



# Coastal COVID 19 Assistance

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# Agenda

- **PPP**
  - **First and Second Draw Loan Requirements**
  - **Additional Eligible Expenses**
  - **What is Available**
  - **Simplified Loan Forgiveness**
- **Employee Retention Credit (ERC) Assist**
  - **Eligibility Review**
  - **ERC Example**
  - **ERC Assist from Coastal**
  - **Survey results**

# PPP Loan Updates

## First Draw Loans

### Eligibility

In operation on Feb. 15, 2020, and come from one of the following groups:

Businesses with 500 or fewer employees (per physical location for NAICS code 72)

Sole proprietors, independent contractors, not-for profits (including churches) and eligible self-employed individuals.

Sec. 501(c)(6) business leagues with 300 or fewer employees and do not receive more than 15% of receipts from lobbying. Sports leagues are not eligible.

News organizations or not-for-profit public broadcasting entities with a trade or business under NAICS code 511110 or 5151. The size limit for this category is no more than 500 employees per location.

## Second Draw Loans

### Eligibility

Fewer than 300 employees (per physical location for NAICS code 72)

Used first loan prior to disbursement

Used entire first loan on eligible expenses

Experienced a revenue reduction of 25% or more in all or part of 2020 compared with all or part of 2019.

This is calculated by comparing gross receipts in any 2020 quarter with an applicable quarter in 2019, or, in a provision added in the IFR, a borrower that was in operation for all four quarters of 2019 can submit copies of its annual tax forms that show a reduction in annual receipts of 25% or greater in 2020 compared with 2019.

## 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 essential to the recipient's operations at the time at which the expenditure was made. Supplier contracts must be in effect prior to receiving loan.

### **Covered Worker Protection Expenditure**

PPE and adaptive investments to help a loan recipient comply with federal health and safety guidelines or equivalent.

# PPP Loan Updates

## First Draw Loans

### What is available

2.5X average monthly payroll costs for a time period:

2019

2020

Maximum Loan amount of \$10M

Expenses covered:

payroll, rent, covered mortgage interest, utilities, software/cloud computing/HR/accounting costs, covered supplier costs, covered PPE costs

Must spend at least 60% of loan on payroll costs during 8 to 24 week period

Loans under \$150,000 have simplified reporting requirements

Available through 3/31/2021 or until program funds depleted (\$35B available)

## Second Draw Loans

### What is available

2.5X average monthly payroll costs for a time period (3.5X for NAICS code 72):

2019

2020

Maximum Loan amount of \$2M

Expenses covered:

payroll, rent, covered mortgage interest, utilities, software/cloud computing/HR/accounting costs, covered supplier costs, covered PPE costs

Must spend at least 60% of loan on payroll costs during 8 to 24 week period

Loans under \$150,000 have simplified reporting requirements

Available through 3/31/2021 or until program funds depleted

# Which forgiveness application will I use?

- 3508 S – Loans under \$150,000 (1<sup>st</sup> and 2<sup>nd</sup> draw loans)
- 3508 EZ – Loans between \$150,000 and \$2,000,000 AND borrower meets FTE and Salary/Wage requirements
- 3508 (Long Form) - Loans above \$2,000,000 OR loans between \$150,000 and \$2,000,000 and borrower does not meet FTE and Salary/Wage requirements

# Employee Retention Credit – Eligibility (2020)

**For 2020 (beginning March 13, 2020 and ending December 31, 2020)**

Any Employer experiencing Partial or Total Suspension/Shutdown of Operations due to Government Order with under **100 FTE in 2019** is eligible.

- **Employers in the industries below will qualify for some time period**
  - **Restaurants/Bars**
  - **Gyms/Fitness Centers/Sports Camps**
  - **Retail locations – when stores were closed**
  - **Salons/barbershops**
  - **Medical practices – during closure or during time periods where non-essential services could not be performed**

**If you are in another industry, please review IRS website for qualification criteria and examples.**

- <https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-determining-when-an-employers-trade-or-business-operations-are-considered-to-be-fully-or-partially-suspended-due-to-a-governmental-order-faqs>
- **Gross Receipts test is 50% reduction for 2020 (using previous calendar quarter)**

# Employee Retention Credit – Eligibility (2021)

For 2021 (beginning January 1, 2021 and ending June 30, 2021)

- Any Employer experiencing Partial or Total Suspension/Shutdown of Operations due to Government Order with under **500 FTE in 2019** is eligible.

**Employers in the industries below will qualify for some time period**

- **Restaurants/Bars**
- **Gyms/Fitness Centers/Sports Camps**
- **Retail locations – when stores were closed**
- **Salons/barbershops**

**If you are in another industry, please review IRS website for qualification criteria and examples.**

<https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-determining-when-an-employers-trade-or-business-operations-are-considered-to-be-fully-or-partially-suspended-due-to-a-governmental-order-faqs>

- **Gross Receipts test drops to a **20% reduction for 2021 (using previous calendar quarter)****

# Employee Retention Credit – Strategy

- **If you are eligible for 2021**
  - Start calculating and processing asap! Immediate savings due to offset of 941 taxes with payrolls.
- **If you are eligible for 2020**
  - After you have 2021 process established, shift to 2020 review.
  - Confirm dates of suspensions/shutdowns, PPP covered periods.
  - Run reports to determine qualified wages.
  - File amended 941-x tax returns.



# Employee Retention Credit – Eligibility ?'s

## What is my FTE count? For what period do I need to measure?

- Your FTE count is based on 2019 and uses the 30 hour per week threshold to count FTE's.
- Use 2019 for both 2020 and 2021 eligibility.

## What if I own multiple companies?

- Aggregate group rules apply. The 100 and 500 FTE criteria must be evaluated across all companies.

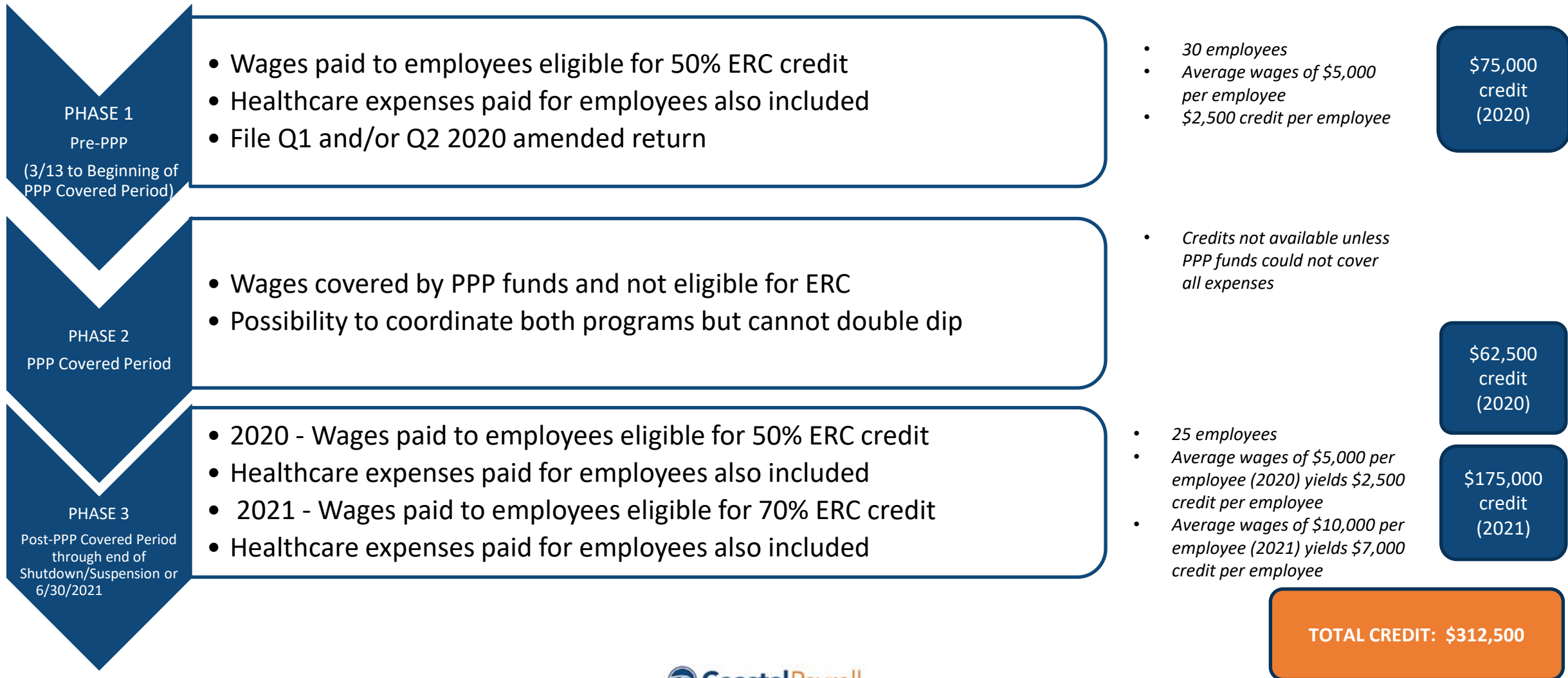
<https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-determining-which-entities-are-considered-a-single-employer-under-the-aggregation-rules-faqs>

# Employee Retention Credit – PPP Compatibility

## What if I had a PPP Loan? Can I use ERC?

- Yes, but consider the following:
  - Can't use ERC for wages covered by PPP.
  - If you have submitted PPP Forgiveness App, you can't use ERC for PPP Covered Period.
  - If you have not submitted PPP Forgiveness App, you could analyze a shorter PPP Covered Period window (between 8 and 24 weeks) if you were unable to support all expenses with PPP funds.
    - Easier to do this last step if loan is under \$150,000, due to lack of FTE/Salary/Wage reduction requirements.
    - Advanced analysis required if loan over \$150,000.
    - Don't sacrifice PPP forgiveness for ERC, talk to your tax/legal/accounting advisors.

# Employee Retention Credit – Example (2020)



# Employee Retention Credit – Coastal Support

## How Can Coastal Help?

- Assist with getting tax credits to fund operations in 2021
  - Coastal will assist the client in determining eligibility using ERC Survey
  - Coastal will assist the client in calculating their 2021 ERCs
- Assist with recapture of tax credits which previously were not available to borrowers:
  - Coastal will assist client in calculating their 2020 ERC credit
  - Once calculated, our tax team will process the necessary quarterly adjustments

# Need more COVID-19 Resources?!

- <https://www.coastalpayroll.com/covid-19>
- Coastal Town Halls: [REGISTER HERE](#)

# Thank you!

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