



Seeing Beyond the PPP and EIDL

What other help is available

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SPEAKER PANEL

Montana Relief Programs, FFCRA Update/Reporting

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PPP Loan and EIDL Update

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Website for current articles, news and copies of today's slides:

www.jccscpa.com/covid-19/



FFCRA and CARES Act Live Update Q&A

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PPP LOAN UPDATE



Paycheck Protection Program

Formulate a Plan

Small businesses are finally receiving the highly anticipated government loans from the PPP. Focus must now shift to the mechanics of using these funds appropriately and advantageously.

1. Understand the Rules
2. Best Practices: Accounting
3. Best Practices: Payroll Costs
4. Best Practices: Other Covered Costs

If you have any doubt about your plan, get a professional to help you review or draft your plan.



Paycheck Protection Program

Common Pitfalls With On-line Tools

1. Get your FTE calculations correct

(Average FTE during your 8 weeks compared to historic Average FTE from specific date ranges)

2. Look at both the FTE's and dollars paid to make sure you don't have any significant reductions in your forgiveness

3. The goal is not to spend all of the PPP. The goal is to have everything you spend be forgivable!



Paycheck Protection Loans

IRS Guidance Issued

“Accordingly, section 265(a)(1) of the Code disallows any otherwise allowable deduction under any provision of the Code for the amount of any payment of an eligible expense to the extent of the resulting covered loan forgiveness (up to the aggregate amount forgiven) because such payment is allocable to tax-exempt income.”

Loan forgiveness is still tax-free; however, the disallowed deductions essentially make it taxable.



Paycheck Protection Loans

Without PPP Loan

Income	10,000
Payroll Expenses	5,000
Other Expenses	2,000
Taxable Income	3,000

With PPP Loan

Income	10,000
Payroll Expenses	5,000
Other Expenses	2,000
Taxable Income	8,000



What can we expect next?

Option #1 - Petitions have been submitted to the Secretary of the Treasury to overturn the ruling

Option #2 - COVID relief bill #4



Paycheck Protection Loans

SBA Issues Guidance on Qualifications to Receive PPP

“current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant”

Audits of any company that received more than \$2 million of PPP funds



Document Your Financial Uncertainty

- Company's perspective on "uncertainty of current economic conditions"
- Impact to ongoing operations
- Likely business risk
- Other sources of liquidity and planned use of those sources
- Impact to company of not obtaining PPP
- Other unfavorable impact to company



Limited Safe Harbor Provision

Any borrower that applied for a PPP loan prior to the issuance of this regulation and repays the loan in full by May 14, 2020 will be deemed by SBA to have made the required certification in good faith. The Administrator, in consultation with the Secretary, determined that this safe harbor is necessary and appropriate to ensure that borrowers promptly repay PPP loan funds that the borrower obtained based on a misunderstanding or misapplication of the required certification standard.



Other Guidance Issued

- Employees who refuse an offer of employment are treated the same as an employee that is rehired for the reduction of forgiveness calculation



Emergency grants and forgiveness

- Your EIDL grant advance is considered part of your EIDL loan
- If you are subsequently denied the loan, the advance does not have to be repaid and no further application for forgiveness is required.
- If you are approved for an EIDL loan, the borrower can apply for forgiveness on the advance portion of the loan.
- Permitted uses:
 - Paid Leave
 - Maintaining payroll
 - Increased costs of materials
 - Mortgage, lease, rent
 - Other obligations that can't be met due to revenue loss
- What about taxability of the grant? Assume the same as the PPP



FFCRA UPDATE AND PAYROLL REPORTING



FFCRA and Payroll Reporting

FFCRA Update

1. Most payroll systems are tracking the EPSL and EFMLA properly now. However, many still need manual adjustments to the 941 liabilities calculated with each payroll.
2. Per the FAQ, employers can receive a credit in the full amount of the qualified EPSL/EFMLA, allocable qualified health plan expenses, and the employer's share of Medicare tax. This amount can be used to offset the total 941 liability (no distinction between taxes withheld from the employees or employer taxes).



Delay of Payment of Payroll Tax

- Employer portion of the social security tax (6.2%)
- Wages paid from March 27, 2020 through December 31, 2020
- Deferred amount must get paid in two installments:
 - 50% must be paid by December 31, 2021
 - Remainder must be paid by December 31, 2022
- ALL employers qualify – regardless of size
- Self-employed individuals DO qualify
- Employers that do receive a PPP loan may defer the employer portion of social security until a forgiveness decision by the lender is made in regard to the PPP loan.



FFCRA and Payroll Reporting

Payroll Reporting

- Draft 941 has been issued by the IRS
- It now contains lines for reporting Qualified sick leave wages and Qualified family leave wages.

	Column 1		Column 2
5a Taxable social security wages . . .	<input type="text"/>	× 0.124 =	<input type="text"/>
5a (i) Qualified sick leave wages . . .	<input type="text"/>	× 0.062 =	<input type="text"/>
5a (ii) Qualified family leave wages . . .	<input type="text"/>	× 0.062 =	<input type="text"/>
5b Taxable social security tips . . .	<input type="text"/>	× 0.124 =	<input type="text"/>
5c Taxable Medicare wages & tips . . .	<input type="text"/>	× 0.029 =	<input type="text"/>
5d Taxable wages & tips subject to Additional Medicare Tax withholding	<input type="text"/>	× 0.009 =	<input type="text"/>



FFCRA and Payroll Reporting

Payroll Reporting

- Part 1 contains lines regarding nonrefundable and refundable portions of the credits for EPSL/EFMLA and the ERTC as well as other credits.

11a	Qualified small business payroll tax credit for increasing research activities. Attach Form 8974	11a	<input type="text"/>	■
11b	Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1	11b	<input type="text"/>	■
11c	Nonrefundable portion of employee retention credit from Worksheet 1	11c	<input type="text"/>	■
13b	Deferred amount of the employer share of social security tax	13b	<input type="text"/>	■
13c	Refundable portion of credit for qualified sick and family leave wages from Worksheet 1	13c	<input type="text"/>	■
13d	Refundable portion of employee retention credit from Worksheet 1	13d	<input type="text"/>	■
13e	Total deposits, deferrals, and refundable credits. Add lines 13a, 13b, 13c, and 13d	13e	<input type="text"/>	■
13f	Total advances received from filing Form(s) 7200 for the quarter	13f	<input type="text"/>	■
13g	Total deposits, deferrals, and refundable credits less advances. Subtract line 13f from line 13e	13g	<input type="text"/>	■

April 29, 2020
DO NOT FILE



FFCRA and Payroll Reporting

Payroll Reporting

- Part 3 contains lines for the allocable qualified health plan expenses and also lines for the ERTC for wages paid between March 13th and March 31st.
- We should see instructions and a final draft closer to June/July 2020.

19	Qualified health plan expenses allocable to qualified sick leave wages	19	<input type="text"/>
20	Qualified health plan expenses allocable to qualified family leave wages	20	<input type="text"/>
21	Qualified wages for the employee retention credit	21	<input type="text"/>
22	Qualified health plan expenses allocable to wages reported on line 21	22	<input type="text"/>
23	Credit from Form 5884-C, line 11, for this quarter	23	<input type="text"/>
24	Qualified wages paid March 13 through March 31, 2020, for the employee retention credit (use this line only for the second quarter filing of Form 941)	24	<input type="text"/>
25	Qualified health plan expenses allocable to wages reported on line 24 (use this line only for the second quarter filing of Form 941)	25	<input type="text"/>



EMPLOYEE RETENTION CREDIT



Employee Retention Credit

Employee Retention Credit

- Fully refundable tax credit on 50% of qualified wages
- Wages paid from March 13, 2020 through December 31, 2020
- Limited to first \$10,000 of wages per employee (\$5,000 max credit per employee)
- Eligible Employers:
 - Operations must have been fully or partially suspended due to orders from a governmental authority that limits commerce, travel, or group meetings due to COVID-19, OR
 - Experienced a “significant” decline in gross receipts during the calendar quarter
- Credit is reconciled on Form 941
 - Reduce amount due with Form 941
 - Any excess is refunded to employer



Employee Retention Credit

Employee Retention Credit (Cont'd)

- Accelerated payers are allowed to reduce payment by entitled credit
- Request for advance of credit is available – IRS Form 7200
- NOT available to self-employed individuals
- NOT available to employers who receive PPP Loans
- CAN claim in conjunction with qualified leave wages under the FFCRA, but NOT for the same wages
- Special rules for employers with more than 100 full-time employees
- Special rules for not-for-profits (eligibility testing)



Employee Retention Credit

Employee Retention Credit (Cont'd)

EXAMPLE #1: “Significant” decline in gross receipts

Remember the “50% Rule” & “80% Rule”

	2019	2020	% of '19
Sales – Q1	210,000	100,000	48%
Sales – Q2	230,000	190,000	83%
Sales – Q3	250,000	230,000	92%
Sales – Q4	270,000	265,000	98%

Eligible for credit in
Q1 and Q2 only



Employee Retention Credit

Employee Retention Credit (Cont'd)

EXAMPLE #2: “Significant” decline in gross receipts

Remember the “50% Rule” & “80% Rule”

	2019	2020	% of '19
Sales – Q1	210,000	100,000	48%
Sales – Q2	230,000	175,000	76%
Sales – Q3	250,000	230,000	92%
Sales – Q4	270,000	265,000	98%

Eligible for credit in
Q1, Q2, and Q3



Employee Retention Credit

Employee Retention Credit (Cont'd)

EXAMPLE #3: Credit vs PPP

	Wages	Limit	Tax Credit
Employee 1	75,000	10,000	5,000
Employee 2	50,000	10,000	5,000
Employee 3	20,000	10,000	5,000
Employee 4	20,000	10,000	5,000
TOTALS	165,000	40,000	20,000

	Wages	Avg. Monthly Payroll	PPP Loan (Avg x 2.5)
TOTALS	165,000	13,750	34,375

← Better



Employee Retention Credit

Employee Retention Credit (Cont'd)

EXAMPLE #4: Credit vs PPP

	Wages	Limit	Tax Credit
Employee 1	50,000	10,000	5,000
Employee 2	15,000	10,000	5,000
Employee 3	12,000	10,000	5,000
Employee 4	7,000	7,000	3,500
TOTALS	84,000	37,000	18,500

← Better

	Wages	Avg. Monthly Payroll	PPP Loan (Avg x 2.5)
TOTALS	84,000	7,000	17,500



BUSINESS AND INDIVIDUAL PROVISIONS



NOL Modifications

- Net operating losses (NOLs) arising in 2018, 2019, and 2020 shall be carried back five years with no 80% taxable limitation (effectively repealing the TCJA rules)
- Must make election to forego carryback (just like pre-TCJA rules)
 - For NOLs in 2018 and 2019, election to forego must be made by the 2020 tax year due date (including extension)
- Forms 1139 and 1045



Bonus Depreciation

- Qualified improvement property (QIP) technical correction officially made – 100% bonus eligible
- Internal structural improvements made to nonresidential real property; post 2017
- File an amended return OR Form 3115



Individual Provisions

Retirement Funds

- 10% penalty on early distribution waived on up to \$100,000
- Must be coronavirus-related reason for distribution:
 - Taxpayer is diagnosed with COVID-19
 - Spouse or dependent is diagnosed with COVID-19
 - Taxpayer suffered “adverse financial consequences” due to being quarantined, furloughed, laid off, having work hours reduced, or was unable to work due to lack of child care
- Distributions are still taxable; special provision allows payment of tax over 3 years
- Tax can potentially be avoided if entire distribution is re-contributed within 3 years
- Loan limits are increased to \$100,000 (from \$50,000)



Temporary Waiver of RMD Rules

- Required Minimum Distribution (RMD) rules are suspended for 2020
- This could include a first-time RMD from 2019, that was allowed until April 1, 2020 to be distributed
- If RMD was already taken in 2020, there is no provision in the new bill that allows for reversal of that distribution (potentially look to 60-day rollover rule if RMD was recently distributed)
- Suspension of RMD applies to defined contributions plans [401(k)s, 403(b)s, etc.], IRAs, and inherited IRAs
- Non-designated beneficiaries of IRAs subjected to five-year rule will get extended to make it a six-year rule



Individual Provisions

Charitable Contributions

- Special “above-the-line” deduction of up to \$300
- Must be cash (non-cash, stock, etc. do NOT qualify)
- For taxpayers who do NOT itemize their deductions
- Effective for 2020 (and beyond?)
- Charity must be a qualifying section 501(c)(3) public charity (excludes private foundations and donor-advised funds)



Individual Provisions

Charitable Contributions (Cont'd)

- For individuals who do itemize their deductions:
 - 60% AGI limitation increased to 100% (effectively suspended)
 - Applicable to cash contributions only
 - Charity must be a qualifying section 501(c)(3) public charity (excludes private foundations and donor-advised funds)
- For Corporations:
 - 10% taxable income limitation increased to 25%
 - Applicable to cash contributions only
 - Charity must be a qualifying section 501(c)(3) public charity (excludes private foundations and donor-advised funds)
 - Charitable contribution of food (15% taxable income limitation increased to 25%)
- All changes above apply to 2020 tax year only



MONTANA RELIEF PROGRAMS



Montana Relief Programs

General Information

The Montana Department of Commerce set up 8 different programs to assist business and individuals during the pandemic all funded by the financial assistance totaling \$1.25 billion awarded to Montana from the CARES Act. Responses will take 5-7 business days.

There is no current guidance regarding how these programs work in conjunction with the PPP and EIDL loans.



Montana Relief Programs

Program Requirements

When applying for the programs, the following documentation may be requested:

- Total Gross Revenue for 2019,
- Estimated cost to re-open,
- Grant Request Amount,
- Budget to show grant usage (discussed on next screen)
- Payroll reports for the last 3 months
- Most recently filed federal tax return



Montana Relief Programs

Program Requirements (cont.)

Budget Worksheet as provided by application:

Please indicate below the amount(s) you are requesting and for what purposes:	
\$	Estimated wages for current Montana employees <i>Please indicate your calculations below.</i> e.g. 10 employees x 40 hours per week x \$XX/hour x 12 weeks
\$	Estimated wages to re-hire Montana employees lost due to COVID-19 impacts <i>Please indicate your calculations below.</i> e.g. 10 employees x 40 hours per week x \$XX/hour x 12 weeks
\$	Estimated monthly working capital required to maintain the business, including loan payments, inventory, rent, utilities, insurance, etc. during the COVID-19 closures <i>Please indicate your calculations below.</i> e.g. \$1000 monthly rent x 3 months, etc.
\$	Other <i>(please indicate below) Only working capital and operating costs are eligible. Please also indicate your calculations below.</i>
\$	-



Montana Relief Programs

Business Stabilization Grant

The Montana Business Stabilization Grant has been created in response to the economic impact to small businesses in Montana caused by the novel coronavirus (COVID-19) pandemic.

Funds can be used for: Grants will provide working capital for small businesses to support payroll, rent, accounts payable, debt services and expenses related to shifts in operations in order to retain existing businesses, retain current employees or retain business viability for future re-employment.

Eligibility Requirements - To be eligible to apply, businesses must meet all the following eligibility requirements:

- Montana-based company
- Registered and in good standing with the Secretary of State or Local Tribal Government
- The business had 50 or fewer employees part- or full-time prior to February 15, 2020
- The business sustained a loss of revenue due to COVID-19 since February 15, 2020

Maximum Award: The maximum award available per applicant is up to 3 months of working capital up to \$10,000.

Funds can be used for: payroll, rent, accounts payable and expenses

Priority for funding will be given to applicants that have not received SBA Payroll Protection Program or other relief programs.

Applications will be accepted and awarded on a first-come, first-served basis until funds are expended.



Montana Relief Programs

Business Innovation Grant

The response from Montana's business and non-profit community in confronting COVID-19 has been nothing short of inspirational. In order to help businesses and non-profits that have shifted their operations to directly responding to the COVID-19 emergency, this grant is intended to provide small amounts of money to scale up, improve capabilities, or drive expanded distribution of your products or services. Projects should demonstrate significant impact in improving public health, safety, and economic impact.

Eligible Applicants:

- This grant is open to non-profit entities and for-profit businesses of less than 150 employees that have created an innovative product or service intended to directly confront the COVID-19 emergency, including startup businesses that have been created in direct response to the COVID-19 emergency;
- Applicants must have primary operations based in the State of Montana;
- Business entities must be in good standing with the Montana Secretary of State or Local Tribal Government; and
- Applicants must not be debarred from receiving federal or state funds.
- Marijuana-based businesses are not eligible for federal funds.

Total funding available is currently \$5,000,000.

Maximum award: \$25,000.

Deadline: Applications will be reviewed on a rolling basis beginning on May 7th, 2020 and continuing until all funds are expended, or December 1, 2020.

Funds can be used for: Eligible expenses are those that are directly related to the innovation, such as product development, manufacturing, marketing, and distribution. Travel, rent or mortgages, entertainment, and payroll not directly related to the innovation are not eligible expenses.

Ineligible Costs: Funds may not be used to back-fill lost revenue, fund general operations, travel, or other indirect expenses.



Montana Relief Programs

Social Services Nonprofit Grant

The Social Services Nonprofit Grant has been created in response to the economic impact caused by the novel coronavirus (COVID-19) pandemic.

Grants can be used for: Working capital for nonprofits to support payroll, rent, taxes, accounts payable and expenses related to shifts in operations in order to retain existing programs and services, retain current employees or retain organizational viability for provision of future services and operations.

Grants cannot be used for: Lobbying or political purposes.

Maximum Award: Grants of up to \$10,000 per applicant are available for nonprofit organizations to retain existing programs and services, employees, or organizational viability for provision of future services and operations.

Eligible Applicants: Applications are being accepted from social service nonprofits meeting all the following eligibility requirements:

- Montana-based nonprofit
- Registered and in good standing with the Secretary of State or Local Tribal Government
- The nonprofit was functioning prior to February 15, 2020

Reporting Requirements: All recipients will be required to fill out and return a survey 6 months after award that includes information on how the grant assisted them and post-employment data in the format provided by the State of Montana.

Applicants will be required to sign a Certification Statement.

As a recipient of public grant, the amount of the grant received, and nonprofit name will be public information.



Montana Relief Programs

Agriculture Adaptability Program

The Montana Agriculture Adaptability Program (MTAAP) was created to relieve small and medium-sized food and agriculture businesses in responding to the COVID-19 crisis through business adaptation and diversification.

Applicants must demonstrate how financial assistance would make an immediate impact to their operation in adapting to COVID-19. Projects should aim to increase community resilience to pandemics and other economic disruptions, while also creating additional economic activity and bolstering food security. Examples of eligible projects include, but are not limited to, those focused on accessing new markets, projects which strengthen and expand local food systems, and other business adaptations that decrease food and agricultural waste.

- Total funding available \$500,000
- Maximum application amount \$10,000
- Reimbursable expenses must occur between March 1 and December 1, 2020.

Eligible applicants:

- Based in the state of Montana
- Must be registered with the Montana Secretary of State.
- May not be debarred or suspended from receiving federal or state funds

Funding may be used for:

- Infrastructure
- Equipment
- Certifications
- Storage
- Maintaining compliance with CDC and DPHHS recommendations
- Other business adaptations and diversification activities



Montana Relief Programs

Other Programs

1. Food Bank and Food Pantry Assistance
 - Up to \$50,000 to increase food security.
2. Emergency Housing Assistance Program
 - Up to \$2,000 for one month of rent or mortgage payment assistance.
3. Stay Connected Grant
 - Ranges from \$500-2,000 to fund technologies to encourage social distancing for elderly Montanans.
4. Public Health Grants
 - Available to local and tribal health departments to meet community needs.
5. Telework Assistance Grants
 - Up to \$1,000 to purchase telework equipment for Montanans with disabilities.



QUESTIONS?



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