



Your PPP Loan was Approved... What Next???

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Your PPP Loan was Approved...What Next?

- Document necessity if you have not already
- Must use loan for permitted purposes
- What are you trying to accomplish strategically?
 - Maximize debt forgiveness
 - Maintain work force, bring employees back to work
 - Reopen business in the future

Your PPP Loan was Approved...What Next?

- Specific next steps
- Expenses that ***do qualify*** and expenses that ***do not qualify***
- Calculate forgiveness
- Maximize loan forgiveness
- New published guidelines
- Other considerations

What are the Next Steps?

- Establish your strategy
- Develop forecasts for the 8-week period and after
- Work with your lender on your forgiveness process – confirm the start of your 8-week period
- Capture or isolate expenses that qualify for forgiveness – document PPP eligible expenses as you go (payrolls, 941's, invoices)
- Open a separate bank account for the PPP funds and treat it like a trust account
- Monitor the SBA & Treasury websites for updates
<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

Expenses that DO Qualify

- Qualified costs **paid** during the 8-week period are eligible for forgiveness
- Payroll costs
 - Gross pay, including paid sick, medical, or family leave
 - State and local employer payroll taxes
 - Group healthcare benefits and other employee benefit related insurance premiums
 - Retirement costs (401(k) employer contributions)
- Other qualified costs – max of 25% forgiveness amount
 - Interest on mortgages and other debt obligations secured by personal property incurred before February 15, 2020
 - Rent under lease agreements in force before February 15, 2020
 - Utilities for which service began before February 15, 2020

Expenses that DO NOT Qualify

- Independent contractors
- Compensation paid to an employee with principal residence outside of the United States
- Cash compensation paid to an individual employee in excess of an annualized salary of \$100,000, prorated as necessary
 - \$15,835 over the 8-week period
- Federal employer payroll taxes (FICA, FUTA)
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act
- Mortgage prepayments or principal payments

Calculate Forgiveness

- Loan amount based on 2.5 months of 2019 average payroll cost
- Forgiveness based on 8 weeks of 2020 payroll and other qualified costs
- Other qualified (non-payroll) costs may not exceed 25% of forgiveness
- Headcount reduction
 - Ratable reduction in forgiveness for reduction in total headcount from options lookback periods (February 15 – June 30, 2019 *OR* January & February 2020) to 8-week period
- Salary Reduction Calculation
 - Look at who you paid over the 8-week period
 - Exclude employees who made >\$100,000 in 2019
 - Employee by employee pay reductions annualized over 8-week period vs. Q1 2020; reductions >25% reduces forgiveness

Maximize Loan Forgiveness

- Ask your lender to time the effective date and first disbursement of the loan to help you best maximize your ability to spend the funds on payroll
- Maintain Full Time Equivalent (FTEs) compared to base period
- Re-hires: you have until June 30, 2020 to restore your full-time employees and salary levels for any changes made between February 15, 2020 and April 26, 2020
- Maintain salary and wages to at least a **75% level** compared to base period
- Consider timing of payments

New Published Guidelines

- U.S. Treasury - Small business loans above \$2 million will be audited
<https://home.treasury.gov/news/press-releases/sm991>
- Small Business Association (SBA) - FAQs
<https://www.sba.gov/document/support--faq-lenders-borrowers>
- Small Business Association (SBA) - Promissory Notes, Authorizations, Affiliation, and Eligibility
<https://www.federalregister.gov/documents/2020/04/28/2020-09098/business-loan-program-temporary-changes-paycheck-protection-program-requirements-promissory-notes>
- Small Business Association (SBA) - Additional Criteria for Seasonal Employers
<https://www.sba.gov/sites/default/files/2020-04/Interim-Final-Rule-Additional-Criterion-for-Seasonal-Employers-2.pdf>

Additional Considerations

- Forgiven amount will **not** be considered cancellation of indebtedness income for federal income tax purposes
- Expenses paid with amounts forgiven are **not** eligible for tax deductions
- Deferments of payroll tax payments under the CARES Act are **not** available to employers with forgiven loans under the Paycheck Protection Program
- An eligible employer that receives a PPP loan **cannot** receive the Employee Retention Credits under the CARES Act (\$10,000 per employee for entities forced to shut down)

Questions?

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Thank you!



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