PPP Provisions

• Loan Application Update
• How Do You Calculate The Maximum Eligible Loan Amount

Amount calculated by multiplying the average total monthly payments for payroll costs (or net income of sole proprietor or independent contractor) incurred during the one year period before the date of the loan by 2.5 to a maximum of $10M

Seasonal Business – Time Period to Calculate Prior Year Payroll Costs

Average total monthly payments for:
  The 12 week time period beginning February 15, 2019 or
  At election of borrower: March 1, 2019 and ending 6/30/19

If not in business February 15, 2019 to June 30, 2019:
January 1, 2020 to February 19, 2020
• Payroll Costs Defined

1. Salary, wages, commissions or similar compensation
2. Payment of cash tip in equivalent
3. Payment for vacation, parental, family, medical or sick leave
4. Allowance for dismissal or separation
5. Group health benefits including health insurance
6. Payment of any retirement benefit
7. Payment of State or local tax assessed on the compensation of employees
• Payroll Cost Exclusions

1. The payroll costs does not include compensation (for the self-employed net earnings) in excess of $100,000

2. Any compensation of an employee whose principal place of residence is outside the US

3. Qualified sick or family leave wages for which a credit is available under the Families First Coronavirus Response Act
• **Loan Forgiveness**
  
  • Borrower is eligible for loan forgiveness for businesses that retain employees or re-hire laid-off workers
  
  • Forgiveness is equal to the amount spent during an 8 week period after the origination of the loan on allowable expenses (the eligible forgiveness amount)
Loan Forgiveness (cont)

Eligible loan forgiveness amount is decreased by:

A) multiplying this amount by the quotient obtained by:
   i. dividing the average monthly full time equivalents (FTE) during the covered time period (February 15, 2020 to June 20, 2020), by
   ii. the average monthly FTE during the time period of February 15, 2019 to June 30, 2019 (primary time period of three options depending on time periods actually in business)
   iii. Loan forgiveness can not be increased by this formula

B) the amount of any reduction in total salary wages of an employee during the covered period in excess of 25% of the total wages paid during the most recent full quarter before the covered period
• Loan Forgiveness (cont)

Exception For Rehires And Raising Previously Lowered Wages

• Act provides relief from the loan forgiveness reduction if the employer rehires any laid-off employees and/or raises any previously lowered wages and salaries beyond 25%
• Reductions occurred between 2/15/20 and 30 days after enactment of the Act and rehired/raised wages no later than 6/30/20.

Non-salary allowable expenses in excess of 25% of the total 8 week expenditures, do not qualify for loan forgiveness. Congress wants at least 75% of the loan proceeds to be used for salaries and wages.

Any cancelled indebtedness will not be included in the borrower’s taxable income
Other CARE Act Provisions

- **Loan Payment Subsidy on Pre and Post Act SBA Loans**
  1. SBA will make principal and interest and associated fee payments that are owed on covered loans.
  2. Covered Loans are loans guaranteed by the SBA for Sec 7(a) loans and State Development Loans (Small Business Investment).
  3. SBA will make monthly payments for 6 months beginning with the next payment due, for loans made before the date of enactment.
  4. SBA will make monthly payments for 6 months beginning with the first payment due, for loans made after the enactment date for the period 6 months after enactment.
  5. Timing of payment will be no later than 30 days after the date the first payment is due, for loans made post enactment.
Cash Is King

• Employee Retention Payroll Credit for Employers Subject to Closure

1. Eligible employees are:
   i. employers who were operational during 2020 which were fully or partially suspended due to orders from a government authority, or
   ii. there was a significant decline in gross receipts (gross receipts that are less than 50% for the same quarter in the prior year)

2. Credit is taken quarterly against applicable payroll taxes (SE payroll taxes less any credits received for employment of Qualified Veterans, R&D payroll tax credit or FFCRA relief)
Cash Is King (cont)

• Employee Retention Payroll Credit for Employers Subject to Closure (cont)

3. Employment Tax Credit Computation
   i. Credit equal to 50% of qualified wages, up to a maximum of $10,000 in wages paid (which includes health insurance payments for all calendar quarters)

4. Applicable dates of credit availability:
   i. Wages paid after 3/12/20 and before 1/1/21, except
   ii. For employers qualifying for eligibility under the significant decline in gross receipts provision in which case their period ends with the calendar quarter when their gross receipts are greater than 80% of the gross receipts for the same quarter in the prior year
Cash Is King (cont)

- Employee Retention Payroll Credit for Employers Subject to Closure (cont)

5. Employers taking a PPP loan are disqualified for taking the credit

6. Wages defined by size of Company
   i. Employers with 100 or fewer employees all wages paid are qualified
   ii. Employers with more than 100 employees, only wages paid during a suspension or gross receipt decline are eligible, where the employee is not providing any services as a result of the suspension or decline in gross receipts
Cash Is King (cont)

- **Delay of Payment of Employer Payroll Taxes**
  1. Deferred Period is from the date of enactment to 1/1/21
  2. 50% of deferment is payable on 12/31/21 and the other 50% is payable on 12/31/22
  3. Borrowers who have any Loan Forgiveness are not eligible

- **Self-Employed Delay of Payroll Taxes**
  To receive credit for the employer portion of an individual’s self-employed social security taxes (50% of total), the self-employed individual’s estimated taxes can be reduced accordingly.
Cash Is King (cont)

• Business Modifications for Net Operating Losses

1. For tax years beginning before 2021, NOL limitations enacted by the TCJA are retroactively suspended
2. NOL carryback is available for each of the 5 taxable years preceding the loss for 2018, 2019 and 2020
3. Consideration should be given to amending the prior tax returns to claim applicable refunds
Cash Is King (cont)

• Non-Business Modifications of Loss Limitations

1. For tax years beginning before 2021, NOL limitations ($500K for married taxpayers and $250K for single taxpayers) on the size of carrybacks enacted by the TCJA are retroactively suspended.

2. Consideration should be given to amending the prior tax returns to claim applicable refunds.
Cash Is King (cont)

**Modifications of AMT Credit**

1. 2018 prior year corporate AMT credits are now fully refundable
2. Provides for expedited refund procedures

**Modifications of Limitation on Business Interest**

1. For years beginning in 2019 and 2020 the business interest limitation for taxpayers with average gross receipts of $25M or more, has been raised from 30% to 50% allowing increased interest deductions
2. For 2020, taxpayers may elect to use 2019’s adjusted taxable income in place of 2020’s to maximize their deduction
Cash Is King (cont)

- **Tax-Favored Withdrawals from Retirement Plans**
  1. Taxpayers can take up to $100,000 in coronavirus related distributions without being subject to the 10% penalty
  2. Taxpayers have up to 3 years to repay it with out regard to that years cap on contributions
  3. If not paid back, the resulting income can be spread ratably over 3 years
  4. Maximum loans from plans increased to $100K from $50K

- **Delay of Qualified Employer Plan Loan Payments**
  1. For outstanding loans taken before or after the date of enactment through December 31, 2020, the due date of payments are delayed one year

- **Other**
  1. Minimum distributions for certain plans and IRA’s are waived for 2020