

# Covid-19 PPP Update


Presented by:  
Delta Administrative Services and Laporte CPA's  
July 7<sup>th</sup> 2020





# Today's Presenters

- **David Lawrence**, DCC 10KSB Alumnus and President and Founder of Delta Administrative Services. His vision for HR outsourcing began when he took the helm of his father's personnel business in 1988. With his extensive sales experience and degree in business and economics from Centenary College, David was positioned strategically to grow Delta into one of the leading Human Resource Outsourcing Companies in the south.
- **Eric Bosch**, DCC 10KSB Faculty Member and CPA, began his professional career in 1990. He has decades of public accounting experience providing accounting and auditing services to community-based financial institutions, manufacturing businesses, energy service companies, governmental entities, and nonprofit organizations.



# PPP Overview-What we Know

- This is a Loan not a Grant, you will/may have to pay money back
- Anticipate the rules will change over time
- Paper trail for forgiveness appears to be substantial compared to the loan application



# PPP Loans Overview

- Brief history about the Paycheck Protection Program
  - Part of Coronavirus Aid, Relief and Economic Security Act (CARES Act)
  - Response to the COVID-19 Pandemic
  - Initial Funding for PPP - \$349 Billion; second round of funding of \$310 billion
- Eligible Entities
  - Generally, any small business with 500 or fewer employees
  - Sole proprietors, independent contractors, and self-employed persons
  - 501(c)(3) non-profit organization, 501(c)(19) Veterans organizations, Tribal businesses



# PPP – Its not too Late

- How to apply
  - Reach out to your bank or credit union
  - Go to [sba.gov](http://sba.gov) for a listing of participating lenders
- How is the loan amount determined
  - Generally, 2.5 times average monthly payroll costs incurred in 2019
  - Payroll Costs include/exclude:
    - Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee)
    - Employee Benefits paid by the business
      - Health Insurance
      - Retirement benefits
    - Taxes assessed on compensation – SUTA



# Why Apply for PPP

- What can the PPP Loan be used for:
  - Payroll costs, including benefits
  - Interest on mortgage obligations, incurred before 2/15/20
  - Rent on personal and real property under lease agreements in force before 2/15/20
  - Utilities, for which service began before 2/15/20
- Why it Makes Sense
  - Potentially 100% forgivable
  - If not forgivable, then
    - Payable over two years – if originated before 6/5/20
    - Payable over five years – if originated after 6/5/20
  - Interest rate is 1%



# Not too Late, (Continued)

- Recent Developments
  - PPP Loan Forgiveness and Flexibility Act –
  - Date to submit a PPP Loan Application
    - Initial Date to file for PPP – 6/30/20
    - Extended to 8/8/20 last week
- Approximately \$130 billion still available



# PPPFA

- Forgiveness of PPP Loan – PPP Loan Forgiveness and Loan Flexibility Act
  - Signed into law 6/5/20
  - Provides minimum payback period of 5 years (for loans issued on or after 6/5/20)
  - Increases Covered Period from 8 to 24 weeks
    - Increases likelihood of Full forgiveness of PPP loan
    - Eligible costs include those -
      - Paid during the covered period
      - Incurred during the covered period and paid subsequent
  - Reduced required payroll cost minimum percentage from 75% to 60%
    - Some businesses were concerned about meeting the 75% requirement





# Latest Update on Forgiveness

- Recent SBA Guidance

- Can apply for loan forgiveness any time on or before maturity date of loan

- Don't have to wait until end of 24 weeks to apply if you used all of the loan proceeds

- Your bank may not be ready to receive your loan forgiveness application



# Latest Update on Forgiveness

- How to Apply for Forgiveness

- PPP EZ Loan Forgiveness Application – Must meet one of three criteria
  - Self employed or sole proprietor with no employees at the time of the application and did not include any employee salaries in the loan application
  - Did not reduce annual salary or wages of any employee by more than 25% during Covered Period compared to the period between 1/1/20 and 3/31/20 (Excludes employees with annualized salaries of \$100,000); and the borrower did not reduce the number of employees or average paid hours between 1/1/20 and the end of the covered period
  - Did not reduce annual salary or wages of any employee by more than 25%; and borrower was unable to operate during the covered period at the same level of business as before 2/15/20 due to Government mandate
- Standard PPP Loan Forgiveness Application – A bit more involved
  - Recommend working with your accountant, CPA, etc.
  - Loan Application forgiveness template provided by AICPA



# Forgiveness Guidelines

- Reductions to Forgiveness
  - Reductions are applied against total allowable costs, which should be more than PPP loan amount
  - Loan Forgiveness Reductions are due to:
    - Reduction in the number of FTEs during covered period as compared to selected base period
      - Have until 12/31/20 to eliminate the reduction in FTE's
      - An employee can be counted as an FTE if
        - Tried to hire back and they refused offer
        - Fired for cause
        - Voluntarily resigned or requested a reduction in hours
    - Rate of Pay Reduction of More than 25%
      - Applies to any employee that received an annualized salary of less than \$100,000 in 2019 in any one period
- Would need to calculate on an employee-by-employee basis



# Forgiveness Guidelines (Cont.)

- Documentation Needed to Support Allowable Costs
  - Payroll Reports
  - Tax Forms
  - Canceled checks
  - Health and Retirement Statements
  - Lender Amortization Schedules for Mortgage Loans
  - Lease Agreements
  - Utility bills and invoices



# Forgiveness Guidelines (Cont.)


- Other Documentation Needed
  - Employee job offers and refusals
  - Documentation supporting Number of FTEs
  - Documentation supporting changes in Annual Salary or Payrate Reductions



# PPP Questions

- Please ask questions through the button below





## Families First Coronavirus Response Act (FFCRA) Emergency Paid Sick Leave (ePSL) / Expanded Family and Medical Leave (eFMLA)

- The First Employee Rights Poster - mandated to be displayed in the workplace visible to all employees.
- If the business is still operating but employees are teleworking, it can be posted on the employee self service portal (ESS), so it is available 24/7 to all employees.
  - Posting electronically meets the mandated posting requirement for teleworking



# FFCRA Definitions

- FFCRA is the Families First Coronavirus Response Act
- ePSL = Emergency paid sick leave (2 Weeks Paid Leave at average pay rate/hours for previous 30-60 days)
- eFMLA = Emergency Family Medical Leave Act (12 Weeks paid leave) really 10 weeks after the first 2 weeks are paid through ePSL. Paid at  $2/3^{\text{rd}}$  average pay rate





# FFCRA - qualifications

- 1) The employee is subject to a federal, state, or local quarantine or isolation order related to COVID-19.
- 2) The employee has been advised by a healthcare provider to self-quarantine due to concerns related to COVID-19.
- 3) The employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis.
- 4) The employee is caring for an individual who is needs to quarantine, isolate, or self-quarantine under government order or health care advisor advice.
- 5) The employee is caring for their son or daughter if the school or place of care of the son or daughter has been closed, or the childcare provider of the son or daughter is unavailable, due to COVID-19 precautions.
- 6) The employee is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services, in consultation with the Secretary of the Treasury and the Secretary of Labor.

## FFCRA – qualifications cont.

- Employees laid off after 03.01.2020, subsequently rehired, AND had worked for the ER for at least 30 of the last 60 days prior to the layoff, are entitled to FFCRA leave.
- If the business closes/is closed former EE's are not eligible for FFCRA leave
- Teleworkers are not eligible for FFCRA leave



# FFCRA leave entitlement

## ■ **General Rule:**

- Employees must be employed for at least 30 calendar days
- FFCRA does not change the total # of weeks an EE can take leave during a 12-month period
- If the EE has taken all of their allotted 12-weeks of FMLA, the EE is NOT eligible for eFMLA.
- If the EE uses some, but not all FFCRA leave as of December 31, 2020 and later develops a serious medical condition, the EE may take the remaining portion of FMLA leave as long as the total does not exceed 12 workweeks within a 12-month period.



# ePSL / eFMLA Documentation

- Documentation supporting an employee's request for EPSL or EFMLA must include an employee's signed statement with:
  - (1) the employee's name;
  - (2) the date(s) the employee is requesting leave;
  - (3) the COVID-19 qualifying reason for leave; and
  - (4) a statement that the employee is unable to work or telework because of the COVID-19 qualifying reason



# COVID-19 Tax Credits

- SICK/FMLA LEAVE TAX CREDIT –
  - Credit for the Gross Pay of both ePSL and eFMLA should be taken against federal withholding and the employers share of Social Security and Medicare Taxes, this all can be declared on your tax regular deposits and then must be shown on your quarterly 941 tax forms.
  - See your payroll provider for details

# Questions?

- Please visit our website for all useful info  
Coronavirus Page:

[www.deltapeo.com](http://www.deltapeo.com)

<https://www.deltapeo.com/covid-19-updates/>

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