



Consolidated Appropriations Act 2021

*Craig Coleman
Suzanna Teneyck
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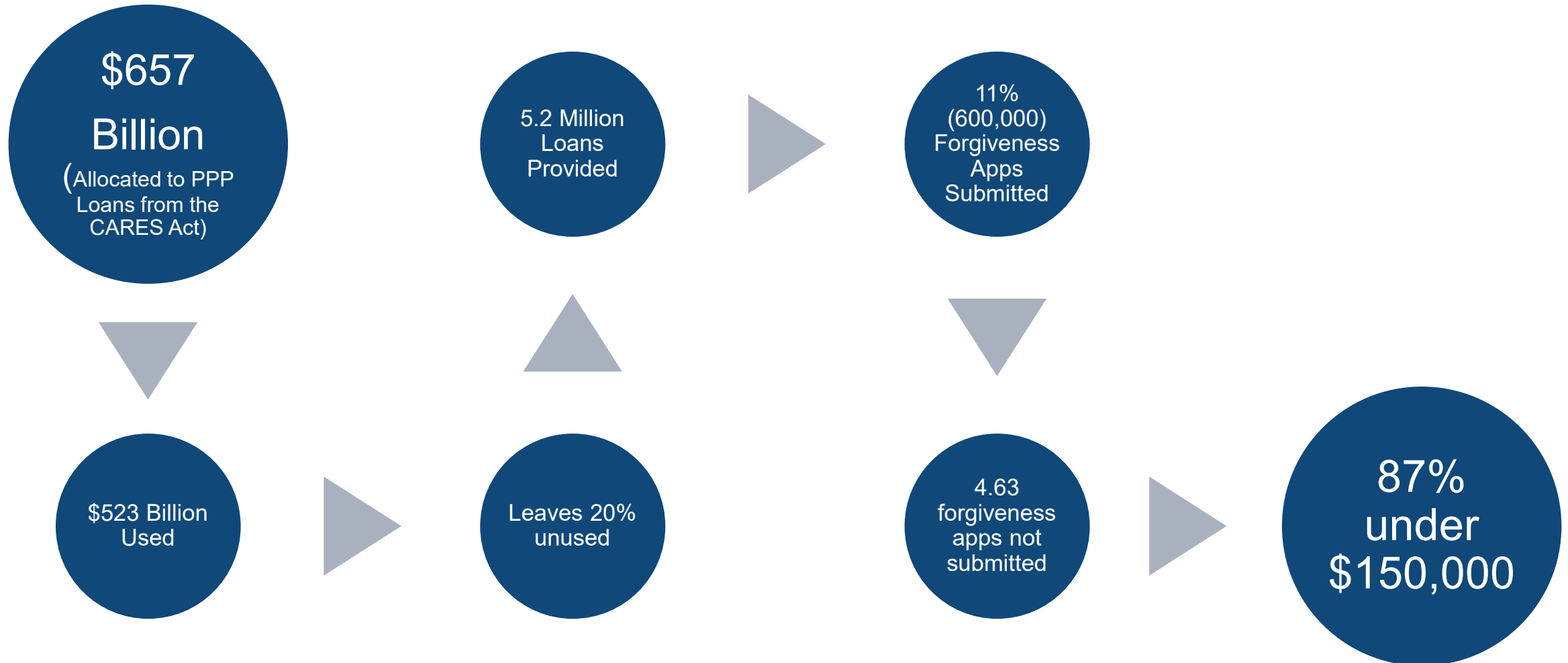
Summary of Consolidated App Act

- **What is it?**
 - Includes budget, stimulus and extension of COVID19 relief programs
- **Our Focus Today:**
 - COVID-19 relief programs aimed at small businesses
- **Other Key Components of the Act (not addressed in this webinar):**
 - \$600 Stimulus payments to individuals meeting criteria (could increase)
 - \$300 weekly supplemental unemployment benefit
 - Extension of Pandemic Unemployment Assistance (for gig workers)

Agenda

- **PPP Updates**
 - **Additional Eligible Expenses**
 - **Application Types**
 - Focus on new simplified application (3508S)
 - **Review updates to Covered Periods**
 - **Review Payroll Costs**
 - Focus on update to what's included in ER Group Coverage
- **PPP Second Draw Loans**
- **Extension of Debt Relief Program**
- **EIDL Grant/Advance Updates**
- **FFCRA EPSL/EFMLA Review and Updates**
- **Employee Retention Credit Review and Updates**
- **Payroll Tax Deferral Repayment Update**
- **Deductibility of PPP Expenses**

Current Status of PPP (end of Nov 2020)



PPP Loan Updates – Additional Eligible Expenses



- Covered Operations Expenditures:
 - Payment for any software, cloud computing, and other human resources/accounting needs.
- Covered Property Damage Costs
 - Costs related to property damage due to public disturbances that occurred in 2020 and are not covered by insurance.
- Covered Supplier Costs
 - Expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to the recipient's operations at the time at which the expenditure was made. Perishable goods can be made before or during the life of the loan
- Covered Worker Protection Expenditure
 - Personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or equivalent.

PPP Loan Updates – Forgiveness Application 3508

- 3508
 - Includes 5 sections:
 - Calculation form
 - Certification
 - PPP Schedule A
 - PPP Schedule A Worksheet
 - PPP Borrower Demographic Information Form (optional)
 - Borrowers must submit Calculation Form and Schedule A to lender.

Paycheck Protection Program
Loan Forgiveness Application

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Borrower Demographic Information Form (Optional)

Instructions

- Purpose.** Veteran/gender/race/ethnicity data is collected for program reporting purposes only.
- Description.** This form requests information about each of the Borrower's Principals. Add additional sheets if necessary.
- Definition of Principal.** The term "Principal" means:
 - For a self-employed individual, independent contractor, or a sole proprietor, the self-employed individual, independent contractor, or sole proprietor.
 - For a partnership, all general partners and all limited partners owning 20% or more of the equity of the Borrower, or any partner that is involved in the management of the Borrower's business.
 - For a corporation, all owners of 20% or more of the Borrower, and each officer and director.
 - For a limited liability company, all members owning 20% or more of the Borrower, and each officer and director.
 - Any individual hired by the Borrower to manage the day-to-day operations of the Borrower ("key employee").
 - Any trustor (if the Borrower is owned by a trust).
 - For a nonprofit organization, the officers and directors of the Borrower.
- Principal Name.** Insert the full name of the Principal.
- Position.** Identify the Principal's position; for example, self-employed individual; independent contractor; sole proprietor; general partner; owner; officer; director; member; or key employee.

Principal Name		Position
Veteran	1=Non-Veteran; 2=Veteran; 3=Service-Disabled Veteran; 4=Spouse of Veteran; X=Not Disclosed	
Gender	M=Male; F=Female; X=Not Disclosed	
Race (more than 1 may be selected)	1=American Indian or Alaska Native; 2=Asian; 3=Black or African-American; 4=Native Hawaiian or Pacific Islander; 5=White; X=Not Disclosed	
Ethnicity	H=Hispanic or Latino; N=Not Hispanic or Latino; X=Not Disclosed	

Disclosure is voluntary and will have no bearing on the loan forgiveness decision

FTE Reduction Safe Harbor:

Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: _____.

Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: _____.

PPP Loan Updates – Forgiveness Application 3508 EZ

- 3508 EZ
 - 3 Sections:
 - PPP Forgiveness Application
 - Certification
 - Borrower Demographics
 - Eligible Borrowers:
 - Self employed and have no employees.
 - Did not reduce the salaries or wages of their employees by more than 25%, and did not reduce the number or hours of their employees; or
 - Experienced reductions in business activity as a result of health directives related to Covid-19 and did not reduce the salaries or wages of their employees by more than 25%.

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
		() -	
		Primary Contact	E-mail Address

SBA PPP Loan Number: _____ Lender PPP Loan Number: _____

PPP Loan Amount: _____ PPP Loan Disbursement Date: _____

Employees at Time of Loan Application: _____ Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ EIDL Application Number: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

Weekly Biweekly (every other week) Twice a month Monthly Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs: _____

Line 2. Business Mortgage Interest Payments: _____

Line 3. Business Rent or Lease Payments: _____

Line 4. Business Utility Payments: _____

Potential Forgiveness Amounts

Line 5. Add the amounts on lines 1, 2, 3, and 4: _____

Line 6. PPP Loan Amount: _____

Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60): _____

PPP Loan Updates – Application Types 3508 S

- Applies to loans under \$150,000 (previously \$50,000)
- Borrower must submit certification to the lender:
 - No more than 1 page in length
 - Includes # of employees borrower was able to retain b/c of PPP
 - Est total amount of the loan spent on payroll costs
 - Total loan amount
- SBA to have form available within 24 days of enactment (3rd week Jan 2021)
- Applies to loans made before, on, or after the date of enactment, including the forgiveness of the loan.

PPP Loan Updates: Covered Period Options

8 Weeks

First day of covered period must be the same as the PPP Loan disbursement date. **NEW:** Can be used by any borrower (previously only available to those who applied for a first draw loan before 6/5/2020).

Extended through March 2021!

PROS:

- Loan may be forgiven faster
- Easier to be fully staffed for 8 weeks

24 Weeks

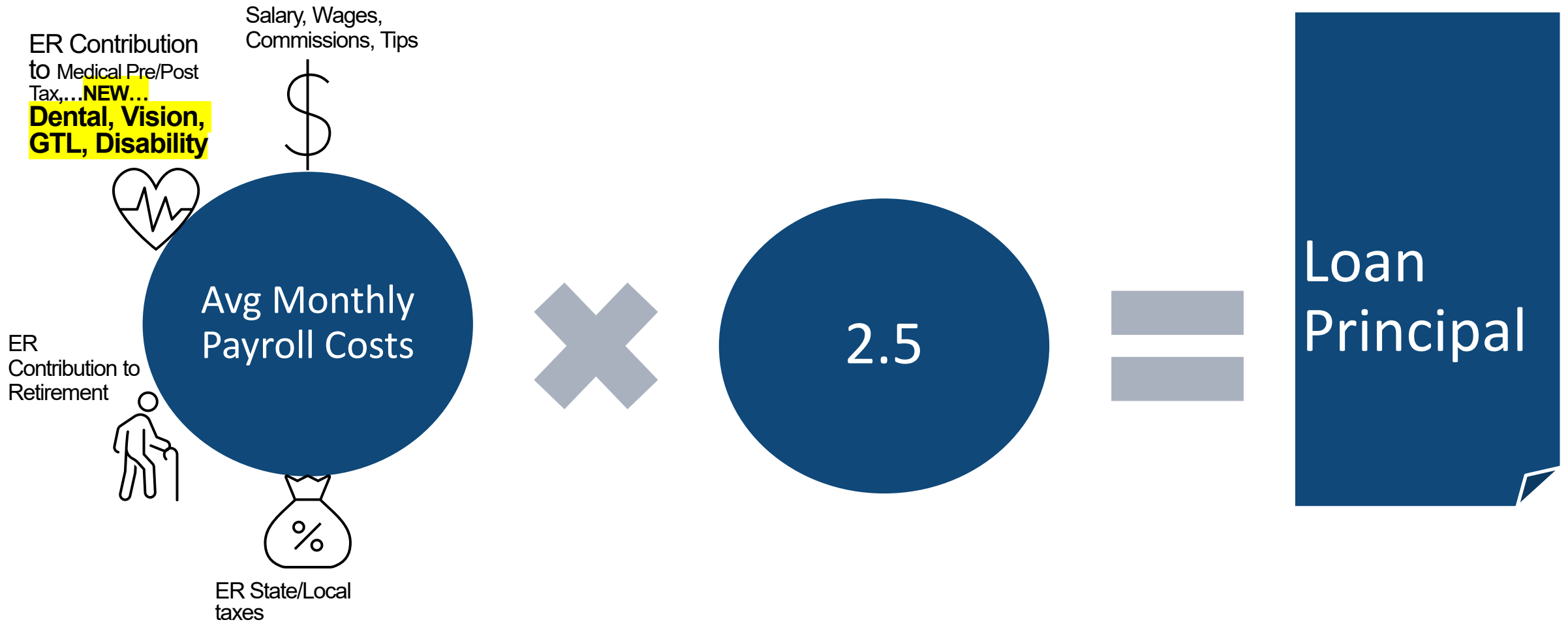
NEW: Available to all Borrowers. Previously, borrowers had to use this option if loan number assigned after 06/05/2020

Extended through March 2021!

PROS:

- More of the loan can be spent on payroll costs
- More time to speak to advisors
- More time to establish pre-covid staffing levels

PPP Loan Updates – Payroll Costs



PPP Loan Updates – Second Draw Loans

What is it?

Creates a second loan from the PPP called “PPP second draw” loan for smaller and harder-hit businesses, with a maximum amount of \$2 million.

Who is Eligible?

- Employ not more than 300 employees
- Have used or will use the full amount of their first PPP; and
- Demonstrate at least a 25% reduction in gross receipts in the first, second, or third quarter of 2020 relative to the same 2019 quarter.

PPP Loan Updates – Second Draw Loans (cont.)

Loan Terms:

In general, borrowers may receive a loan amount of up to 2.5X the avg monthly payroll costs in the one year prior to the loan or the calendar year. No loan can be more than \$2mil.

- New entities may receive loans of up to 2.5X the sum of their average monthly payroll costs.
- Entities in industries assigned to NAICS code 72 (Accommodations and Food Services) may receive loans of up to 3.5X average monthly payroll costs.
- Businesses with multiple locations that are eligible entities under the initial PPP requirements may employ not more than 300 employees per physical location.

Loan Forgiveness:

Borrowers of a PPP second draw loan would be eligible for loan forgiveness equal to the sum of their payroll costs and covered non-payroll costs. The 60/40 cost allocation between payroll and nonpayroll costs in order to receive full forgiveness will continue to apply.

Application of exemption based on employee:

Extends safe harbors and exceptions on restoring FTE and salaries.

PPP Loan Updates – Extension of Debt Relief Program

- Resumes payment of principal and interest (P&I) on small business loans guaranteed by the SBA under the Microloans programs, established under the CARES Act.
- All borrowers with qualifying loans approved by the SBA prior to the CARES Act will receive an additional 3 months of P&I starting in Feb 2021 (payments capped at \$9,000/mth).
- After the 3 month period, underserved borrowers (the smallest/hardest hit by the pandemic) receive additional 5 months of P&I payments, also capped at \$9,000.
 - Borrowers with SBA microloans, 7(a) Community Advantage loans, or 7(a)/504 loans in hardest hit sectors
- SBA payments of P&I on the first 6 months of newly approved loans will resume for all loans approved between Feb 1 2021 and Sept 30,2021, also capped at \$9,000.

PPP Loan Updates – EIDL Advances/Grants



Expand Assistance Under EIDL Programs:

- Repeals section 1110(e)(6) of the CARES Act, which requires PPP borrowers to deduct the amount of their EIDL advance from their PPP forgiveness amount.
- What if I already received forgiveness and my EIDL reduced my forgiveness amount?
 - The Administrator shall issue rules that ensure borrowers are made whole if they received forgiveness and their EIDL was deducted from that amount.
- Additional EIDL funding available for eligible entities.

FFCRA Emergency Earnings Extension

- The COVID Sick and Family Leave Programs have been extended through March 31, 2021.
- Doesn't supply additional leave; simply extends the program.
- Employers *may* continue to utilize these programs when applicable under the original rules of the program including wage and hour limits.
- Please note these limits will reset at beginning of 2021 and employees with hours and wages spread across both 2020 and 2021 will need to be reviewed by employers to verify limits are not exceeded. The manual review of wage and hour limits will still apply.

REVIEW: FFCRA – Emergency Paid Sick Leave (EPSL)

Benefit Offered

- For FT employees in situations 1-3 above (personal illness), 80 hours of EPSL at 100% of their regular rate of pay
 - Not to exceed \$511/day or \$5,110 in aggregate
- For FT employees in situations 4-6 above (caretaking), 80 hours of EPSL at 66% of their regular rate of pay
 - Not to exceed \$200/day or \$2,000 in aggregate
- PT employees are to be paid based on the average number of hours the employee worked for the six (6) months prior to taking paid sick leave

REVIEW: FFCRA – Emergency Family Medical Leave (EFMLA)

Benefit Offered

- Up to 12 weeks of leave, with first 10 days unpaid and subsequent 10 weeks paid at 2/3 the employee's regular rate of pay
 - Not to exceed \$10,000 in aggregate

Employee Retention Credit – Updates

What is it (in 2020)?

- Refundable payroll tax credit that was available to employers who:
 - 1. had their business fully or partially suspended during at least one quarter in 2020, or
 - 2. had a precipitous drop in gross receipts for quarters in 2020 relative to the same quarters in 2019.

NOTE: for 2021 there are new computation updates that apply when determining eligibility

- In 2020: Once a business experienced a quarter in which either 1 or 2 above occurred, they could claim a maximum credit of \$5,000 per employee who was paid “qualified wages.”

What’s New (retro to 2020)?

- PPP borrowers are now eligible for an ERC back to the beginning of the program – March 12, 2020.
 - PPP is based on Payroll Costs
 - ERC is based on Employee Eligible Wages
- Allocable health care costs are eligible for the credit EVEN IF no wages are paid to the employee; i.e., an employee is on furlough.
- PPP loan recipients can claim the Employee Retention Credit (rules apply to avoid double dipping)

OLD: Got a PPP Loan?
NO ERC FOR YOU!

NEW: Got a PPP Loan in 2020? Claim your ERC on qualified wages!

OLD: Credit = 50%
of qualified Wages

NEW: Credit = 70%
of qualified wages

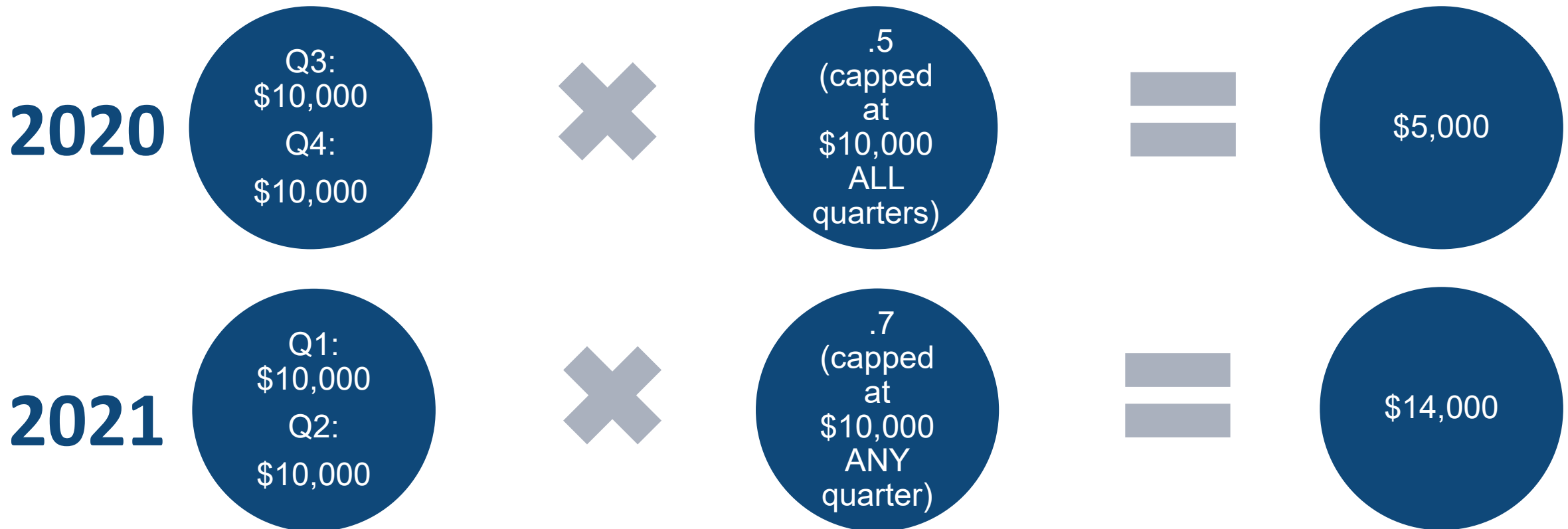
OLD: Qualified Wages = paid to any one employee at \$10k for ALL quarters

NEW: Qualified wages = paid to any one employee at \$10k for ANY quarter

Employee Retention Credit – Updates

Let's take a deeper look at the update to what is considered "Qualifying Wages" for the ERC:

- OLD (2020): Qualified Wages = paid to any one employee at \$10k for **ALL** quarters
- NEW (2021): Qualified Wages = paid to any one employee at \$10k for **ANY** quarter.



Payroll Tax Deferral – Repayment Timeline

What is it?

- Effective 9/1/2020, employers provided a voluntary option to not withhold **employee social security tax** through end of 2020
- Taxes originally due by 4/30/2021
- Employer responsible for paying the taxes and obtaining reimbursement from the employee

What's New?

- Timeline for repayment has now been extended to 12/31/2021
- Employer continues to be responsible for paying the taxes and obtaining reimbursements from the affected employees

Deductibility of PPP Expenses

What is it?

- The original passing of the CARES Act did not allow the deductibility of expenses covered by a forgiven PPP loan
- This created a tax dilemma for businesses and owners who would be responsible for paying taxes on forgiven PPP loans

What's New?

- The expenses covered by a forgiven PPP loan are now deductible
- Sigh of relief for business owners who otherwise may have incurred significant tax bills
- Discuss the proper accounting of PPP loans and their forgiveness with your tax advisor

CARES PPP Resources

- **SBA**
 - **Forgiveness Applications**
 - [Revised Application – full](#)
 - [Revised Application – EZ](#)
 - [Revised Application – Short](#)
 - [New IFR \(Interim Final Rule made on 06/05/2020\)](#)
 - [FAQs for EIDL](#)
 - [PPP FAQs](#)
 - [SBA Guide on PPP Loan Forgiveness \(great resource!\)](#)
- **US Dept of Treasury**
 - [Fact Sheet](#)
 - [Guidance for Lenders](#)
- **iSolved University**
 - [FTE by Hours Paid](#)
 - [CARES PPP Forgiveness](#)

Need more COVID-19 Resources?!

- <https://www.coastalpayroll.com/covid-19>
- Stay Tuned for Our Upcoming Coastal Town Halls

Thank you!

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