



PPP Loan Best Practices

What Small Businesses Need to Know

April 24, 2020

SPEAKER PANEL

PPP Loan Forgiveness

Erin Vukelich

Client Advisory Service Team Leader with JCCS

Erin.Vukelich@jccscpa.com



Reopening the Economy

Tony Vanorny, CPA

Director of Audit and Accounting with JCCS

Tony.Vanorny@jccscpa.com

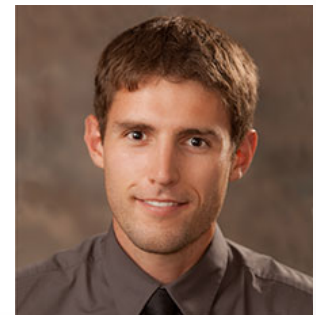


PPP Loan Best Practices

Jake Carter, CPA

Senior Tax Manager with JCCS

Jake.Carter@jccscpa.com



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PPP Loan Best Practices

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QUICK RECAP



Recap of Availability

What's available right now?

- Paycheck Protection Program (PPP)
- Economic Injury Disaster Loan (EIDL)
- Employee Retention Credit
- Delay of Payment of Employer Payroll Taxes



PAYCHECK PROTECTION PROGRAM (Planning)



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



Paycheck Protection Program

Understand the Rules

- 8 week window from when the funds have been released.
- At least 75% of loan proceeds must be used on payroll costs
- No more than 25% of loan proceeds may be spent on:
- Rent: (obligated under written lease agreement in force before February 15, 2020)
- Mortgage Interest and Other Interest: (debt incurred before February 15, 2020; real or personal property)
- Utilities: (services began before February 15, 2020; electricity, gas, water, transportation/fuel, telephone, or internet)



Paycheck Protection Program

Best Practices - Accounting

- Determine how you intend to account for funds and expenses:
 - Fund release recorded as a loan/liability on the Balance Sheet,
 - Tracking on the Profit & Loss/Income Statement by classification code or special accounts
- Any portion of loan that ultimately is forgiven is adjusted to “other income” and deemed nontaxable



Paycheck Protection Program

Best Practices – Payroll Costs

- Determine estimated payroll costs
 - Calculate out full-time equivalent employee count from selected time frame (2/15/2019 – 6/30/2019 or 1/1/2020 – 2/29/2020)
 - Calculate weekly wages based on most recent full quarter (most likely Quarter 1 2020 but could be Quarter 4 2019); subsequently calculate estimated wages paid within the covered period
 - Estimate other payroll costs including health care costs, retirement benefits, state and local taxes, etc.
 - Determine if/when rehiring employees will work best to avoid reduction in forgiveness
 - If paying out bonuses/additional wages, confirm they are reasonable



Paycheck Protection Program

Best Practices – Other Covered Costs

- Determine estimated other covered costs
 - Review the 2019 comparable quarter (most likely Quarter 2) to estimate mortgage/other interest and utility amounts
 - Calculate out estimated rent/lease expense based on a rental or lease agreement
- Compare the Payroll Costs and Other Covered Costs to confirm that they fall within the 75/25 requirement



Paycheck Protection Program

Self-Employed Rules

- Net earnings from self-employment for 2019
 - Divide by 52 to get weekly net earnings
 - Multiply by 8 weeks
 - Result is the forgiveness on the PPP loan for self-employed individuals.
- Other Covered Costs are applicable to self-employed with the same 25% limitation.



PAYCHECK PROTECTION PROGRAM (Forgiveness & Substantiation)



Paycheck Protection Program

Forgiveness and Substantiation

The guidance released has stated:

- Payroll Costs can be up to 100% of the PPP Loan forgiveness calculations

To substantiate the Payroll Costs, prepare to provide:

1. Payroll Summary/History for any pay dates
2. Federal and State payroll tax forms
3. Explanations for any significant variances in the payroll from Quarter 1 2020 to the covered period
4. Full-time equivalent count and comparisons for selected period and each pay date in the covered period



Paycheck Protection Program

Forgiveness and Substantiation

The guidance released has stated:

- Other Covered Costs can be up to 25% of the PPP Loan forgiveness calculations

To substantiate the Other Covered Costs, prepare to provide:

1. Mortgage interest statements prepared by a financial institution for the covered period or amortization schedules for the covered period
 - a. The lender may also request the original mortgage closing documents
2. Rent/Lease agreements for the covered period
 - a. Copies of cancelled checks, ACH transmittal confirmations, etc.
3. Utility bills for the covered period with confirmation of payment
4. Other interest statements or amortization schedules prepared by lending institutions for the covered period.



Paycheck Protection Program

Scenario:

Employer A has 5 full-time equivalent employees as of the selected calculation period (1/1-2/29/2020), but they laid 2 full-time equivalent employees off when they were ordered to close as a nonessential business. The other 3 full-time equivalent employees were able to perform work from home. They applied for a PPP loan and received funding on April 20, 2020 in the amount of \$25,000.



Paycheck Protection Program

Scenario (continued):

1. If Employer A brings back his 2 FTE employees as of June 30 at the same position and rate of pay as in Quarter 1 2020, there is no reduction in forgiveness. Total payroll costs should use at least 75% of loan proceeds, and the other covered costs should use no more than 25% of the loan proceeds.
 - a) Total Loan Proceeds - \$25,000
 - b) Minimum of 75% for Payroll Costs - \$18,750
 - c) Maximum of 25% for Other Covered Costs - \$6,250



Paycheck Protection Program

Scenario (continued):

2. If Employer A does NOT bring back his 2 FTE employees as of June 30, a reduction in forgiveness is calculated. He would also most likely have a decrease in gross wages total. First we will calculate the decrease in FTE.
 - a) Total Loan Proceeds - \$25,000
 - b) Total Payroll Paid within the covered period - \$12,000
 - c) Decrease in forgiveness - \$4,800 (40% of \$12,000)
 - d) Net loan forgiveness with no other covered costs - \$7,200
 - e) However, we still need to calculate a decrease in forgiveness for the reduction of wages.



Paycheck Protection Program

Scenario (continued):

3. Because Employer A has effectively reduced the wages of 2 of his FTE employees to zero, we also need to consider that in our reduction of forgiveness. If an employee's wages are reduced beyond 25% for the covered period, there is a dollar for dollar decrease in the loan of forgiveness.
 - a) Forgiveness is reduced by calculating 75% of what their wages would have been based on the most recent quarter.
 - b) This can be a somewhat complex calculation, and if you do have this scenario, we recommend reaching out to your CPA for assistance.



SMALL BUSINESS RELIEF PACKAGE



Small Business Relief Package

What's in the \$484B Extension

PPP Loan Fund Extension

- \$310 billion committed to PPP program
- \$60 billion designated for small community banks and credit unions (could cause delays)

SBA Disaster Relief Fund

- \$60 billion added to the EIDL program - \$50B for loans and \$10B for grants
- Farms and ag enterprises eligible

Hospitals

- \$75 billion in support to hospitals

Testing

- \$25 billion to COVID-19 testing
- \$11 billion allocated to states to develop, purchase, administer, process and analyze COVID-19 tests



REOPENING
THE BIG SKY
(Montana Phased
Approach Guidelines)



Best Practices for All Employers

- Develop an operational plan (written) that guides you through the opening of the economy through all three phases
- Be fluid with your implementation of anything beyond phase 1
- Consult within your industry on best practices that other similar businesses are putting in place



Reopening The Big Sky

Basic Guidelines: Employers (All Phases)

- Develop and implement appropriate policies, in accordance with Federal, State, and local regulations and guidance, and informed by industry best practices
- Monitor workforce for indicative symptoms. Do not allow symptomatic people to physically return to work until cleared by a medical provider.
- Develop and implement policies and procedures for workforce contact tracing following an employee COVID+ test.



Reopening The Big Sky

Phase One Employers

- Continue to encourage telework where possible and feasible
- When telework is not feasible it is encouraged to accommodate alternate work schedules such as shift work and staggered scheduling in order to adhere to social distancing guidelines
- Close common areas where personnel are likely to congregate and interact and social distancing cannot be enforced
- Minimize nonessential travel and adhere to CDC guidelines for isolation following travel
- Consider special accommodations for personnel that are members of a vulnerable population



Reopening The Big Sky

Phase Two

Employers

- Nonessential travel guidelines remain the same as Phase One
 - Continue to encourage telework
-

Phase Three

Employers

- Can resume unrestricted staffing of worksites



Reopening The Big Sky

Phase One

Specific Types of Employers

SENIOR LIVING OR ASSISTED LIVING FACILITIES must continue to prohibit visitors. Those who do interact with residents and patients must ensure strict protocols regarding hygiene and protection are followed.

CHILD CARE FACILITIES can remain operational but should follow State and local guidelines regarding operational levels and occupancy.

ORGANIZED YOUTH ACTIVITIES can consider becoming operational if physical distancing guidelines can be implemented. Avoid **GATHERING** in groups of more than 10 people in circumstances that do not readily allow for appropriate physical distancing.

RESTAURANTS / BARS / BREWERIES / DISTILLERIES / CASINOS can become operational on or after May 4, 2020 under strict physical distancing and reduced capacity protocols in accordance with State guidelines. All patrons must be out of bars, restaurants, and casinos by 11:30.



Reopening The Big Sky

Phase One Specific Types of Employers

MAIN STREET AND RETAIL BUSINESSES can become operational on or after April 27, 2020 with reduced capacity and where strict physical distancing protocols can be maintained.

GYMS / POOLS / HOT TUBS remain closed.

OUTDOOR RECREATION can become operational if sites adhere to strict physical distancing between groups and exercise frequent sanitation protocols if public facilities are open.

PLACES OF WORSHIP can become operational on or after April 26, 2020 with reduced capacity and where strict physical distancing protocols can be maintained between non-household members.

Avoid **GATHERING** in groups of more than 10 people in circumstances that do not readily allow for appropriate physical distancing.

Other **PLACE OF ASSEMBLY** shall remain closed (e.g., movie and performance theaters, concert halls, bowling alleys, bingo halls, and music halls).



Reopening The Big Sky

Phase Two

Specific Types of Employers

SENIOR LIVING OR ASSISTED LIVING FACILITIES must continue to prohibit visitors. Those who do interact with residents and patients must ensure strict protocols regarding hygiene and protection are followed. **No Change from Phase One**

CHILD CARE FACILITIES can increase capacity if physical distancing guidelines can be implemented.

ORGANIZED YOUTH ACTIVITIES remain operational and should avoid **GATHERING** in groups of more than 50 people in circumstances that do not readily allow for appropriate physical distancing.

RESTAURANTS / BARS / BREWERIES / DISTILLERIES / CASINOS can become operational on or after May 4, 2020 under strict physical distancing and reduced capacity protocols in accordance with State guidelines. All patrons must be out of bars, restaurants, and casinos by 11:30. **No Change from Phase One**



Reopening The Big Sky

Phase Two Specific Types of Employers

ALL BUSINESSES can remain operational and must adhere to physical distancing.

GYMS / POOLS / HOT TUBS can become operational with reduced capacity and only if they can adhere to strict physical distancing and they exercise frequent sanitation protocols.

OUTDOOR RECREATION remain in the same operational status as **PHASE ONE**.

Other **PLACES OF ASSEMBLY** can become operational with reduced capacity and must adhere to physical distancing. Avoid **GATHERING** in groups of more than 50 people in circumstances that do not readily allow for appropriate physical distancing. (e.g., movie and performance theaters, concert halls, bowling alleys, bingo halls, and music halls).



Reopening The Big Sky

Phase Three

Specific Types of Employers

VISITS TO SENIOR LIVING FACILITIES AND HOSPITALS can resume. Those who interact with residents and patients must be diligent regarding hygiene.

ALL BUSINESSES / PLACES OF ASSEMBLY can remain fully operational with awareness of physical distancing.

GYMS can remain fully operational but must still exercise frequent sanitation protocols

OUTDOOR RECREATION Interstate tourism travel resumes. Campground, group-use facilities, playgrounds and visitor centers are fully open.

There is no limit on **GROUP SIZE** during this phase, however **PHYSICAL DISTANCING** should still be observed.



Reopening The Big Sky

Proposed Gating Criteria

- Public Health
 - Evaluation of new cases over time
 - Ability to conduct active monitoring and contact tracing
 - Syndromic surveillance

- Healthcare
 - Ability to safely treat all patients, both COVID-19 and those with other conditions
 - Adequate hospital Intensive Care Unit capacity

- Supplies
 - Capacity to test all people with COVID-19 symptoms
 - Adequate personal protective equipment



Local Jurisdiction Considerations

Elected officials should coordinate on a regional basis to satisfy these criteria and to progress through the phases outlined in this document.

Local jurisdictions can enact guidelines that are more restrictive than the State guidelines.



QUESTIONS?



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