PPP Update Seminar: Guidance on the PPP Loan Forgiveness Application, PPP2

January 6, 2021
11:00 AM - 12:15 PM
2021 Legislative Preview

January 11, 2021  |  9 AM - 12 PM  |  Virtual
Upcoming Events

COVID-19 AND MEMBER UPDATES
Bi-Weekly Member Call (1pm)
January 14, 28
February 11, 25

Getting the Most from the Nonprofit Development Center
January 12, February 9

LEADERSHIP, PEER-TO-PEER
Chief Financial Officer Roundtable
January 19

New Executive Director Roundtable
February 3

NONPROFIT FUNDAMENTALS
Board Excellence Workshop
January 27, February 3

AmeriCorps Grant Funding Opportunities Info Session
February 25

Pass to Excellence
February 4, 11

HUMAN SERVICES
Alternative Response in Child Welfare in Maryland
January 26

PARTNER EVENTS
Chesapeake Planned Giving Council – The Impact of Diversity on High Performing Teams
January 13
PPP LOAN FORGIVENESS & PPP2

WE ARE PROUD TO BE THE CFO FOR MARYLAND NON-PROFITS
GOLDIN GROUP CPAS IS THE EXCLUSIVE PROVIDER OF FINANCIAL SERVICES TO ITS MEMBERS
AGENDA

PPP History
Forgiveness Timeline
PPP2 (Round 2)
Forgiveness Applications
Tax Deductibility
Lending Options
Q&A
DISCLAIMER

Content is for general informational purpose only
This webinar does not provide legal advice
BRIEF PPP HISTORY

Coronavirus Aid, Relief, and Economic Security Act (CARES Act) – Enacted the PPP.
  • Covered period: 8 weeks.
  • Allocation: 75% payroll, 25% non-payroll.
  • 74% of loans were for $150,000 or less.

PPP Flexibility Act (PPPFA) – Amended the CARES Act PPP program.
  • Covered period: Expanded from 8 to 24 weeks, or December 31, 2020.
  • Allocation: 60% payroll, 40% non-payroll.
  • Established various safe-harbor provisions (Wage and FTE reductions).

Consolidated Appropriations Act 2021 (CAA) - $900 billion COVID-19 relief bill signed into law on December 27, 2020.
  • Revises and expands the various federal programs, including PPP.
  • Amends the original and subsequent PPP loans (referred to as PPP2).
FORGIVENESS TIMELINE
ORIGINAL PPP & PPP2

Lenders are accepting forgiveness applications

Borrowers can apply for forgiveness any time up to the maturity date of the loan

**Deferral period** – After your covered period ends (8 or 24 weeks) you have *10 months before payments are required*.

**Lender Evaluation** – lender has up to 60 days to review.

**SBA Evaluation** – Lender sends their decision to SBA. SBA has up to 90 days to evaluate.

**Forgiveness decision** – Lender will notify of the forgiveness result.
  - Forgiveness will be fully or partially approved, or denied.

Borrowers have the option to appeal the SBA’s decision.

**RECOMMENDATION**: NOW IS THE TIME TO APPLY FOR LOAN FORGIVENESS!
PPP2: SECOND DRAW QUALIFICATIONS

300 or fewer employees.

**25% gross receipts decline in any quarter in 2020 compared to the same quarter in 2019**
- EIDL and original PPP loan are not included in gross receipts
- Appears to be based on calendar quarter
- Cash or accrual accounting method not yet defined

Has used or will use full amount of first draw funds

Calculated at 2.5x average monthly payroll
- 3.5x for restaurants, hotels, etc (NAICS code 72: Accommodation and Food Services)

Maximum loan amount is $2 million

Can use either 2019 payroll or 12 months prior to application

SECOND DRAW LOANS ARE FOR THE HARDEST HIT BORROWERS
PPP2: FIRST DRAW QUALIFICATIONS

500 or fewer employees.
Nonprofits, including churches
501(c)(6) and destination marketing organizations
  • 300 or fewer employees
  • Chambers of commerce, economic development, tourism
  • Subject to lobbying threshold (15% of receipts, 15% of activities, $1M)
Sole proprietors, independent contractors, and eligible self-employed individuals.
Calculated at 2.5x average monthly payroll;
  • 3.5x for restaurants, hotels, etc (NAICS code 72: Accommodation and Food Services)
Maximum loan amount is $10 million
Can use either 2019 payroll or 12 months prior to application

PPP LOANS TO BE RE-OPENED FOR FIRST-TIME BORROWERS
PPP2 INELIGIBLE BUSINESSES
FIRST & SECOND DRAWS

Businesses not in operation on **February 15, 2020**

- Lobbying organizations
- Publicly-traded businesses
- Entities receiving Shuttered Venue Operator Grants
- Entities affiliated with entities in the People’s Republic of China
- Those registered under the Foreign Agents Registration Act
Payroll costs
  • clarified to include group health, life, disability, vision, and dental insurance

Mortgage interest, Rent, Utility payments

Expanded eligible expenses to include:
  • Worker protection expenditures: PPE and costs to comply with COVID-19 safety guidelines
  • Operations expenditures: Software, cloud computing, other HR/accounting expenses
  • Property damage costs: Costs related to 2020 public disturbances not covered by insurance
  • Supplier costs

Applies to original PPP loans and new PPP2 loans (unless forgiveness has already been processed)

60/40 split between payroll and non-payroll is maintained for PPP2
Covered period: Applicants choice of 8 or 24 weeks
# LOAN FORGIVENESS APPLICATIONS

**ORIGINAL PPP & PPP2**

**CHOOSE THE SIMPLEST APPLICATION BASED ON YOUR ELIGIBILITY**

<table>
<thead>
<tr>
<th>Forgiveness Application</th>
<th>Who is eligible?</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPP Loan Forgiveness Application</td>
<td>Anyone who has applied for a PPP</td>
</tr>
<tr>
<td>Form 3508EZ</td>
<td>Any employer who has not reduced employee wages by more than 25%</td>
</tr>
<tr>
<td>Form 3508S</td>
<td>Any PPP borrower who has borrowed less than $50,000</td>
</tr>
<tr>
<td>Simplified Forgiveness Application</td>
<td>Any PPP borrower who has borrowed less than $150,000</td>
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</table>
SIMPLIFIED FORGIVENESS APPLICATION

ORIGINAL PPP & PPP2

Designed streamline PPP forgiveness for loans of $150,000 or less.

One-page application

Including:

- loan amount and number of employees retained
- Estimate of loan amount spent on payroll
- Attest to complying with PPP requirements

Required to retain employment records for **four years**

Other records for **three years**.

May be required to provide documentation to substantiate loss of revenue

SBA IS CURRENTLY DEVELOPING THE APPLICATION FORM
TAX DEDUCTIBILITY FOR PPP EXPENSES

The COVID-19 relief bill clarifies that “no deduction shall be denied, no tax attribute shall be reduced, and no basis increase shall be denied, by reason of the exclusion from gross income provided”

The PPP2 makes it clear that expenses paid with the proceeds of a forgiven PPP loan are tax-deductible to the extent they would have been deductible had they been paid with funds other than the PPP loan.

The tax basis of the borrower’s assets and other tax attributes will not be reduced as a result of the loan forgiveness.

APPLIES TO THE ORIGINAL PPP AND SUBSEQUENT PPP2 LOANS
PPP2: WHERE TO APPLY
FIRST & SECOND DRAWS

The SBA has not indicated when they will be ready to accept PPP2 applications.

Key milestones in the legislation:
- 10 days (Jan 6) – guidance and rules for first and second draw PPP2 borrowers
- 24 days (Jan 20) – establish streamlined PPP forgiveness form for loans under $150,000

LENDING OPTIONS:
- Traditional financial institutions: M&T, Bank of America, etc.
- Federal Credit Unions: NIH FCU, etc.
- Fintech (Finance Technology) lenders: Biz2credit, Kabbage, PayPal, Lendio, etc.

RECOMMENDATION: PREPARE IN ADVANCE
SPEAK WITH YOUR CPA TO GATHER DOCUMENTS
Q&A

USE THE Q&A BOX
WE ARE TRUSTED ADVISORS SPECIALIZING IN NON-PROFIT AND SMALL BUSINESS SECTORS

CONTACT US FOR FURTHER GUIDANCE

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