

Client Webinar

PPP Update & Loan Forgiveness

Presented June 25, 2020

Hosted by:

Jason Knight, Director of Operations





Agenda

- HR 7010 Intro and overview
- A closer look at specifics of the bill
- Guidance: Things to consider before making decisions
- Applying for loan forgiveness
- How we're helping our clients
- Questions

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New legislation: HR 7010



Officially called the Paycheck Protection Program Flexibility Act (PPPFA) of 2020, HR 7010 includes changes & guidance on the loan forgiveness rules.

Everyone that received a loan under PPP is impacted by this new legislation!

HR 7010 Highlights

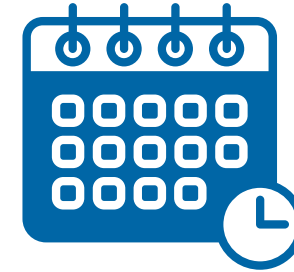
- New loans have a 5-year term instead of 2. Existing loans can be adjusted if both borrower & lender agree.
- The 'covered period' has increased from 8 weeks to 24 weeks.
- The 'payroll costs' requirement is lowered from 75% to 60%
- Payments are automatically deferred until the SBA remits the forgiven amount to your lender or 10 months from the end of your covered period if you haven't submitted your forgiveness application
- Delay of payment of employer payroll taxes

HR 7010 Specifics

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Updated “Covered Period”



The “Covered Period” has increased from 8 weeks to 24 weeks:

- Employers that received a loan prior to 6/5 can opt to use the 8-week covered period
- Employee payroll costs including salary, wages, and tips, up to \$100,000 of annualized pay per employee
 - for 8 weeks, a maximum of \$15,385 per individual, or
 - for 24 weeks, a maximum of \$46,154 per individual.
- Owner compensation is calculated based on 2019 net profit and forgiveness is limited to the following:
 - For 8-week covered period
 - 8 weeks’ worth (8/52) of 2019 net profit (up to \$15,385)
 - For 24-week covered period
 - 2.5 months’ worth (2.5/12) of 2019 net profit (up to \$20,833)

Updated “full forgiveness” date



Updated date to be eligible for full loan forgiveness:

- Employers now have a ‘Safe Harbor’ **until Dec 31st, 2020** (previously was June 30th, 2020) to restore **employment and salary** to furloughed employees and still qualify for full loan forgiveness.
- You’re not required to wait until the end of the year to apply for loan forgiveness. Whenever you submit your application is your Safe Harbor date.

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Changes to payroll costs & payment deferment



HR 7010 included the following changes:

- The payroll costs requirement has been **reduced to 60% from 75%, so 40% of the forgiveness amount** can be used for rent, utilities and mortgage interest.
- Payments are automatically deferred until the SBA remits the forgiveness amount to the lender or 10 months after the end of your covered period if you haven't submitted a forgiveness application.

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New eligibility

Example: 50 EEs Avg \$40k wages

- \$2M in Annual Wages
- \$124k Annually in Employer SS @ 6.2%
- \$88k in Employer SS from Mar 27 – Dec 31, 2020
 - \$44k due Dec 2021
 - \$44k due Dec 2022



All employers are now eligible for Section 2302 of the CARES Act:

- Allows the deferral of **employer's share** Social Security taxes and of certain self-employment taxes.
- You can defer 100% of the employer SS (6.2%) between March 27 – Dec 31, 2020.
- 50% is deferred until Dec 2021 and the remaining 50% is deferred until Dec 2022.

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HR 7010 Guidance

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Before you do anything...



Here are some important things to consider:

- DON'T rush into a 'covered period' decision.
- HR 7010 relaxes loan forgiveness criteria but raises other questions.
- We expect official guidance to be offered to clarify these issues.

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Know your Exceptions



Any FTE reductions in these cases do not reduce the loan forgiveness amount

- Borrower made a good-faith, written offer to rehire an individual who was an employee on February 15, 2020 and the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020;
- Borrower made a good-faith, written offer to restore any reduction in hours, at the same salary or wages, during the Covered Period or the Alternative Covered Period and the employee rejected the offer

- Any employees who during the Covered Period or the Alternative Payroll Covered Period:
 - were fired for cause
 - voluntarily resigned
 - voluntarily requested and received a reduction of their hours.

In all of these cases, the exception is only if the position was not filled by a new employee.

Loan Forgiveness Application

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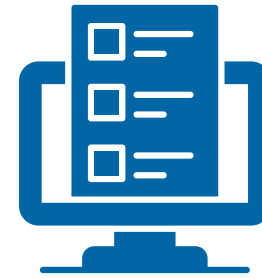


Loan Forgiveness Versions

There are **TWO** versions of the loan forgiveness application:



Regular (revised)



EZ Application

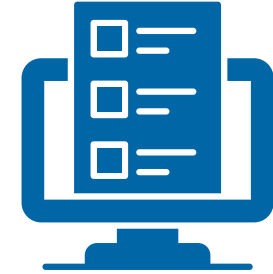
Keep in mind:

Payroll costs incurred but paid during the last pay period of the Covered Period / Alternative Payroll Covered Period are eligible for forgiveness if paid on or before the next regular payroll date.

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EZ App Criteria



You can use the EZ version IF you meet ONE of the following criteria:

- Are self-employed, independent contractor, or sole proprietor w/no employees.
- You did not reduce annual salary or hourly wages of any employee by more than 25% during the Covered Period /Alt Payroll Covered Period compared to 1/1/2020 through 3/31/2020 **AND** you didn't reduce the number of employees or the avg paid hours of employees between 1/1/2020 & end of the Covered Period.
- You did not reduce annual salary or hourly wages of any employee by more than 25% during the Covered Period /Alt Payroll Covered Period compared to 1/1/2020 through 3/31/2020 **AND** were unable to operate during the Covered Period at the same level of business activity as before Feb 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and Dec 31, 2020.

Documentation



Gather the following info before you begin the forgiveness application:

- Payroll documentation showing cash compensation and non-cash benefit payments
 - Bank Account Statements
 - Tax Forms (941 or other quarterly tax forms)
 - Documentation of contributions to employee health insurance and retirement plans
- Documentation of FTE throughout covered and reporting periods
 - Tax forms
 - Unemployment insurance tax filings
 - Individual employee wage reporting
- Nonpayroll documentation
 - Business Mortgage Interest Payments
 - Business Rent or Lease Payments (+ Lease Agreement)
 - Business Utility Payments

Documentation must be retained for 6 years after loan is repaid

How we're helping our clients

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How TAG will Automate the Process



C19 Sick Pay Rates, Limits and Sick Pay Tax Credit



SBA Loan & Forgiveness Support

We will be generating the loan forgiveness application for you



Payroll Tax Deferment – Deferment or Interest Credit



Employee Retention Credit Up to \$5k/EE

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Future legislation to keep an eye on

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Questions?

Thank you.

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