

SBA Relief Programs

Paycheck Protection Program (PPP) and PPP Flexibility Act (PPPFA)

- deadline is 6/30/20 (Tuesday), most banks stopped taking applications already due to processing them ahead of 6/30.
- forgiveness guidance corrected by PPPFA – key adjustments are:
 - payroll-to-other-costs split now 60/40 (was 75/25)
 - can choose an 8- or 24-week covered period
 - borrowers given until 12/31/20 to restore FTE headcounts
 - any loan proceeds not forgiven can be paid off in 5 years, not 2
- expenses paid with proceeds from the forgiven loan cannot be deducted on your taxes
- keep separate business bank account for PPP funds and draws

SBA Relief Programs

Paycheck Protection Program (PPP)

- 2 forgiveness forms/tactics available –
 - Form 3508 EZ – for borrowers who efficiently deployed PPP loan proceeds without significant reduction in employee headcount or pay rates. Can be used for self-employed, independent contractor, or sole proprietor with no employees

<https://home.treasury.gov/system/files/136/PPP-Forgiveness-Application-3508EZ.pdf>

SBA Relief Programs

Paycheck Protection Program (PPP)

- Form 3508 – for borrowers with a more complicated scenario – be sure to contact your lender to develop your forgiveness application and strategy

<https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>

- Most features of the original loan forgiveness application are still in place, but there are some significant changes in the instructions.
- We now know for certain health insurance premiums paid for general partners, owner-employees of S-Corps, and self-employed individuals are not forgivable expenses.

SBA Relief Programs

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- The maximum allowable compensation for owner-employees/general partners and self-employed individuals is capped at \$20,833 ($\$100,000 * 2.5/12$). Employees can have maximum allowable compensation of \$46,152 ($\$100,000 * 24/52$) if you elect to use a 24 week covered period.
- State unemployment tax benefits paid by the employer are a forgivable expense.
- An important update to the instructions is a new worksheet to calculate salary or wage reductions. The goal here is to stay above 75% of base period wages & salary levels.

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Paycheck Protection Program (PPP)

- An important update to the instructions is a new worksheet to calculate salary or wage reductions. The goal here is to stay above 75% of base period wages & salary levels.
- Regarding FTE measurements, the instructions define 40 hours as 1.0 FTE, and reductions from that threshold are rounded to the nearest tenth. Additionally a simplified method of assigning a value of 0.5 to part time employees is allowed - this may be advantageous for businesses with a lot of part-time employees.

SBA Relief Programs

Paycheck Protection Program (PPP)

- FTE reduction safe harbors: if the applicant can document their business activity level was reduced through December 31, 2020 due to the reasons noted above (closures or restrictions due to health official guidance) the FTE "penalty" will be relieved. Alternatively, if your workforce FTE headcount was reduced from February 15th to April 26, 2020, your business has until December 31, 2020 to restore them.
- Schedule A instructions define the documentation that will be required to submit with your application, and the documentation you will need to retain for the business. The instructions vary by entity type. We recommend reviewing for your specific circumstances.

SBA Relief Programs

Economic Injury Disaster Loan (EIDL)

- has reopened to small businesses and small agriculture business

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

- emergency grant of \$1000 per employee up to \$10K per business available, paid as a grant whether you are approved for and take the EIDL loan or not
- 3.75% for-profit businesses, 2.75% for non-profits, up to 30 years
- 1st payment due 12 months from date of promissory note
- loans under \$200K can be approved without personal guarantee

SBA Relief Programs

Economic Injury Disaster Loan (EIDL)

- loans under \$25K SBA does not take a security interest in any collateral
- no prepayment fees
- can be used for fixed debts (e.g. rent), payroll, accounts payable, bills that could have been paid if disaster had not occurred
- cannot be used for: dividends & bonuses, disbursements to owners unless for performance of services, repayment of stockholder/principal loans, expansion of facilities, acquisition of fixed assets, repair or replacement of physical damages, refinancing long-term debt, paying down loans provided or owned by another Federal agency (including SBA), payment of any part of a direct Federal debt (including SBA loans), except IRS obligations; and relocation

SBA Relief Programs

Economic Injury Disaster Loan (EIDL)

- if you receive an EIDL advance and a PPP loan, proceeds from the advance will be deducted from the loan forgiveness amount
- businesses with an existing relationship with an SBA Express Lender can access up to \$25,000 quickly through the Express Bridge Loan Pilot Program. This can be a term loan or used to bridge the gap while applying for EIDL.
- businesses should do vigorous cash-flow forecasting for the next 12-24 months to determine EIDL effectiveness and work with a CPA
- updated EIDL terms from SBA:

<https://www.sba.gov/sites/default/files/2018-06/SOP%2050%2030%209-FINAL.PDF>

SBA Relief Programs

Unemployment

- we are still counselling people as late as Friday 6/26 on filing for UI.
- PUA benefits are retroactive to 1/27/20 and have been extended to 39 weeks
- FPUC benefits (\$600 / week from federal funds) retroactive to 3/29/20
- FPUC benefits will end on 7/25/20
- if applying as self-employed/independent contractor you will need your 2019 federal return schedules to upload as proof of wages

For more information:

<https://esd.wa.gov/unemployment/self-employed>