

THE CARES ACT

– Help for Small Businesses Amid COVID-19

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APRIL 2020

THE CARES ACT

– Help for Small Businesses

Paycheck Protection Program

Emergency Economic Injury Grant

Economic Industry Disaster Loan

Employee Retention Credit

Questions

Paycheck Protection Program (PPP)

Get cash to cover the cost of retaining employees

Best for labor-intensive businesses

SBA loan

Covers eight weeks of payroll, health benefits, interest, rent and utilities

After eight weeks, apply for forgiveness

PPP—Who is Eligible?

Small businesses and charities who employ 500 or fewer employees

In operation on February 15, 2020

Charities must be 501(c)(3) or 501(c)(19)

Business can be sole proprietor, independent contractor or self-employed

PPP— Special Eligibility Rules

Hotels and food services (NAICS Codes beginning with 72) with 500 or fewer employees per physical location

Franchisees are not considered to be affiliated with franchisor

PPP—How Much Can You Receive?

Average monthly payroll times 2½.

Example:

Total 2019 payroll = \$1,200,000

Average monthly payroll = \$100,000

PPP loan amount = \$250,000

Maximum loan amount = \$10 million

Only one loan per borrower

PPP– Loan Calculation for Seasonal Employers

Average monthly wages from Feb. 15 through June 30, 2019

Example:

Total payroll Feb. 15 through June 30, 2019 = \$450,000

Average monthly payroll = \$100,000

PPP loan amount = \$250,000

PPP—What Counts as Payroll?

Only include wages up to \$100,000/year per employee

Salaries, commissions, tips

Vacation pay, sickleave

Severance pay

Health insurance premiums

Retirement benefits

State unemployment tax

PPP—What Does Not Count as Payroll?

Payroll taxes

Employees outside of United States

Wages paid under Families First Coronavirus Response Act for COVID-19 sick leave or family leave

- Already entitled to a credit for those wages at 2/3 pay

PPP—What are the Terms of the Loan?

Initially a loan until you demonstrate what proceeds were actually used for

Maximum 10 year term

Interest at 1% fixed rate

Six month deferral of repayment

PPP— How Much Loan Can be Forgiven?

Forgiveness is based on actual spending during eight weeks after loan origination:

Payroll as previously defined

Mortgage interest

Rent

Utilities—electricity, gas, telephone, internet, water

Interest on existing loans

PPP— How to Gain Loan Forgiveness

Apply for forgiveness at bank after eight weeks

Show proof of allowable spending

PPP--Other

Program runs through June 30, 2020,
There is a funding cap for total loans available,
PPP loan forgiveness is not taxable income.

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Emergency Economic Injury Grant (EEI Grant)

\$10,000 advance on an SBA
Economic Injury Disaster Loan
(EIDL)

Does not need to be repaid

Supposed to arrive within three
days of applying for EIDL

EEI Grant—Who is Eligible?

Small businesses and nonprofits suffering substantial economic injury

Small business defined per SBA industry guides

Businesses include sole proprietors and independent contractors

Nonprofit can be any 501(c) organization

In business since January 31, 2020

EI Grant—How to Apply?

Apply for EIDL on SBA website.

<https://www.sba.gov/disaster-assistance/coronavirus-covid-19#section-header-3>

Click on “apply for a loan advance.”

(So far, not really clear on the SBA website how much you are asking for or whether you’re asking for an advance or applying for a loan. Do they just send the \$10,000 automatically? Process will probably improve.)

EI Grant—Can I Still Apply for PPP?

Yes. If you receive an EI Grant, you can still apply for the PPP.

When applying for PPP loan forgiveness, subtract \$10,000 grant from allowable costs incurred.

(Can't get reimbursed twice for the same costs)

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Economic Injury Disaster Loan (EIDL)

Low interest loan of up to \$2 million

For expenses that you would have been able to pay except for the disaster

Including payroll, price increases, rent and mortgage interest

EIDL—Who is Eligible?

Businesses and nonprofits with 500 or fewer employees,
same as EEl Grant.

EIDL—How to Apply

Apply online at [SBA.gov](https://www.sba.gov).

EIDL—Can I Still Apply for PPP?

Yes.

If you receive both, when applying for PPP loan forgiveness, do not count costs paid using EIDL.

(Can't get reimbursed twice for the same costs)

Can use EIDL for different costs.

If you took out an EIDL between Feb. 15, 2020, and June 30, 2020, you can refinance that loan into a PPP.

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Employee Retention Credits

Employers not receiving PPP payment

Businesses and nonprofits exempt under 501(c)

Refundable credit for half the wages and health benefits paid to employees, up to \$10,000 per employee

Employers can reduce payroll tax deposits by amount of credit earned.

Employee Retention Credits

Employers with more than 100 employees only get credit on wages paid to employees who aren't working due to COVID-19 cutbacks.

Employers with 100 or fewer employees get credit on all wages up to \$10,000 per employee.

Employee Retention Credits

Can't use COVID-19 emergency sick and family leave paid under Families First Act. Already getting 100% credit for that.

Can't use PPP payroll for this credit.

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Questions:

Question: Which employees do I include to calculate payroll for the PPP. Are any wage earners excluded?

Exclude employees whose principal place of residence is outside the United States.

Exclude COVID-19 emergency sick and family leave wages paid under Families First Act.

Questions:

Question: What are some good resources for these programs?

SBA: COVID-19 Small Business Guidance & Loan Resources;
<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

US Treasury: PPP Info Sheet for Borrowers;
<https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>

Questions:

Under the PPP, is fuel (for a business passenger vessel) considered to be a utility?

There appears to be no listing allowing passenger vessel fuel as a utility cost for purposes of PPP. It would be an operating expense for purposes of an EIDL or EEI grant.

Questions:

Where can I find a list of SBA lenders?

The SBA is administering the PPP program through its 7(a) loan program. SBA says that you can apply through any existing SBA 7(a) lender or through any FDIC bank, federally insured credit union, or Farm Credit System institution that is participating. Other regulated lenders will be approved later. Start with your own bank first and then consult with other local lenders.

For a list of top SBA lenders:

<https://www.sba.gov/article/2020/mar/02/100-most-active-sba-7a-lenders>

Questions:

I receive the majority of my compensation through S-Corp distributions. Will that income count as payroll for the PPP?

Your W -2 income would count, as would 1099 income, but it is not likely that S-Corp distributions would count as payroll for PPP because they are not considered to be earned income.

Questions:

My company's employees have not been laid off. Am I eligible for the PPP?

Yes. The PPP is intended to help keep employees on the payroll.

If I get PPP funds and keep employees on payroll until June 30 and subsequently have to lay off workers, is PPP still forgivable?

It appears so. The PPP will keep workers employed during the eight weeks after loan origination. There does not appear to be a look-back after June 30.

Questions:

For purposes of PPP payroll, can we include contract workers who receive 1099s?

No. You can not include payments to independent contractors in PPP payroll. PPP payroll includes wages, commissions and similar compensation.

For purposes of PPP payroll, can we include outsourced workers who are employed by someone else; such as outsourced bookkeepers?

This is not specifically addressed, but logic says you should not include someone whose own employer is eligible to use their wages to support their own PPP application.

Questions:

Question: Can we pay laid-off staff to stay home or work in different positions?

It appears so. PPP payroll includes wages as well as various types of leave.

Thank You for Your Participation

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