

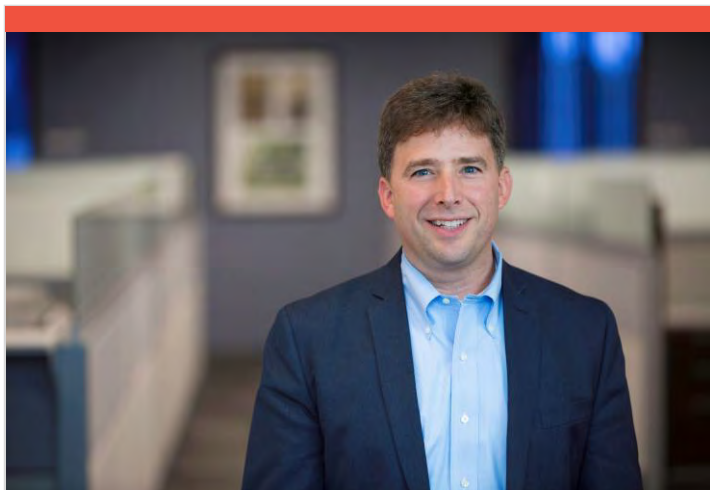
# Navigating the Paycheck Protection and the SBA Economic Injury Disaster Loan Programs

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**blum**  
shapiro


step forward →

# Our Presenters



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# Disclaimer

- » EIDL Overview
- » PPP Overview
- » Toolkit Overview
- » blum Insights
- » Q & A

# Agenda

- » **Disclaimer:** *Any content, comments, or advice contained in this webinar is limited to the matters specifically set forth herein. Such content, comments, or advice may be based on tax statutes, regulations, and administrative and judicial interpretations thereof and we have no obligation to update any content, comments or advice for retroactive or prospective changes to such authorities. This communication is not intended to address the potential application of penalties and interest, for which the taxpayer is responsible, that may be imposed for non-compliance with tax law.*



# Economic Injury Disaster Loan

# Economic Injury Disaster Loan



- » Small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan advance of up to \$10,000.
- » Provides small businesses with working capital loans of up to \$2 million that can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.
- » The loan advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. Funds will be made available within three days of a successful application, and this loan advance will not have to be repaid.

# Economic Injury Disaster Loan

- » **Am I precluded for applying for the Paycheck Protection Program?**
  - No, but you cannot pay for the same expenses



# Economic Injury Disaster Loan

## » What are the terms?

- 2.75% for non-profits
- 3.75% for small businesses
- Up to 30 years

## » What can the funds be used for?

- A/P, payroll, fixed debts and other expenses due to COVID-19





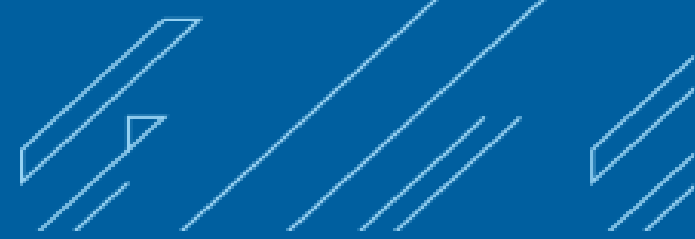
# Economic Injury Disaster Loan

## » How can I apply?

- [Visit the SBA website](#)
- Estimated time to complete the application is 2 hours 10 minutes



# Economic Injury Disaster Loan



## » Initial documentation needed to apply:

- Gross receipts for the prior 12 months (Jan. 31, 2020)
- Cost of goods sold for prior 12 months (Jan. 31, 2020)
- Ownership information

# Economic Injury Disaster Loan



## » Potential documentation needed to apply:

- Completed SBA loan application ([SBA Form 5](#))
- Tax Information Authorization for the applicant, principals and affiliates ([IRS Form 4506T](#))
- Latest federal income tax return
- Personal financial statements ([SBA Form 413](#))
- Schedule of liabilities ([SBA Form 2202](#))



## » Can I roll over my EIDL into the Paycheck Protection Program?

- Yes you can
- Must have received EIDL between January 31, 2020 and the date at which the PPP becomes available



# Paycheck Protection Program

# Paycheck Protection Program



- » Overview of the Paycheck Protection Program
- » Key points to the Paycheck Protection Program
- » blum Toolkit
- » Application Process
- » blum Insights

# Paycheck Protection Program



## » Overview of the Paycheck Protection Program

- The funds are intended to be used to retain workers and payroll, and cover rent or mortgage interest, other interest payments and utility expenses for businesses impacted by COVID-19.
- Loans can be for any business concern, non-profit, veteran or tribal business
- The loan covers expenses from 2/15/20 to 6/30/20
- The loan can be forgiven assuming it is used for payroll, interest payments, utilities or rent
- Maximum loan amount is the **lesser of**:
  - The sum of: Average total monthly payments of payroll costs during 1-year period before loan application x 2.5 (exceptions for seasonal employees or business just started) or
  - \$10 million

# Paycheck Protection Program



## » Key points to the Paycheck Protection Program

- Business must not be greater than 500 employees or the size standard established for the *industry* (exceptions made to the food services sector with NAICS code 72 or franchise)
  - Term “Employee” includes employees full time, part time, and obtained from a temporary employee agency, professional employee organization or leasing concern
  - Volunteers are not considered employees
  - Employees with compensation >\$100K on an annual prorated amount are capped
  - Principal residence must be within U.S.



# Paycheck Protection Program



## » Key points to the Paycheck Protection Program (cont.)

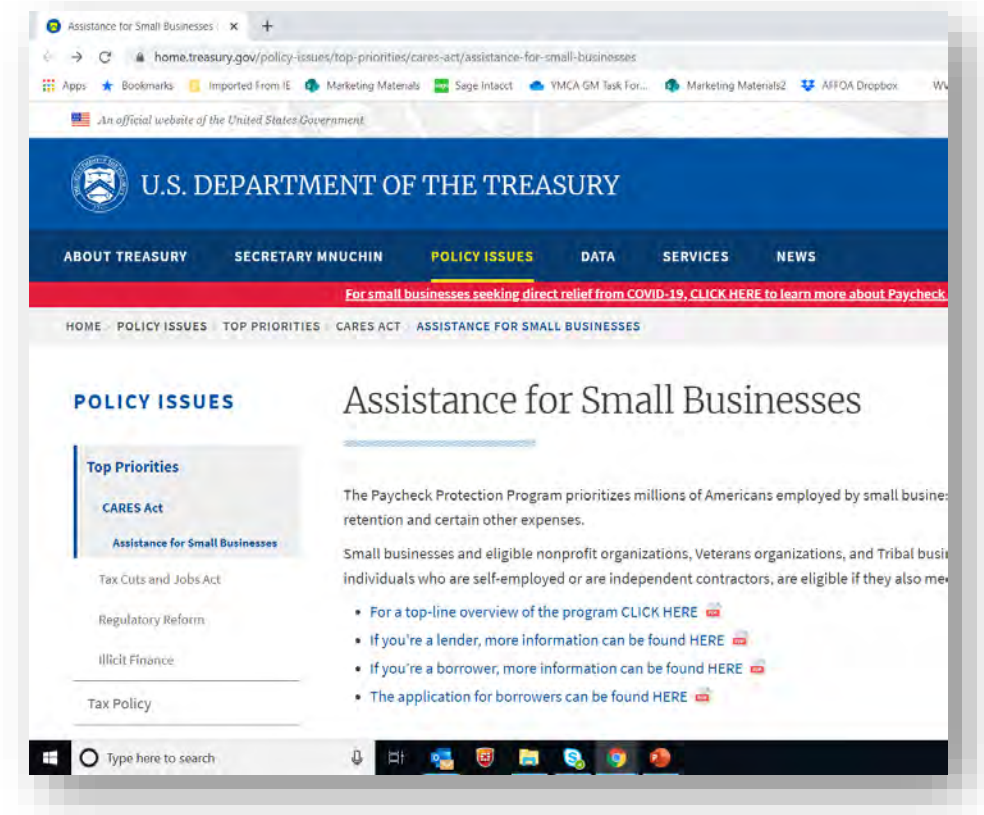
- Sole proprietors and independent contractors are eligible to receive the loan with identified payroll tax filings or 1099-MISC
- Loan proceeds may be used for the following purposes:
  - Payroll costs, healthcare benefits, employee salaries and commissions, mortgage interest, rent, utilities and interest on other debt
- Loan interest rate is capped at .5% and has a max maturity of 2 years and can be deferred 6-12 months, does not have any fees, no personal guarantee needed, and no collateral needed

# Paycheck Protection Program

## » Paycheck Protection Program

- For all the details on the Paycheck Protection Program, visit:

[U.S. Department of the Treasury](https://www.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses)



# Paycheck Protection Program



## » Fictitious Example:

### – Prior to the Loan Application

- Business X applies for a paycheck protection loan on May 1, 2020. The business had \$120K in payroll costs last year or a monthly average of \$10K.
- Business X is entitled to a fully guaranteed federal loan equal to the lesser of: \$25K ( $\$10\text{K in average payroll costs} * 2.5$ ), or \$10M.

### – Calculating the Loan Forgiveness

- In the first 8 weeks after the business borrows the \$25K, the business pays \$20K in payroll costs, mortgage interest, and utility payments.
- Business X is eligible to have \$20K of the \$25K loan forgiven. The forgiveness will not create taxable income. In addition, any payments on the loan will not be due on the remaining \$5K for six months.

# PPP Loan Toolkit Overview



## » Where can I find this tool?

- A copy was emailed to everyone this morning
- We will also send it after the webinar, with a link to the tool and the recording
- You can also download it: [blumshapiro.com/coronavirus](https://blumshapiro.com/coronavirus)

# Toolkit – PPP Calculator

- » Designed to be interactive and assist with estimating the potential loan amount
- » Adjusts depending if you are a seasonal business, new business or a business with operations greater than twelve months

1)	Did your business exist prior to June 30, 2019? If yes, go to 3	Yes
2)	What date did your business begin? <i>mm/dd/yyyy</i>	
3)	Are you a seasonal employer?	No
4)	# of employees	23
<b>Paycheck Protection Program Calculator</b>		
<i>Use total costs over previous 12-month period before the date of the loan</i>		
	<b>Business Payroll</b>	\$ -
	<b>Average Monthly Costs</b>	\$ -
	<b>Eligible Loan Total</b>	\$ -

# Toolkit – PPP worksheet

- » The monthly view supports clients who are seasonal and/or started their business subsequent to June 30, 2019
- » The totals link to the summary page discussed in previous slide

Payroll	Feb 19	Mar 19	Apr 19
# of FTE's	-	-	-
<b>Include:</b>			
Salary & Wages	\$ -	\$ -	\$ -
Bonuses	\$ -	\$ -	\$ -
Commissions	\$ -	\$ -	\$ -
Compensation to 1099 vendors	\$ -	\$ -	\$ -
Cash Tips and/or equivalent	\$ -	\$ -	\$ -
Vacation, parental, family, medical/sick leave	\$ -	\$ -	\$ -
Allowance for dismissal or separation	\$ -	\$ -	\$ -
Group health care benefits including premiums	\$ -	\$ -	\$ -
Retirement benefits	\$ -	\$ -	\$ -
State & Local payroll tax	\$ -	\$ -	\$ -
<b>Less:</b>			
Payroll costs in excess of \$100,000 paid to each employee	\$ -	\$ -	\$ -
Taxes imposed or withheld under chapters 21, 22, or 24 of the IRC	\$ -	\$ -	\$ -
Comp of an employee whose principal residence is outside of the U.S.A	\$ -	\$ -	\$ -
Qualified family leave wages under section 7001 or 7003	\$ -	\$ -	\$ -
<b>Total Payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# Toolkit – PPP Worksheet

## Annual view:

First Name	Last Name	Title	Salary / Wages / 1099 Vendors	Bonus	Commission	Tips	Excess of \$100k	State & Local payroll tax	Vacation, parental, family, medical/sick leave	Allowance for dismissal or separation	Group health care benefits including premiums	Retirement benefits
Employee 1	Employee 1		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee 2	Employee 2		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee 3	Employee 3		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee 4	Employee 4		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee 5	Employee 5		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee 6	Employee 6		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- » Consolidated view of all employee costs needed for the application & loan forgiveness calculations
- » Most clients should use this page as it is a simplistic view of spend over the full year
- » Will also help you determine the number of employees with compensation greater than the \$100K threshold

# Toolkit – Loan Forgiveness Calculator

Loan Forgiveness Calculator	
Business Payroll	\$ -
Mortgage Interest	\$ -
Rent Payments	\$ -
Utility Costs	\$ -
Loan Forgiveness (before required reductions)	\$ -
<i>Reduction in Loan Forgiveness</i>	
Monthly FTE's during "covered" period (8 weeks subsequent)	-
Monthly Avg FTE's for the period Feb 15 to Jun 30, 2019	-
Monthly Avg FTE's for the period Jan 1 to Feb 29, 2020	-
Percentage Decrease	0.0%
FTE Loan Reduction	\$ -
Individual employee comp reduced by 25% or more	\$ -
<b>Total Loan Reduction</b>	<b>\$ -</b>
<b>Total Loan Forgiveness</b>	<b>\$ -</b>

- » Works similar to the loan calculator. Summary is supported and linked to the detailed worksheet where you can input the details.
- » Please note that to recoup 100% of your loan, you must re-hire your entire staff and/or increase reduced salaries (more than 25%) back to loan origination levels, assuming you have already made some reductions.



# Paycheck Protection Program

## » Application Process

- Application has just been released to the public late on March 31
- Application is very short and straightforward
- The business rules for submitting the application have not yet been released as of March 31
- We are seeing various applications from banks and the U.S. treasury
- Starting April 3, small businesses and sole proprietorships can apply
- Starting April 10, independent contractors and self-employed individuals can apply
- [Applications can be found here](#)

The image shows a screenshot of the Paycheck Protection Program Application Form. The form is titled "Paycheck Protection Program Application Form" and includes the OMB Control No. 3245- and Expiration Date: 06/30/2020. The form is divided into several sections:

- Business Information:** Includes fields for Business Legal Name, DBA or Tradename if applicable, Business Primary Address, Business TIN (EIN, SSN), Business Phone, Primary Contact, and Email Address.
- Loan Information:** Includes fields for Average Monthly Payroll, X 2.5 equals Loan Amount, and Number of Jobs. It also has checkboxes for the purpose of the loan: Payroll, Rent / Mortgage Interest, Utilities, and Other (explain).
- Applicant Ownership:** A table to list all owners of the applicant with greater than 20% ownership stakes. The table has columns for Owner Name, Title, Ownership %, TIN (EIN, SSN), and Address.
- Eligibility Questions:** A series of questions with Yes/No columns. Questions 1-4 are answered by the business, and questions 5-7 are answered by the applicant if they are an individual or a greater owner.

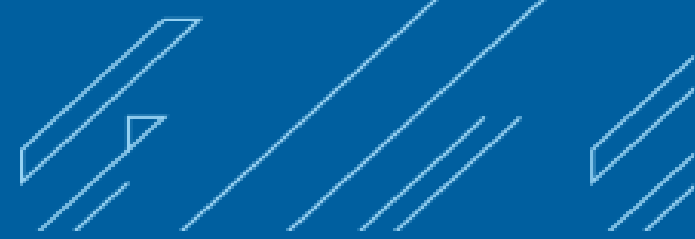
Questions 1-4:

- Is the Business or any owner presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?
- Has the Business, any of its owners, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?
- Is the Business or any owner an owner of any other business or have common management with any other business? If yes, attach a listing of all Affiliates and describe the relationship as addendum A.
- Has the Business received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.

Questions 5-7 (for individuals/greater owners):

- Are you presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, on probation or parole?
- Within the last 7 years, for any felony or misdemeanor for a crime against a minor, have you: 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)?
- I am a U.S. Citizen OR I have Lawful Permanent Resident status No

# Payroll Protection Program



## » blum Insights

- \$349B does not seem to be enough to cover the needs
- Funds will most likely dry up quickly
- There are gray areas in the CARES Act
- Contact your bank representative to discuss your business
- Apply for both the EIDL and the PPP
- Apply ASAP!

# Other Programs

- » Employee Retention Credit for Employers Subject to Closure or Experiencing Economic Hardship
- » Delay of Payment of Employer Payroll Taxes
- » These programs cannot be combined with the PPP

# Upcoming Webinars

**Cyber Crimes and Fraud Attempts During COVID-19**

Monday, April 6 at 11:00 am

**Employment Webinar: COVID-19 and Your Workforce**

Tuesday, April 7 at 11:00 am

**Federal Tax Issues**

Wednesday, April 8, time TBD

[blumshapiro.com/coronavirus](https://blumshapiro.com/coronavirus) >>

# COVID-19 Resource Center

[blumshapiro.com/coronavirus](https://blumshapiro.com/coronavirus) >>

Federal Tax Updates | State and Local Information  
Industry Insights | Business Resources & Tools

# Questions & Answers

# Questions

- » What should companies be doing now?
- » What are the top funding options small business owners should be focused on?
- » We are a U.S. company, 100% foreign-owned, are we eligible for PPP?
- » How do you calculate the 500 employees?
- » Is there a penalty if we took advantage of the PPP for the 4 month period and had to layoff/furlough at the start of the 5th month?

# Questions

- » Is an owners pay part of the payroll calculation? We have 2 full time employees on payroll and 2 owners that draw out of the business for pay.
- » Can I include independent contractors in the PPP loan? If I pay someone as an independent contractor to perform a service, do I count them in my headcount? What if they are an LLC?
- » Can you reduce salaries by 80% and still qualify? Can you lay off people ahead of filing for the loan?
- » Does rent include common area charges and taxes or just the base rent?
- » How do I calculate employees that earn more than \$100,000 in a year?



# Questions

- » When can I apply for the loan?
- » Can you apply for both the PPP and EIDL loan
- » Are there revenue restrictions?
- » Is there a list of approved lenders?
- » Are shareholder distributions/draws included in the PPP loan calculation?

# Thank You