

I Have the Money! How Do I Get Forgiveness?

Presented by:

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DEANDORTON

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

A group of four business professionals are gathered around a table in a meeting. A man in a suit and glasses is seated at the center, looking at a document. A woman in a white blazer stands behind him, gesturing towards the document. Another woman is seated to the right, looking at the man. A man is seated on the left, looking towards the center. The scene is dimly lit, with a blue overlay on the left side.

Questions?

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Thank you

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