

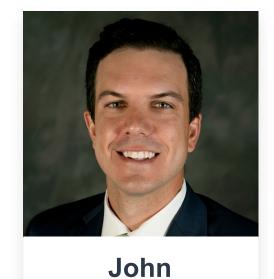
## **Meet the speakers**



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# The matters discussed in these materials provide general information only.

You should consult with an advisor about your specific situation before undertaking action based on such general information.

#### **Paycheck Protection Program Loans**

- The PPP is part of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act)
- Recovering lawyer disclaimer
  - Guidance on the calculation of the forgiveness of loans made under the Program is minimal
  - That limited guidance forms the basis of this presentation
  - The SBA should issue additional guidance, which could vary from the information here
- For the latest information see our website

#### Maximize your forgiveness

- Spend on forgivable uses and within the "covered period"
- Spend at least 75% on payroll costs
- Maintain historical levels of average full-time equivalents (FTEs) and salary/wages for employees during the "covered period"
  - Average FTEs during "covered period" versus historical period
    - February 15, 2019 June 30, 2019
    - January 1, 2020 February 29, 2020
  - Eligible employee salary and wages during "covered period" versus most recent full quarter

#### Maximize your forgiveness

- Retain documentation for spending, average FTEs, and employee salary and wages
- On or before June 30, 2020, restore reductions in FTEs and/or employee salaries and wages incurred between February 15 and April 26, 2020

#### Allowable and forgivable uses

#### **Allowable**

- Payroll costs
- Interest on secured debt
- Rent
- Utilities
- Interest on other debt
- Refi of certain EIDLs

#### **Forgivable**

#### Eight weeks of ...

- Payroll costs
- Interest on secured debt
- Rent
- Utilities
- Documentation is critical

## The covered period

- For use of the funds the "covered period" ends on June 30, 2020
- For forgiveness, "covered period" means eight weeks from the date of disbursement of the loan proceeds
  - Example: loan proceeds disbursed by a lender on April 15, 2020 must be spent by June 10, 2020
  - Amounts spent subsequent to June 10, 2020, maybe allowable, but not forgivable
- Borrowers should carefully calculate the end date of the eight weeks

## The 75% rule and reductions in forgiveness

- At least 75 percent of the expected loan proceeds/forgiveness amount shall be for payroll costs
  - There may be more than one way to interpret this language
- To avoid potential reductions in loan forgiveness, restore to February 15 levels reductions made between February 15 and April 26, 2020, in FTEs and/or salaries and wages of eligible employees

#### Document, document, document

- Payment of :
  - Payroll costs, including health insurance and retirement benefits
  - Covered mortgage interest, rent, and utilities
- Average FTE and salary/wage support to verify that any reduction made between February 15 and April 26, 2020, has been restored by June 30, 2020
- Borrowers must certify that the records provided are identical to those provided to the IRS

### A note to self-employed individuals

- Forgiveness of owner compensation replacement is limited to "eight-weeks' worth (8/52) of 2019 net profit"
- Owner compensation replacement is the amount on line 31 of 2019 IRS Form 1040 Schedule C reduced by any amount over \$100,000
- Rent and utility payments may be considered to the extent deductible on Form 1040 Schedule C

#### Now, what?

- First, calculate the end date of the covered period (eight weeks from the date of distribution of loan proceeds)
- Second, calculate 75% of loan proceeds and spend at least that amount on eligible payroll costs during the covered period
- Third, work toward restoring reductions in FTEs and/or employees' salary and wages to February 15, 2020 levels
- Fourth, communicate with lender for information on supporting documentation



## Thank you

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