



SKR+CO WEBINAR SERIES

MAR 31 | Families First + Paycheck Protection Program



Welcome + Webinar Tips



Marjorie Noleen

Marketing + Client
Relations Director

Webinar Facilitator

- Attendees are in listen-only mode.
- CPE Credit
- Handouts are available.
- Questions:
 - Post using the question function.
 - We will pause to answer questions periodically.
 - You may also email questions to communications@skrco.com
 - There will be time for questions at the end as well.
- Webinar is being recorded.

Agenda



SKR+CO and Coronavirus Updates



SBA Paycheck Protection Program



Families First Coronavirus Response Act



Overview of Coronavirus Aid, Relief and Economic Security (CARES) Act

Award-Winning, Full-Service Accounting

**A TOP ACCOUNTING FIRM,
MOUNTAIN REGION**

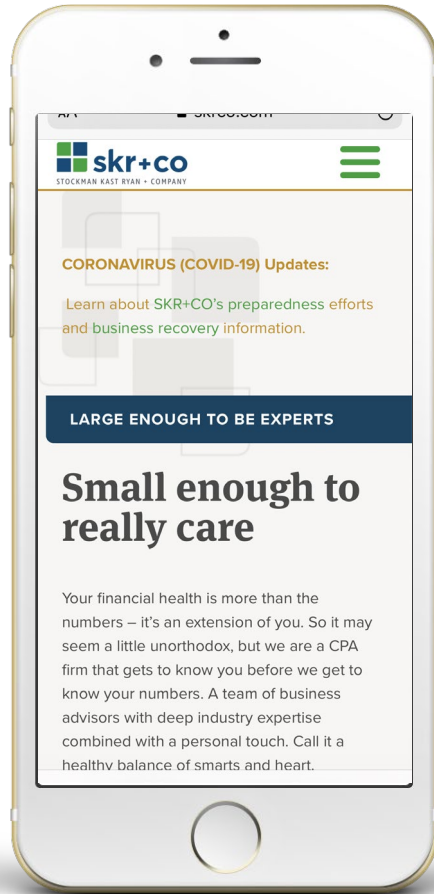
Accounting Today
2017, 2018, 2019, 2020

- Business + Individual Tax Planning
- Audit + Assurance Compliance
- Bookkeeping + QuickBooks
- Interim CFO or Controller Services
- Estate + Trust Planning
- Litigation Support
- Business Advising
- Business Valuations

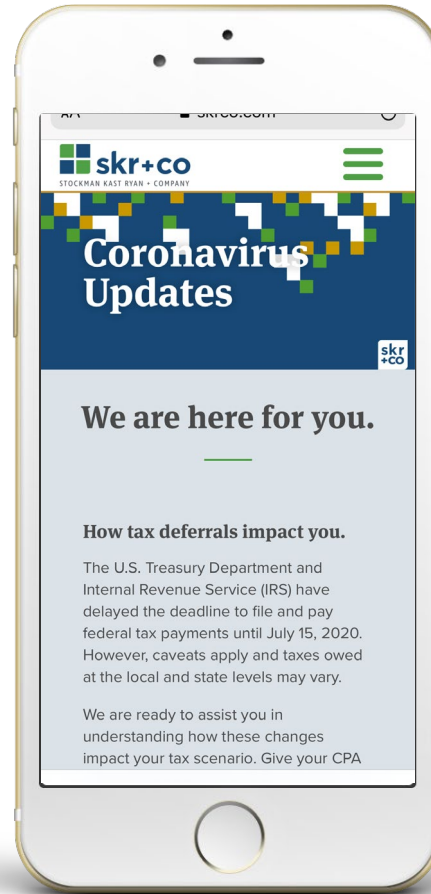
SKR+CO Community Commitment



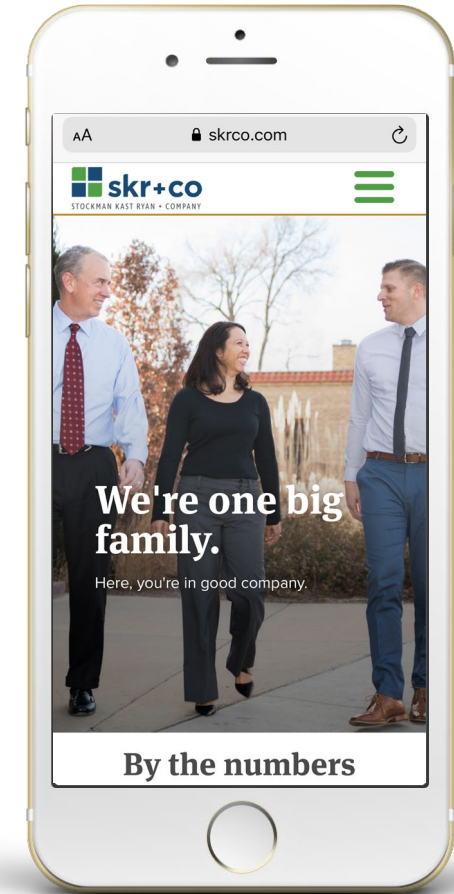
SKR+CO and Coronavirus Updates



Communication
Channels



Coronavirus
Updates



SKR+CO
Operations

Today's Speakers



Eric Ryan, CPA

Tax Partner



Jordan Empey, CPA

Tax Partner



Anna Stepan, CPA

Senior Tax Manager

From Our Families to Yours: Be Safe and Stay Well





Paycheck Protection Program

Presented by: Jordan Empey, CPA + Eric Ryan, CPA

Paycheck Protection Program (PPP)

- Signed into law March 27, 2020 as part of **The CARES Act**.
- The government's goal is to keep as many people employed as possible during this economic interruption.
- This loan will apply to almost any business that has payroll and therefore is vitally important for all business to pay attention to.
- Loan program also applies to sole proprietors, independent contractors and eligible self-employed individuals (defined in Families First Act).

Paycheck Protection Program (PPP)

- With \$349 billion dollars allocated to this program, that only allows for 350,000 x \$1M loans.
- Potential for the system to be inundated with loan requests.
- Key is to get started on documentation early and work with someone that has navigated SBA loans before.



U.S. Small Business
Administration

SBA PPP Loan Overview

- No personal guarantees required.
- No collateral required.
- Loans will be non-recourse.
- No SBA guarantee fees will be charged.
- Interest rate on the loan will be 4%.
- No prepayment penalty.

SBA PPP Eligibility

Borrowers will be required to certify:

- The uncertain economic conditions make the loan necessary to ***support*** ongoing operations.
- The proceeds will be used for the intended purposes.
- The recipient does not have an application and has not received another loan for the same purpose or duplicative amounts.

SBA PPP Loan Amount

How much

The maximum loan amount will be determined by calculating an average monthly payroll cost over the trailing twelve months and multiplying that amount by 2.5X up to a \$10,000,000 maximum.

- For purposes of this calculation, eligible payroll costs will not include compensation in excess of \$100,000 annualized salary per employee.

SBA PPP Loan Forgiveness

Borrowers will be eligible for forgiveness of all or a portion of the SBA PPP loan under the following guidelines:

- Forgiveness will be calculated by the sum of eligible expenses incurred over an 8-week period following the origination of the loan.
- Eligible expenses include – payroll related costs, interest on mortgage payments, rent, utilities.
- Forgiveness is a tax-free event.

SBA PPP Loan Forgiveness, cont.

- Forgiveness amounts will be reduced for a reduction in full-time equivalent employees (FTEEs). There are two periods to measure a reduction in FTEEs and the borrower can select the most advantageous *time period*.
- Forgiveness amounts will be reduced by a decrease in total salary of any employee in excess of 25%.
- Any balance remaining after the forgiveness will become a 10 year fully amortizing loan.



Meet Jane

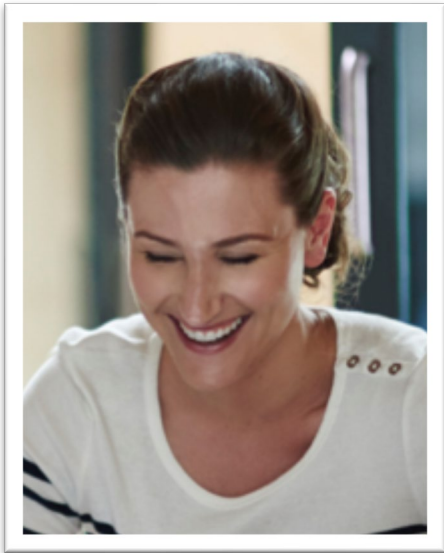
Business owner who wants to apply for a PPP loan.

PPP Loan: Maximum Borrowing

- Jane has an **average total monthly payroll** of \$50,000.
 - Average is based on the prior one-year before the new PPP loan is originated.
 - If the business was not in existence during 2/15/19 to 6/30/19, use 1/1/20 to 2/29/20.
 - Under PPP, Jane can apply for up to 2.5x the average monthly payroll.

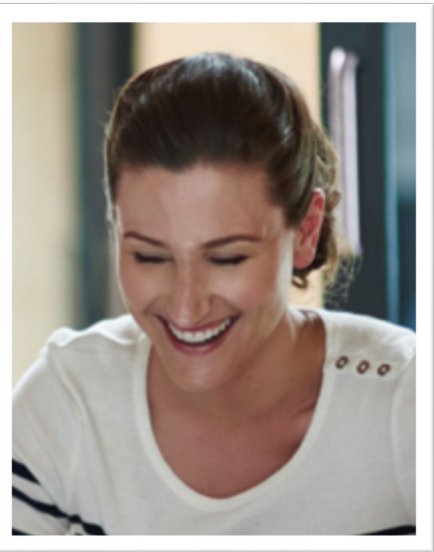
$$\$50,000 \times 2.5 = \$125,000$$

- This is capped at \$10M.



Forgiveness of PPP Loan

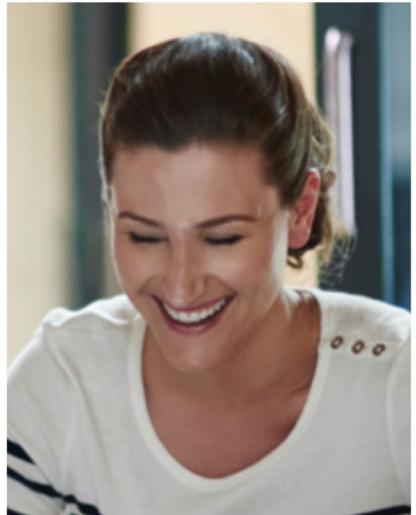
- Jane can calculate her historical average number of employees in two ways:
- Option A:** Average number of FTEs from 2/15/19 to 6/30/19
- Option B:** Average number of FTEs from 1/1/20 to 2/29/20



Timeframe (borrower can elect timeframe to use)	Average number of FTEs per month
Option A: 2/15/19 to 6/30/19	11
Option B: 1/1/20 to 2/29/20	13
Covered Period (8-week testing period)	12

Jane will want to choose the method that shows she retained the most employees, **Option A**.

Forgiveness of Loan: Amount Forgiven



Type of payments during 8-week period	Amount
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Payroll	(\$90,000)
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Rent	(\$10,000)
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Utilities	<u>(\$12,000)</u>
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Total payments	\$112,000
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PPP Loan Received	\$125,000
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Amount not forgiven	\$13,000
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Critical Documentation for PPP Loan Forgiveness

- Businesses need to certify that they have met the criteria.
- It is **critical** to document well in order to illustrate that all or a part of your loan should be forgiven.
 - Certification that forgiveness amounts and other forgiveness-eligible payments were used to **retain** employees.
 - Verify FTEs on payroll and their pay rate.
 - Documentation on mortgage, rent and utility payments (receipts, canceled checks).
- Any other documentation the SBA may require.

Discussion Topics

- What is the SBA doing now?
- Are there any reasons why a business should not apply for this loan?
- Can we help you find a lender to process the SBA loan?
- Is there anything else that SKR+CO can do to help your business in this process?

PPP Loans





Families First Coronavirus Response Act (FFCRA)

Presented by: Anna Stepan, CPA

Families First Coronavirus Response Act (FFCRA)

Signed into law on March 18, 2020 and includes two employee paid leave provisions and a related payroll tax credit.

Emergency
Paid Sick
Leave Act
(EPSLA)

Effective 04/01/20
through 12/31/20

Emergency
Family and
Medical
Leave
Expansion Act
(EFMLEA)

Effective 04/01/20
through 12/31/20

Families First Coronavirus Response Act (FFCRA)

- Applies to private employers with up to 500 employees and public employers with at least 1 employee.
- 500 employee count includes full and part time, employees on leave and temporary employees, but excludes independent contractors.
- These two leave provisions are mandatory (with minor exceptions) and payroll tax credits will cover the employer costs.

EPSLA – Qualifying Reasons

Emergency
Paid Sick
Leave Act
(EPSLA)

As related to COVID-19, an employee qualifies for pay at regular rate if an employee:

1. Is subject to a federal, state or local quarantine or isolation order.
2. Has been advised by a health care provider to self-quarantine.
3. Is experiencing symptoms of COVID-19 and seeking a medical diagnosis.

Employees entitled to be paid at their regular rate up to a max of \$511 per day up to a total of \$5,110 for 2 weeks (80 hours of sick leave).

EPSLA – Qualifying Reasons, continued

4. Is caring for an individual who is subject to an order as described in point 1 or has been advised to self-quarantine as described in point 2.
5. Is caring for his or her child because the school or place of care has been closed, or the childcare provider is unavailable.
6. Is experiencing any other substantially similar condition as specified by the Secretary of HHS.

Employees entitled to be **paid at 2/3 of their regular** rate up to a max of \$200 per day up to a total of \$2,000 for 2 weeks (80 hours of sick leave).

EPSLA – Basic Rules

Emergency
Paid Sick
Leave Act
(EPSLA)

- For purposes of the EPSLA, full time is 40+ hours per week.
- Provides for pro-rated paid leave for part time employees, which is generally the amount of hours they would have normally been scheduled to work over a two-week period.
 - *For varying schedules, use prior 6-month average or if that is not applicable, the DOL website offers other methods.*
- Employee may use this paid sick time **before using any other paid leave.**
- Employer cannot require the employee to use any other leave first before this.
- **No length of employment** is required for employee eligibility for this leave.
- Paid leave under this rule does not carry over to next year.

Emergency FMLA Expansion Act (EFMLEA)

Emergency
Family and
Medical Leave
Expansion Act
(EFMLEA)

- This provision expands upon existing FMLA laws (including job protection for 12 weeks) for the **temporary period April 1 – December 31, 2020.**
- Employees of covered employers who have been employed for at least 30 days are entitled to up to an additional 10 weeks of partially paid family and medical leave only for a specific qualifying reason.
- **One Qualifying Reason:** Employee is unable to work or telework due to a bona fide need to care for a child whose school or childcare provider is closed or unavailable due to COVID-19.

EFMLEA, continued

Emergency
Family and
Medical Leave
Expansion Act
(EFMLEA)

- Employees are entitled to be paid at 2/3 of their regular rate of pay, up to \$200 per day (max of \$10,000 for the 10-week period).
- The first two weeks of EFMLEA **are unpaid** before the 10 weeks of partial pay applies, but employees may **use other PTO and/or the Expanded Paid Sick Leave** benefits during that first two weeks.
- Part time employees also receive pro-rated paid leave based upon their normally scheduled work hours.

Employers with < 50 employees

Emergency
Family and
Medical Leave
Expansion Act
(EFMLEA)

- Limited exceptions apply to employers with less than 50 employees.
- These small employers can apply for an exemption from the Expanded Family and Medical Leave Act **if complying with the act would jeopardize the viability of the business.**
- The DOL will provide guidance and rulemaking to clarify how a business must show it meets this standard.

Payroll Tax Credits to Fully Offset Cost of New Paid Leave

Emergency
Paid Sick
Leave Act
(EPSLA)

Emergency
Family and
Medical Leave
Expansion Act
(EFMLEA)

- Refundable payroll tax credit **to cover 100% of the leave paid under EPSLA and EFMLEA.**
 - Up to the maximum pay amounts specified under the act.
 - Plus an additional amount based upon the employer's cost to maintain health insurance coverage for the employee during the leave period.

Payroll Tax Credits to Fully Offset Cost of New Paid Leave

Emergency
Paid Sick
Leave Act
(EPSLA)

Emergency
Family and
Medical Leave
Expansion Act
(EFMLEA)

- Employers can **retain funds equal to the qualifying credit amount from the payroll taxes they would otherwise be required to remit** to the IRS and may claim a refund if the total is not enough to cover the credit.
- Payroll taxes available for retention:
 - Employer and employee share of Social Security and Medicare Taxes.
 - Plus employee federal income tax withholding.
- The IRS will provide forms and instructions for claiming expedited payroll tax credit refunds.

FFCRA: Payroll Tax Credit Examples

Emergency
Paid Sick
Leave Act
(EPSLA)

Emergency
Family and
Medical Leave
Expansion Act
(EFMLEA)

If an eligible employer paid \$5,000 in sick and **expanded FMLA leave** and is otherwise required to remit a total of \$8,000 in payroll taxes, including taxes withheld from all its employees, **the employer could keep \$5,000 of that \$8,000 as its payroll tax credit**, and then would only have a required payroll tax remittance of \$3,000.*

**Under the subsequently passed CARES act, payroll taxes due after credit are deferred until the end of 2021 and 2020.*

FFCRA: Payroll Tax Credit Examples

Emergency
Paid Sick
Leave Act
(EPSLA)

Emergency
Family and
Medical Leave
Expansion Act
(EFMLEA)

If an eligible employer paid \$10,000 in sick and expanded FMLA leave and was otherwise required to remit a total of \$8,000 in payroll taxes, the employer could keep the entire \$8,000 as its payroll tax credit, and then **file a claim for an accelerated credit for the remaining \$2,000.**

Families First Act - Important Considerations

- Compliance with these new rules will require **substantial recordkeeping to:**
 - Document the reason(s) employees are on paid leave.
 - Track the total amount and type of leave used.
 - Info will be used to claim the credits through payroll tax reporting.
- There are also credits available for self-employed individuals who would qualify for leave if they were employees.
- The DOL is observing **a temporary 30-day period of non-enforcement for employers acting reasonably and in good faith to comply.**



The CARES Act

Presented by: Jordan Empey, CPA

Preview: The CARES Act



Paycheck Protection Program



Individual provisions



Business provisions

Upcoming Webinars

APR 07 | Coronavirus Aid, Relief and Economic Security (CARES) Act

Presented by Jordan Empey, Doreen Merz, Buddy Newton, Trinity Bradley-Anderson

APR 14 | Business Recovery, Cash Flow + Financial Analysis

Presented by Jordan Empey, Brian Mena and guest presenter, Aikta Marcoulier from the Small Business Development Center