications on April 3, 2020. The Paycheck Protection Program will be available through June 30, 2020 or as long as funding is available

## Who Can Apply

- Any small business, 501(c)(3) non-profit organization, 501(c)(19) veterans organization, or Tribal business concern that meets SBA’s size standards (either the industry based sized standard or the alternative size standard)
- Any business with a NAICS Code that begins with 72 (Accommodations and Food Services) that has more than one physical location and employs less than 500 per location
- Sole proprietors, independent contractors, and self-employed persons

## Loan Details and Forgiveness

- The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees
- Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.
- This loan has a maturity of 2 years and an interest rate of 1%.

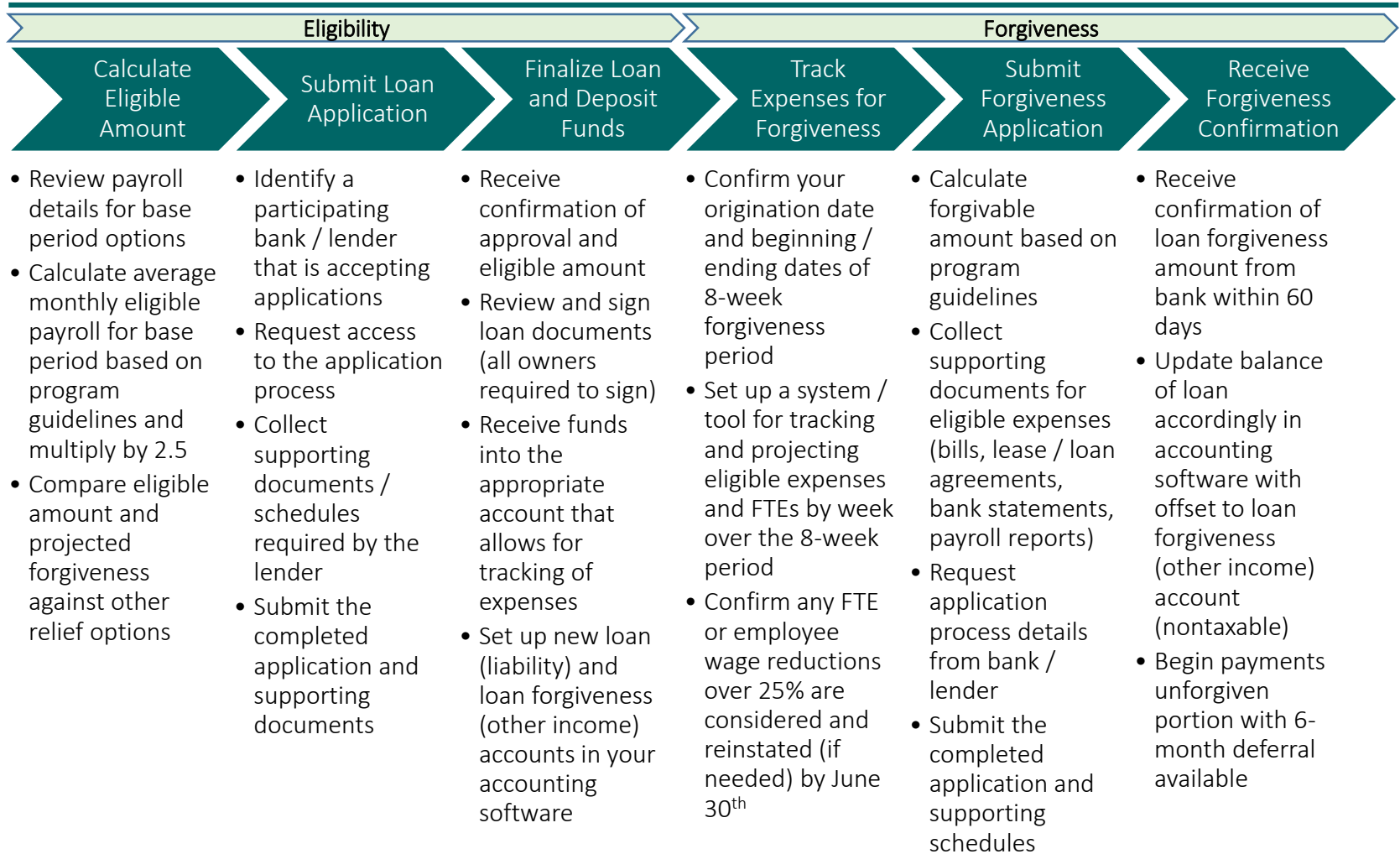
# PPP Loans: Borrower Requirements

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- There is no personal guarantee requirement for PPP loans, but The borrower needs to certify in good faith that:
  - Current economic uncertainty makes the loan necessary to support your ongoing operations
  - The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments
  - You have not and will not receive another loan under this program
  - You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan
  - Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs
  - All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law
  - You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm that the tax documents are identical to those you submitted to the IRS.

*If the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you*

# PPP Loans: Process Overview





# PPP Loans: Employer Eligible Amount Calculation

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- Maximum Loan Amount is Lesser of:
  - The sum of:
    - (Average monthly payroll costs for the 1 year prior to the date on which the loan is made\* 2.5), PLUS
    - Any outstanding disaster loan under Section 7(b)(2) of the SBA that was made after January 31, 2020 and refinanced into a 7(a) loan, and
  - \$10 million
- A seasonal employer determines average payroll by taking the 12-week period beginning February 15, 2019, or upon election, the period March 1, 2019 and ending June 30, 2019
- If you weren't in business from February 15, 2019 through June 30, 2019, take 2.5 multiplied by the average payroll costs from January 1, 2020 and ending February 29, 2020
- Base Period Options:
  - 4/1/2019 – 3/31/2020
  - 2/15/2019 – 6/30/2019
  - 1/1/2020 – 2/29/2020 (if not in business from 2/15/2019 – 6/30/2019)
  - 3/1/2019 – 6/30/2019 (upon election)

# PPP Loans: Employer Eligible Payroll Expenses

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## Payroll costs:

- Payments of compensation to employees for:
  - Wages, commission, salary (not to exceed an annual rate of pay of \$100,000)
  - Cash tips or equivalents
  - Vacation, parental, family, medical or sick leave
  - Severance, separation pay, and any retirement benefit
  - Group health care benefit pay including insurance premiums
  - State or local tax on the compensation of employees (state unemployment)
- Guaranteed payments to partners up to \$100,000 (*new guidance issued April 14*)
- For self-employed taxpayers: net earnings from self employment up to \$100,000

## Not counted:

- Compensation above \$100,000 for any one employee (on an annualized basis)
- Employer Social Security, Medicare, and Federal Unemployment payroll taxes
- Compensation for an employee whose principal place of residence is outside the US
- Qualified sick leave and family emergency leave wages

# PPP Loans: Self-Employed Eligible Payroll Expenses

- If self-employed individual does not have employees, the eligible amount is based on 2019 Schedule C
- Divide the lesser of Line 31 of 2019 Schedule C (net profit) or \$100,000 by 12 to determine monthly average, then multiply by 2.5
- Maximum amount of \$20,833 for self-employed individuals without employees

**SCHEDULE C**  
(Form 1040 or 1040-SR)

**Profit or Loss From Business**  
(Sole Proprietorship)

OMB No. 1545-0074  
**2019**  
Attachment  
Sequence No. **09**

Department of the Treasury  
Internal Revenue Service (99)

Go to [www.irs.gov/ScheduleC](http://www.irs.gov/ScheduleC) for instructions and the latest information.  
Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor \_\_\_\_\_ Social security number (SSN) \_\_\_\_\_

**A** Principal business or profession, including product or service (see instructions) \_\_\_\_\_ **B** Enter code from instructions \_\_\_\_\_

**C** Business name. If no separate business name, leave blank. \_\_\_\_\_ **D** Employer ID number (EIN) (see instr.) \_\_\_\_\_

**E** Business address (including suite or room no.) \_\_\_\_\_  
City, town or post office, state, and ZIP code \_\_\_\_\_

**F** Accounting method: (1)  Cash (2)  Accrual (3)  Other (specify) \_\_\_\_\_

**G** Did you "materially participate" in the operation of this business during 2019? If "No," see instructions for limit on losses  Yes  No

**H** If you started or acquired this business during 2019, check here \_\_\_\_\_  Yes  No

**I** Did you make any payments in 2019 that would require you to file Form(s) 1099? (see instructions) \_\_\_\_\_  Yes  No

**J** If "Yes," did you or will you file required Forms 1099? \_\_\_\_\_  Yes  No

**Part I Income**

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1
2	Returns and allowances	2
3	Subtract line 2 from line 1	3
4	Cost of goods sold (from line 42)	4
5	<b>Gross profit.</b> Subtract line 4 from line 3	5
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6
7	<b>Gross income.</b> Add lines 5 and 6	7

**Part II Expenses.** Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	18	Office expense (see instructions)	18
9	Car and truck expenses (see instructions)	9	19	Pension and profit-sharing plans	19
10	Commissions and fees	10	20	Rent or lease (see instructions):	
11	Contract labor (see instructions)	11	a	Vehicles, machinery, and equipment	20a
12	Depletion	12	b	Other business property	20b
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	21	Repairs and maintenance	21
14	Employee benefit programs (other than on line 19)	14	22	Supplies (not included in Part III)	22
15	Insurance (other than health)	15	23	Taxes and licenses	23
16	Interest (see instructions):		24	Travel and meals:	
a	Mortgage (paid to banks, etc.)	16a	a	Travel	24a
b	Other	16b	b	Deductible meals (see instructions)	24b
17	Legal and professional services	17	25	Utilities	25
28	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a	28	26	Wages (less employment credits)	26
29	Tentative profit or (loss). Subtract line 28 from line 7	29	27a	Other expenses (from line 48)	27a
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). <b>Simplified method filers only:</b> enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____ Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	b	<b>Reserved for future use</b>	27b
31	<b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040 or 1040-SR), line 3</b> (or <b>Form 1040-NR, line 13</b> ) and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> .	31			

# PPP Loans: Eligible Amount Calculation

**Base Period:**

Options	Beginning	Ending	Compensation	Employer Paid Health	Employer Paid Retirement	Annualized Compensation > \$100K	Total Payroll Costs	Months	Average	Multiplier	Eligible Amount
1	4/1/2019	3/31/2020	\$1,328,967	\$3,612	\$32,744	\$5,525	\$1,359,798	12	\$113,316	2.5	\$283,291
2	1/1/2020	2/29/2020					\$0	2	\$0	2.5	\$0
3	2/15/2019	6/30/2019					\$0	4.5	\$0	2.5	\$0
4	3/1/2019	6/30/2019					\$0	4	\$0	2.5	\$0

Base Period Selected	1
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**Notes:**

FTE Option 2 applies to organizations not in business between Feb 15 2019 and 30 Jun 2019, but in business by Feb 15 2020

FTE Option 3 applies to seasonal businesses or organizations that were in business between Feb 15 2019 and 30 June 2019

FTE Option 3 applies to seasonal businesses or organizations that were in business between Feb 15 2019 and 30 June 2019 (available upon election)

# PPP Loans: Application



## Paycheck Protection Program Borrower Application Form

OMB Control No.: 3245-0407  
Expiration Date: 09/30/2020

<b>Check One:</b> <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other		<b>DBA or Tradename if Applicable</b>	
<b>Business Legal Name</b>			
<b>Business Address</b>		<b>Business TIN (EIN, SSN)</b>	<b>Business Phone</b>
			(   )   -
		<b>Primary Contact</b>	<b>Email Address</b>
Average Monthly Payroll:	\$	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$
		Number of Employees:	
<b>Purpose of the loan</b> (select more than one): <input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____			

# Accounting for PPP Funds

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- When funds are received, a long-term liability will be added to the balance sheet on the date funding is deposited to the bank
  - This long-term liability will be titled “Bank Name PPP Loan” (Example: Landmark Bank PPP Loan)
  - Please note: a new bank account is not required to be set up for the PPP funds within a QuickBooks file unless a new account is set up to facilitate this deposit by the bank
- Expenses that are eligible for PPP forgiveness will be recorded to the appropriate expense category on the Profit & Loss as normal (i.e. Rent, Interest, Utilities, Payroll Expense)

# PPP Loans: Employer Forgiveness Calculation

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- Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8-week period compared to the previous year or time period, proportionate to maintaining employees and wages:
  - Payroll costs (including company-paid health insurance and retirement plan contributions)
  - Payment of interest on any mortgage obligation incurred prior to 2/15/2020 (does not include any prepayment of or payment of principal on a covered mortgage obligation)
  - Any payment of rent under a leasing agreement in force before February 15, 2020
  - Any utility payment, including payment for the distribution of electricity, gas, water, telephone, or internet access for which service began before February 15, 2020
- The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25% of their prior year compensation
- To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that rehire workers by June 30<sup>th</sup> will not be penalized for having a reduced payroll at the beginning of the period

# PPP Loans: Employer Forgiveness Calculation

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## The forgiveness amount will be reduced if you:

- Reduce FTEs during the 8-week period compared to prior year (or first two months of year)
- Reduce salaries of employees over 25% during the 8-week period compared to prior quarter
- Receive an advance under the EIDL program

## The amount eligible for forgiveness is reduced by multiplying the forgiveness amount by:

- The quotient obtained by dividing:
  - The average number of full-time equivalent employees of the borrower during the 8-week period from the date the loan originated, by
- Either:
  - The average number of full-time employees per month from February 15, 2019 through June 30, 2019, or
  - The average number of full-time employees per month from January 1, 2020 through February 29, 2020
- The forgiveness is also reduced by the total reduction in salary during the 8-week period of an employee earning less than \$100,000 (annualized) by more than 25% when compared to the most recent quarter before the 8-week period began



# PPP Loans: Self-Employed Forgiveness Calculation

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- Owner compensation replacement, for forgiveness purposes is 8/52 of the **2019** Schedule C net profit (line 31) with a maximum net profit of \$100,000
  - Maximum eligible forgiveness associated with payroll costs of \$15,385
- Payroll costs for these purposes include employee payroll costs and owner compensation replacement
- Other eligible expenses include:
  - Payment of interest on any mortgage obligation incurred prior to 2/15/2020
  - Any payment of rent under a leasing agreement in force before February 15, 2020
  - Any utility payment, including payment for the distribution of electricity, gas, water, telephone, or internet access for which service began before February 15, 2020
  - Business portion of above expenses associated with home office
- 75% of the loan proceeds must be allocated to payroll costs / owner compensation replacement

# PPP Loans: Employer Forgiveness Application

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- A borrower must submit an application for forgiveness to lender, and the application must include:
  - Documentation verifying the number of full-time equivalent employees on payroll and pay rates for the periods:
    - The covered period (8 weeks after loan origination)
    - January 1, 2020 – February 29, 2020
    - February 15, 2019 – June 30, 2019 (for a seasonal employer)
  - Payroll tax filings and reports
  - Documentation of eligible expenses, including bank statements, bills, lease agreements, cancelled checks, etc.
  - A certification that the information is true and correct, and that the amount of forgiveness requested was used to retain employees
- The process to receive forgiveness of the PPP loan will be similar to the initial application of the PPP loan
- Lenders will provide required forms / schedules to process the application
- The application for forgiveness will be processed by the lender with a decision to be made within 60 days

# Accounting for PPP Forgiveness

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- When funds are granted forgiveness, they will be written off the books with the following journal entry:
  - Debit: “Bank Name” PPP Loan    \$\$\$
    - Credit: Other Income: PPP Loan Forgiveness    \$\$\$
- The amount that is not granted forgiveness will remain on the books as a long-term liability
- The amount that is forgiven will be excluded from income on the 2020 tax return

# PPP Loans: Tracking Expenses for Forgiveness

## PPP Loan Disbursement Control

PPP Loan Proceeds	\$ 200,000.00
Disbursement Date	4/20/2020

Week	Beginning Date	Ending Date	Payroll	Health Insurance Premiums	Retirement Plan Contributions	Rent / Lease Payments	Interest on Debt (Incurred Prior to 2/15/2020)	Utility Payments	Total
1	4/20/2020	4/27/2020							\$ -
2	4/28/2020	5/4/2020	\$ 40,000.00		\$ 1,000.00	\$ 5,000.00		\$ 1,000.00	\$ 47,000.00
3	5/5/2020	5/11/2020							\$ -
4	5/12/2020	5/18/2020	\$ 40,000.00		\$ 1,000.00				\$ 41,000.00
5	5/19/2020	5/25/2020							\$ -
6	5/26/2020	6/1/2020	\$ 40,000.00		\$ 1,000.00	\$ 5,000.00		\$ 1,000.00	\$ 47,000.00
7	6/2/2020	6/8/2020							\$ -
8	6/9/2020	6/15/2020	\$ 40,000.00		\$ 1,000.00				\$ 41,000.00
Total	4/20/2020	6/15/2020	\$ 160,000.00	\$ -	\$ 4,000.00	\$ 10,000.00	\$ -	\$ 2,000.00	\$ 176,000.00

Please retain full documentation for every expense entered in this spreadsheet (Payroll Reports, Monthly Invoices, Bank Statements, Utility Bills, Cancelled Checks, Etc.)

Forgivable Expenses	\$ 176,000.00
EIDL Grant Received	\$ -
Wages Over \$100K Limit	\$ -
FTE Reduction Factor*	100.0%
Wages Reduced > 25%**	\$ -

\*Only applies if not reinstated by 6/30/2020

\*\*Difference between current pay and 75% of pay rate for Q1 2020

Base Period	1/1/2020-2/29/2020
Base Period Weeks	8.43
Base Period Hours	
Base Period FTEs	-
Forgivable Period Weeks	8.00
Forgivable Period Hours	
Forgivable Period FTEs	-

Tentative Forgiveness	\$ 176,000.00
Payroll Percentage	93.18%
Non-Payroll Percentage	6.82%
Reduction for 25% Cap Non-Payroll	\$ -

Amount Forgiven	\$ 176,000.00
Amount Retained as Loan	\$ 24,000.00

# PPP Loans: Next Steps

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## If you have received PPP funding

- Continue to operate and process payroll as normal
- It is important to not reduce employees or payroll during the 8 weeks
- Track all expenses and maintain all bills, payroll reports, checks, bank statements to support the PPP forgiveness process

## If you have applied for PPP funding and are awaiting approval

- Correspond directly with your bank regarding application status
- Plan for the 8-week period in order to utilize funds to obtain the greatest amount of PPP forgiveness

## If you have not applied for PPP funding

- Correspond with your current bank to begin the application process
- Gather all necessary documents and submit to your bank ASAP in order to be in their “queue” for resubmission to the SBA when additional funding is approved

# SBA Economic Injury Disaster Loan (EIDL) Program

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- Loans carry an interest rate of 3.75% for small businesses and 2.75% for nonprofits
- Loans can be used to cover accounts payable, debts, payroll and other bills up to a maximum of \$2M
- Loans can be offered with long-term repayments in order to keep payments affordable—up to a maximum of 30 years
- Businesses will apply for loans online and select “Economic Injury” as the reason for seeking assistance
  - Apply here: <https://www.sba.gov/disaster-assistance/coronavirus-covid-19#section-header-48>
- SBA offers disaster assistance via its customer service center
  - If you have questions, contact U.S. Small Business Administration via phone at 800.659. 2955 (TTY: 800.877.8339) or e-mail [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov)

# EIDL Program Updates

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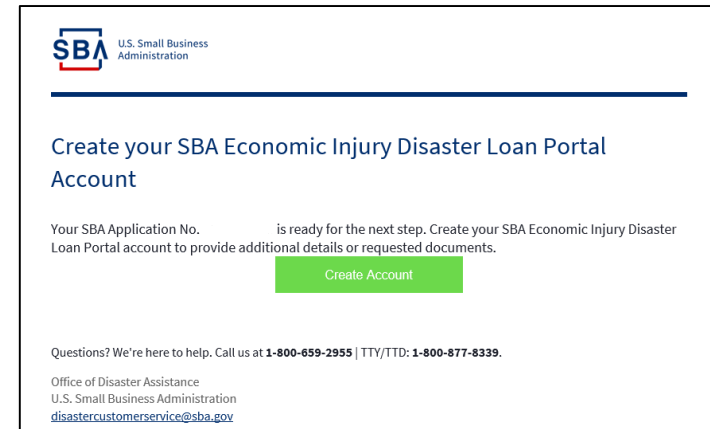
- The application process for EIDL grants and funding was closed as on 4/16/2020
- Additional funding of \$60B was announced as part of “Phase 3.5” of COVID-19 relief
- Grant calculation updated to \$1,000 per employee (as of January 31, 2020) up to a maximum of \$10,000
- Can carry other loans and PPP along with the EIDL
- Cannot consolidate into another SBA Disaster Loan
- Ineligible use of funds includes:
  - Dividends and bonuses
  - Disbursements to owners, unless for services performed
  - Expansion or acquisition of fixed assets
  - Repair or replacement of physical damages
  - Refinancing long term debt
  - Paying down or paying off loans provided, or owned by another Federal agency (including SBA) or a Small Business Investment Company
  - Payment of any part of a direct Federal debt except IRS obligations
  - Relocation

# EIDL Application Next Steps

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If you have applied for an EIDL loan prior to 4/16/2020, you can anticipate the following next steps:

1. Email correspondence from the SBA ([disastercustomerservice@SBA.gov](mailto:disastercustomerservice@SBA.gov))
2. Check your bank account for EIDL grant money directly deposited
  - Please note, this step may occur PRIOR to any email correspondence
3. Complete additional application documentation requested by the SBA at the link in the email
  - This includes:
    - Verify Identity
    - Complete Electronic Disbursement
    - Review and Accept the Amount Desired
    - Sign Closing Documents
4. Your application will then be processed by the SBA
5. You will receive the amount of funding requested





# EIDL Application Next Steps

### Your Quote

Status: **Eligible**  
**\$54,400**  
[Review and Accept the Amount](#)

### Suggested Next Step

You are eligible. Please review the loan amount

### Steps to Complete

Verify Identity <small>Additional Information Needed</small>	<a href="#">Continue</a>
Electronic Disbursement <small>Completed</small>	<a href="#">Edit</a>
Sign Closing Documents <small>Not Started</small>	<a href="#">Start</a>

## Select Amount

**\$31,000.00**

Amount of Loan

Choose loan amount between **\$1,000.00** and **\$54,400.00**.

### LOAN BREAKDOWN

Term	Interest Rate	Payment Frequency
<b>30 Year(s)</b>	<b>3.75%</b>	<b>Monthly</b>
Repayment Start	Third Party Filing Fee	Payment Amount
<b>12 Months After Closing</b>	<b>\$100.00</b>	<b>\$152.00</b>

[Accept](#) [Cancel](#)

# PPP & EIDL Considerations

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- Borrowers may apply for Paycheck Protection Program (PPP) Loans and other SBA financial assistance, including the Economic Injury Disaster Loan (EIDL)
- However, you cannot use your Paycheck Protection Loan for the same purpose as your other SBA loan(s)
  - For example, if you use your Paycheck Protection Loan to cover payroll for the 8-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period, although you could use it for payroll not during that period or for different workers
- EIDL, EIDL grant recipients, and those with 7(a) loans receiving a six-month subsidy may apply for and take out a Paycheck Protection Program (PPP) Loan as long as there is no duplication in the uses of funds.
  - If so, the EIDL grant reduces the forgiveness amount

# PPP & EIDL Comparison

	PPP Loan	EIDL
PURPOSE	Forgivable if used for payroll (minimum of 75% of the funds received) and the remaining for certain operating expenses (amount of any EIDL advance is not forgivable)	To meet financial obligations and operating expenses that could have been met had the disaster not occurred (amount of any EIDL advance is forgiven)
TERMS	Up to \$10 million 1% interest rate	Up to \$2 million 3.75% for businesses 2.75% for non-profits
FORGIVABLE	YES	NO – EIDL Loan YES – EIDL Advance
MATURITY	2 years	30 years
FIRST PAYMENT DUE	Deferred 6 months	Deferred 1 year

# PPP & EIDL Interaction Summary

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- EIDL Grant reduces the forgivable PPP amount
  - Resulting in a short-term low interest loan
- Must use for different purposes
  - PPP= Payroll costs, rent, and utilities only
  - EIDL= All other expenses, excluding the following:
    - Dividends and bonuses
    - Disbursements to owners, unless for services performed
    - Expansion or acquisition of fixed assets
    - Repair or replacement of physical damages
    - Refinancing long term debt
    - Paying down or paying off loans provided, or owned by another Federal agency (including SBA) or a Small Business Investment Company
    - Payment of any part of a direct Federal debt except IRS obligations
    - Relocation
- If the funds are used for the same expenses
  - The EIDL is refinanced into the PPP
  - EIDL reduces your PPP forgivable amount
  - Takes on a 2-year term at 1% interest

# Employee Retention Credit Overview

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- The provision provides a refundable payroll tax credit for 50% of wages paid by employers to employees during the COVID-19 crisis
- The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee
- The credit is provided for wages paid from March 13, 2020 through December 31, 2020
- Qualifying employers must fall into one of two categories (considered each quarter):
  1. The employer's business is fully or partially suspended by government order due to COVID-19 during the calendar quarter
  2. The employer's gross receipts are below 50% of the comparable quarter in 2019. Once the employer's gross receipts go above 80% of a comparable quarter in 2019, they no longer qualify after the end of that quarter
- For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above
- For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order

*You cannot take this credit and get a Paycheck Protection Loan or Work Opportunity Credits*

# Employee Retention Credit Example

*Scenario: 5 employees paid \$40,000 salary annually*

## Employee Retention Credit Plus EIDL

- ERC Eligible Amount
- \$50,000 Quarterly Wages \* 50% = \$25,000
- EIDL Grant Amount
- \$1,000 \* 5 = \$5,000
- Total = \$30,000

## PPP Loan

- Eligible Amount ( $\$200k / 12$ ) \* 2.5 = \$41,667
- Forgiveness Amount Associated with Payroll ( $\$200,000 / 52$ ) \* 8 = \$30,769

# Employee Retention Credit

- Employers can be immediately reimbursed for the credit by reducing their required deposits of payroll taxes that have been withheld from employees' wages by the amount of the credit
- Employers will report their total qualified wages and the related health insurance costs for each quarter on their quarterly employment tax returns (Form 941) beginning with the 2<sup>nd</sup> quarter
- If the employer's employment tax deposits are not sufficient to cover the credit, the employer may receive an advance payment from the IRS by submitting Form 7200, Advance Payment of Employer Credits Due to COVID-19
- Fax your completed form to 855-248-0552

<b>7200</b> Form (March 2020) Department of the Treasury Internal Revenue Service		<b>Advance Payment of Employer Credits Due to COVID-19</b>		OMB No. 1545-0029
▶ Go to <a href="http://www.irs.gov/Form7200">www.irs.gov/Form7200</a> for instructions and the latest information.				
Name (not your trade name)		Employer identification number (EIN)		
Trade name (if any)		Applicable calendar quarter (check one)		
Number, street, and apt. or suite no. If a P.O. box, see instructions.		<input type="checkbox"/> April, May, June		
City or town, state, and ZIP code. If a foreign address, also complete spaces below. (See instructions.)		<input type="checkbox"/> July, August, September		
Foreign country name		Foreign province/county	<input type="checkbox"/> October, November, December	
Does a third-party payer file your employment tax return? (See instructions.) If "Yes," enter its name.		Third-party payer's EIN (if applicable)		
<b>Tip:</b> File Form 7200 if you can't reduce your employment tax deposits to fully account for these credits that you expect to claim on your employment tax return for the applicable quarter. Don't reduce your employment tax deposits and request advanced credits for the same expected credits. You will need to reconcile your advanced credits and reduced deposits on your employment tax return. You can't request an advance payment of the credit for sick and family leave for self-employed individuals.				
<b>Part I Tell Us About Your Employment Tax Return</b>				
A Check the box to indicate which employment tax return form you file (or will file for 2020):				
(1) <input type="checkbox"/> 941, 941-PR, or 941-SS (2) <input type="checkbox"/> 943 or 943-PR (3) <input type="checkbox"/> 944 or 944(SP) (4) <input type="checkbox"/> CT-1				
B Is this a new business started on or after January 1, 2020? <span style="float:right">▶ <input type="checkbox"/> Yes <input type="checkbox"/> No</span>				
If "Yes," skip line C unless you've already filed Form 941, Form 941-PR, or Form 941-SS for at least one quarter of 2020.				
C Amount reported on line 2 of your most recently filed Form 941 (or wages reported on Schedule R (Form 941), column (c), by your third-party payer (see instructions)). If you file a different employment tax return, see instructions <span style="float:right">▶</span>				
D Enter the total number of employees you have. See instructions <span style="float:right">▶</span>				
<b>Part II Enter Your Credits and Advance Requested</b>				
1	Total employee retention credit for the quarter. See instructions	1		
2	Total qualified sick leave wages eligible for the credit and paid this quarter. See instructions	2		
3	Total qualified family leave wages eligible for the credit and paid this quarter. See instructions	3		
4	Add lines 1, 2, and 3	4		
5	Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter	5		
6	Total advanced credits requested on previous filings of this form for this quarter	6		
7	Add lines 5 and 6	7		
8	Advance requested. Subtract line 7 from line 4. If zero or less, don't file this form	8		
<b>Third-Party Designee</b>		Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details. <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No		
		Designee's name ▶ and phone number ▶		
		Select a 5-digit personal identification number (PIN) to use when talking to the IRS ▶		
<b>Sign Here</b>		Under penalties of perjury, I declare that I have examined this form, including any accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
		Your signature	Date	Printed title

# Payroll Tax Deferral

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- Once you determine the net amount of payroll taxes owed after subtracting Employee Retention credits, Sick Pay credits, and FMLA credits in 2020:
  - The CARES Act allows you to defer the employer's 6.2% share of Social Security taxes incurred between the March 27 and December 31, 2020 until 2021 (50%) and 2022 (50%)
- You cannot defer payroll taxes if you have a PPP loan that is forgiven
  - Note: employers are eligible for this deferral up to the date of forgiveness of the PPP loan
- A self-employed taxpayer can defer 50% of self-employment tax until 2021 (25%) and 2022 (25%)
  - When the taxes come due in 2021 and 2022, the self-employed taxpayer will not have to make estimated payments against those deferred self-employment taxes



# SBA Express Bridge Loans

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- Enables small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly
- These loans can help small businesses overcome the temporary loss of revenue they are experiencing and can be a term loan or used to bridge the gap while applying for a direct SBA Economic Injury Disaster loan
- If a small business has an urgent need for cash while waiting for decision and disbursement on an Economic Injury Disaster Loan, they may qualify for an SBA Express Disaster Bridge Loan
- Terms:
  - Up to \$25,000
  - Fast turnaround
  - Will be repaid in full or in part by proceeds from the EIDL loan

# SBA Debt Relief

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- As part of SBA's debt relief efforts,
  - The SBA will automatically pay the principal, interest, and fees of current 7(a), 504, and microloans for a period of six months
  - The SBA will also automatically pay the principal, interest, and fees of new 7(a), 504, and microloans issued prior to September 27, 2020
- For current SBA Serviced Disaster (Home and Business) Loans:
  - If your disaster loan was in “regular servicing” status on March 1, 2020, the SBA is providing automatic deferments through December 31, 2020

# Self-Employed Pandemic Unemployment Assistance (PUA)

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- States are permitted to provide Pandemic Unemployment Assistance (PUA) to individuals who are self-employed, seeking part-time employment, or who otherwise would not qualify for regular unemployment compensation
- To qualify for PUA benefits, you must not be eligible for regular unemployment benefits and be unemployed, partially unemployed, or unable or unavailable to work because of certain health or economic consequences of the COVID-19 pandemic
- The PUA program provides up to 39 weeks of benefits, which are available retroactively starting with weeks of unemployment beginning on or after January 27, 2020, and ending on or before December 31, 2020
- The amount of benefits paid out will vary by state and are calculated based on the weekly benefit amounts (WBA) provided under a state's unemployment insurance laws
  - KS weekly benefit amount is 4.25% of the highest quarter wages from your base period (first four of the last five completed calendar quarters)
  - KS maximum weekly benefit is \$488, MO maximum weekly benefit is \$320
  - Federal CARES Act stimulus to supplement entitled amounts by \$600 for weeks payable from March 29 through July 25
- MO is now processing unemployment claims for self-employed workers
- KS not yet processing claims for self-employed workers
  - *Important Notice: The CARES Act has been signed into law to provide an additional \$600 to eligible recipients of unemployment insurance and a benefit to those not traditionally eligible for unemployment insurance such as self-employed workers, independent contractors, etc. We have begun the process of implementing these vital programs; however, these benefits are not yet available. You will be notified once these benefits are available.*

*To be eligible for a PUA claim, individuals must first file a regular unemployment claim and be found ineligible*

# Other Notable CARES Act Opportunities for Businesses

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- Technical corrections to the depreciation treatment of qualified improvement property (QIP) to allow for 100% bonus depreciation on interior improvements made in buildings that are nonresidential real property
- The CARES Act made three changes to NOLs that improves cash flow for struggling businesses:
  - Provided a 5-year carryback for losses earned in 2018, 2019, or 2020, which allows firms to modify tax returns up to five years prior to offset taxable income from those tax years
  - Suspended the NOL limit of 80 percent of taxable income. This means that firms may deduct their NOLs to eliminate all of their taxable income in a given year, instead of having to carry forward any NOL beyond 80 percent of taxable income
  - Pass-through business owners may use NOLs to offset their non-business income above the previous limit of \$250,000 (single) or \$500,000 (married filing jointly) for 2018, 2019, and 2020
- Employers may contribute up to \$5,250 annually toward student loans, and the payments would be excluded from an employee's income
- The net interest deduction limitation, which currently limits businesses' ability to deduct interest paid on their tax returns to 30% of earnings before interest, tax, depreciation, and amortization (EBITDA), has been expanded to 50% of EBITDA for 2019 and 2020

# Other Notable CARES Act Opportunities for Individuals

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- Economic impact payments of up to 1,200 for individuals or \$2,400 for married couples and up to \$500 for each qualifying child (under 17)
  - When the taxpayer files their 2020 tax return, the advance payment will be “trued up” with the credit; but only in a taxpayer friendly direction
- Waives the 10% early withdrawal penalty on retirement account distributions for taxpayers facing virus-related challenges. Withdrawn amounts up to \$100,000 are taxable over three years, but taxpayers can recontribute the withdrawn funds into their retirement accounts for three years without affecting retirement account caps.
  - Eligible retirement accounts include individual retirement accounts (IRAs), 401Ks and other qualified trusts, certain deferred compensation plans, and qualified annuities
  - As long as you recontribute the entire CVD amount within the three-year window, the distribution is treated as a tax-free IRA rollover transaction or a series of tax-free rollover transactions
- Waives required minimum distribution rules for certain retirement plans in calendar year 2020
- Creates a \$300 partial above-the-line charitable contribution for filers taking the standard deduction and expands the limit on charitable contributions for itemizers

# Review of Opportunities & Next Steps

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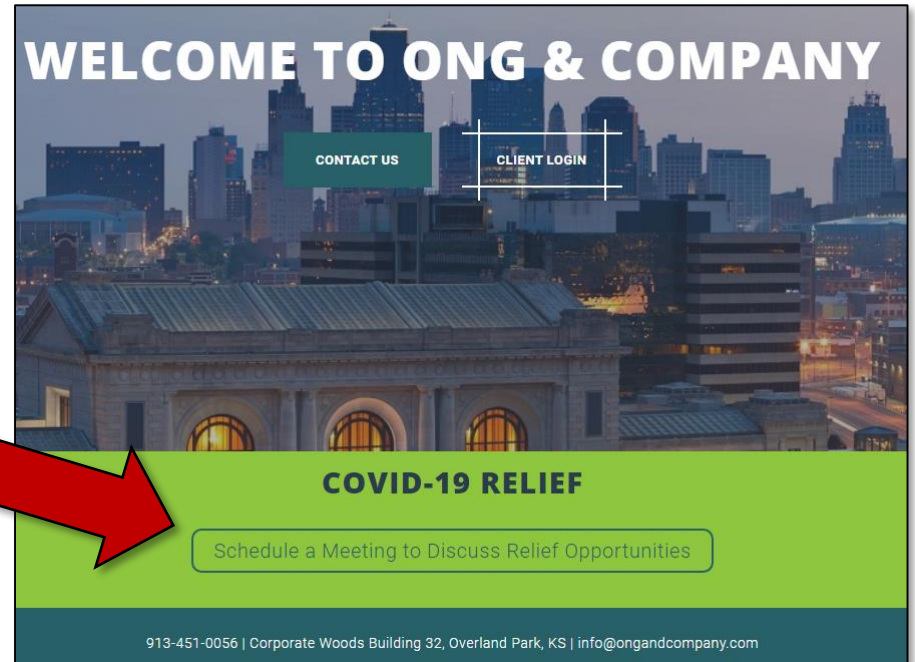
1. Submit PPP application (if eligible and not submitted yet)
2. Track eligible PPP expenses, maintain verification documents, and plan for maximum forgiveness during 8-week period
3. Check the SBA website to see if / when the application process is opened back up (if eligible and not submitted yet)
4. Receive confirmation email from the SBA on EIDL and complete the required next steps through their portal
5. Check the SBA website to see if / when the application process is opened back up (if eligible and not submitted yet)
6. Coordinate with your payroll provider to file forms 941 and / or 7200 to claim the Employee Retention Credit (if eligible and not receiving a PPP loan)
7. Consider deferring employer payroll tax payments if not receiving a PPP loan or until PPP loan forgiveness is received
8. Consider an SBA Express Bridge Loan of \$25,000 through bank if there is an urgent cash flow need and waiting on the EIDL
9. Contact your existing SBA loan provider (if applicable) to take advantage of the SBA Debt Relief program
10. If unable to work, continue to submit your unemployment claim through your state DOL website
11. Consider other CARES Act opportunities for cash flow and tax planning
12. Keep an Eye Out for Phase 4

# We're Here to Help

Visit our website or click [www.ongandcompany.com/relief](http://www.ongandcompany.com/relief) to select an available time for a virtual meeting with our team to discuss these opportunities and how they apply to your situation.

## Contact Information:

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# QUESTIONS

PLEASE USE THE CHAT BOX TO  
SUBMIT QUESTIONS.



# Connect with us to learn more

If you have questions, be sure to reach out to our office. Our entire team is here help!

- Website: [www.ongandcompany.com](http://www.ongandcompany.com)
- Phone: (913) 451-0056
- Email: [info@ongancompany.com](mailto:info@ongancompany.com)
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