



# Coastal COVID 19 Assistance

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2/25/2021*

# Agenda

- **PPP Updates**
- **Employee Retention Credit (ERC) Assist**
  - Eligibility Review
  - ERC FAQ
  - ERC Assist from Coastal

# PPP Updates

- First and Second Draw Loans available through March 31, 2021
  - As of **2/21/2020** the SBA has disbursed **\$663 billion** of the **\$796 billion** so far appropriated by Congress to this program. As of Round Three, **\$143 billion, or 51 percent of Round Three PPP funding, remain available to the program.**
- For two weeks, starting Wednesday (2/24), the Small Business Administration will only accept applications for PPP loans from firms with fewer than 20 employees.
  - 98% of small businesses employ fewer than 20 people but have received only 45% of PPP funding thus far, according to the SBA.
- Second Draw Loans only available if under 300 employees and experienced 25% reduction in revenue in all or part of 2020 (vs. 2019)

# 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

# PPP Updates

- Alternative Covered Period eliminated going forward (includes 2020 forgiveness apps not yet submitted)
- 3508 S (short form) available for loans under \$150,000
  - FTE/Salary Wage requirements must be met for loans over \$50,000
    - Documentation requirements simplified when using form 3508 S
- PPP Covered Period can end at any point between 8 weeks to 24 weeks
  - Allows flexibility in coordinating PPP and ERC programs

# 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.

**OR**

- Gross Receipts test is 50% reduction for 2020 (using current 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.

**OR**

- Gross Receipts test is 20% reduction for 2021 (using previous calendar quarter for Q1 2021)



# 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.
- Form 7200 may also be filed in advance of quarter end for advance of credits

## ➤ **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.

## **Is my FTE count for Full-Time employees plus Full-Time Equivalents (similar to Affordable Care Act definition)?**

- Still unclear, but the wording on IRS website does not discuss Full-Time Equivalents. This could affect employers on the edge of 100 or 500 FTE's.

# Employee Retention Credit – Eligibility ?'s

## 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 \$50,000, due to lack of FTE/Salary/Wage reduction requirements.
    - Advanced analysis required if loan over \$50,000.
    - Don't sacrifice PPP forgiveness for ERC, talk to your tax/legal/accounting advisors.

# 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

# Employee Retention Credit – Coastal Support

## Next Steps – Coastal Clients

- If you haven't spoken to our ERC team, and think you are eligible for ERC:
  - Complete the survey
  - Schedule a 30 minute consultation (Current Clients Only):
    - <https://calendly.com/erccoastal/30min>

## Next Steps – Prospective Coastal Clients

- Discuss with Sales representative:
  - We can help! If your business qualifies, we can start processing credits as soon as you begin processing with Coastal

# Need more COVID-19 Resources?!

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

# Thank you!

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