



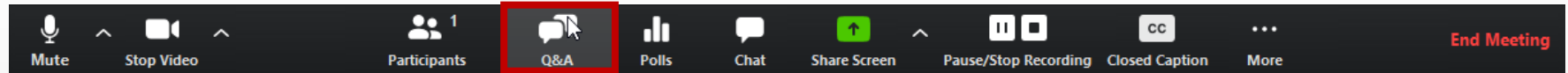
Paycheck Protection Program Flexibility Act

Webinar 6/19/2020

**Presented By:
Gineris & Associates**

After the presentation we will host a Q&A session.

Please write your questions in the Q&A section in the menu below.



We will enable your microphone to ask your question.

- Please designate in your question if you'd prefer me to read it for you.



- PPP: So far, 4.5 million loans totaling more than \$500 billion to keep 50 million Americans working
- Lots of developments since the initial rollout in March
- Paycheck Protection Program Flexibility Act (PPPFA) was signed into Law June 5 with great bipartisan support
- SBA guidelines were updated on 6/16



- Whether receipt and forgiveness of a PPP loan affects the tax treatment of ordinary business expenses.
- Per IRS Notice 2020-32, “businesses that qualify for PPP loan forgiveness will not be able to deduct certain expenses, including wages, paid for by the loan.”
- Congress disapproves of this position, stating that it goes against congressional intent.
- Additional PPP changes, enhancements and clarifications are still likely forthcoming - whether via Treasury and SBA guidance, or another law.



Covered Period

- PPPFA extends the “covered period” from 8 weeks to 24 weeks after loan disbursement
- Technically, the covered period will end the earlier of 24 weeks after loan origination or 12/31/2020
- Allows for much greater likelihood of full forgiveness, letting you spend loan funds for 24 weeks
- Borrowers who received loans prior to June 5th *can elect* to use an 8-week covered period
- This could be appropriate if you can get full forgiveness already within the 8 weeks



Covered Period (continued)

- Given that the tax question is not yet resolved, there could be a decision to make about choosing 24 weeks to push the forgiveness into 2021 to ensure full deduction of ordinary business expenses for 2020 (pending a law or the Treasury updating the current IRS ruling).
- Would they require an amended return? To what time period would they apply the forgiveness? TBD...
- Discuss with your account manager.
- For those who can't get full forgiveness within an 8-week covered period, extend to 24 weeks



Payroll

- Payroll still includes salaries, wages, and tips, up to \$100,000 of annualized pay per employee
- Plus covered employer-paid benefits for employees, including health care, retirement, and state unemployment tax
- Maximum payroll of \$46,154 per *employee* if the 24-week covered period is selected, and \$15,385 per *employee* if 8 week covered period



Payroll (continued)

- **Owners** can qualify for 2.5 months of 2019 compensation capped at \$20,833. (based on 24-week covered period)
- NOTE: For owners who have multiple businesses, qualified wages max out at \$100,000 **across all businesses.**
- No big windfalls for owner-employees.
- All Schedule C self-employed people should apply for PPP to get 2.5/12 of 2019 net profit.



Payroll Proportion

- Reduces requirement from 75% down to **60%** of funds used for payroll, applicable to both use of funds, and forgiveness.
- Now, instead of just 25% of funds, you can use up to **40%** of funds for rent, interest, and utilities
- So now, across 24 weeks, you must spend 60% or more on payroll for full forgiveness.
- If less than 60% of the loan is used for payroll, the borrower will still be eligible for partial loan forgiveness, where at least 60% of the forgiven amount has been used for payroll.
- Actual payroll spent divided by .6 is maximum loan forgiveness.



For Self-Employed

- For Sole Proprietors and Partnership member-owners, payroll is still based on 2019 Schedule C (or F) net profit.
- If 8-week covered period, then 8 weeks (8/52) of 2019 net profit (up to \$15,385)
- If 24-week covered period, then 2.5 months (2.5/12) of 2019 net profit (up to \$20,833)
- 2.5 months of 2019 net profit should basically be the entirety of what you borrowed.



For Self-Employed (continued)

- If you're a Sole Proprietor or Partnership Member-Owner, choose the 24-week period, and you should be able to get 100% forgiveness
- 60% or greater must be payroll (if you have employee payroll)
- Interest (on mortgage/real or personal property), rent (on lease agreements) and utilities - all in force before 2/15/2020 - and deductible business expenses on Schedule C
- NO PREPAYMENTS



Safe Harbor

- Updates Safe Harbor deadline for rehiring employees if FTE headcount is reduced
- Changes from June 30 to December 31, 2020
- Also allows safe harbor from reductions in loan forgiveness based on reductions in FTEs for borrowers that **can't return to the same level of business activity** pre-2/15/2020 due to compliance with requirements or guidance issued between 3/1/20 and 12/31/20 by HHS, CDC, OSHA, related to worker or customer safety requirements (i.e., social distancing, sanitizing protocols, capacity limitations).



Safe Harbor (continued)

- Basically, if the business was complying with public health requirements, and THAT affected the ability to return to pre-COVID FTE levels, there's safe harbor from loan forgiveness reduction.
- Also provides safe harbor from loan forgiveness reduction if borrowers are unable to rehire prior employees (who were employed on 2/15/20) or hire similarly qualified employees for unfilled positions by 12/31/20



Loan Maturity

- Changes maturity term from 2 years to 5 years for people whose loans were approved by SBA after June 5th
- Permits lenders and borrowers to extend the maturity date of earlier PPP loans by mutual agreement
- If you received your loan prior to June 5th, and you'll have less than full forgiveness and thus loan proceeds to repay, if you so desire, contact your lender to see if they are willing to adjust the maturity term to 5 years instead of 2



Loan Deferral

- Extends the borrower's loan repayment deferral from 6 months after loan disbursement to the date when SBA remits the borrower's loan forgiveness amount to the lender
- If the borrower does not apply for loan forgiveness, loan repayment is deferred to 10 months after the end of the borrower's loan forgiveness covered period
- Loan disbursed + 24 weeks + 10 months = 15.5 months



PPP “EZ” Forgiveness Application

- Less documentation and fewer calculations
- Must meet any one of these 3 criteria
 - Applied for PPP as self-employed, independent contractor, or sole proprietor with no employees
 - Did not reduce salary or wages for any employee by more than 25% and did not reduce the number or hours of employees (except laid-off employees who refused an offer to return)
 - Did not reduce salary or wages for any employee by more than 25% during the covered period and experienced reductions in business activity as a result of health directives related to COVID-19
- Available [here](#)



Other Updated Applications

- [PPP Forgiveness Application](#) (revised 6/20)
- [PPP Borrower Application](#) (revised 6/20)



Expanded Eligibility

- Business owners (with 20% or more equity) with past felony convictions
- Look-back period is reduced from 5 years to 1 year for *non-financial felonies* where the owner is incarcerated, or has been convicted, pleaded guilty, pleaded nolo contendere, or is on parole or probation
- Period remains 5 years for felonies involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance



PPP Loans through June 30

- PPP funding is still available, only through June 30, after which, there can be no more new PPP loans.
- Contact your lender.



3 forgiveness scenarios using the new guidelines





COVID-19 Related FAQs

Updated 6/18/2020 12pm Central Time: This page will be periodically updated to provide you with relevant information that affects your tax, business or financial circumstances, as well as Gineris & Associates operational protocols.

We are hosting a **webinar Friday, 6/19 at 11:30am Central Time** regarding the PPP Flexibility Act. Register [here](#). The 1-hour webinar will discuss updated SBA guidelines, and help you make the best decision to optimize PPP forgiveness.

Here are **highlights from the latest SBA guidance on PPP Loan Forgiveness** – this information may continue to evolve.

- You now have a **24-week Covered Period** to spend loan funds starting from the date of loan origination. If you were funded prior to June 5, you can still use the 8-week period if you choose.
- You must use at least **60% of funds for eligible payroll costs** to qualify for full Loan Forgiveness, down from 75%.
- You can use **up to 40% of funds for eligible non-payroll costs**, up from 25%. This includes rent, interest, and utilities. PREPAYMENTS are NOT allowed.
- Loan Deferral: If you request Forgiveness, you won't have to start making payments until the SBA makes a decision or remits the funds. You generally have to submit a Forgiveness request within 10 months after the Covered Period ends.
- If you don't request Forgiveness, you won't have to start making payments until 10 months after the 24-week Covered Period ends.
- You may be able to use FTE Safe Harbor provisions if you have fewer full-time equivalent (FTE) employees now if you document an inability to:
 1. Rehire individuals who were employees as of February 15, 2020
 2. Hire similarly qualified employees for unfilled positions on or before **December 31, 2020**
 3. Return to the same level of business activity before February 15, 2020 due to compliance with requirements or guidance from the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration from March 1, 2020 through December 31, 2020, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19

Here is the updated **"EZ" PPP Loan Forgiveness Application (3508EZ)**, which you can use if you meet any one of these 3 criteria:

- **Periodically updated**
- **Features FAQs for**
 - Employers
 - Employees
 - Individuals
 - Business Owners



- 1. Connect with your account manager to determine your current forgiveness level, and whether to use the 24 weeks or stay with the 8-week covered period**
- 2. Review the updated forgiveness application; use EZ if possible**
- 3. Start pulling together your forgiveness documentation**
- 4. Stay in touch with your bank about their timing and process for accepting forgiveness applications**
- 5. If you need help, reach out to us**
- 6. If you're not a current client, we'd be happy to start a relationship with you**

Happy Father's Day!

