



SKR+CO WEBINAR SERIES

AUG 19 | SBA Updates on PPP Loan Forgiveness



Welcome + Webinar Tips



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Marketing + Client
Relations Director

Webinar Facilitator

- This slide deck is available in GTW and will be posted to this website: www.skrco.com/coronavirusupdates
- Attendees are in listen-only mode.
- Webinar is being recorded.
- Question Panel:
 - Please post using the question panel.
 - We will pause to answer questions periodically.
 - There will be time for questions at the end as well.
- Additional questions – communications@skrco.com

Agenda



Welcome and brief SKR+CO overview



Frequently Asked Questions (FAQs) on PPP Loan Forgiveness



Q + A

Stockman Kast Ryan + Company



**A TOP ACCOUNTING FIRM,
MOUNTAIN REGION**

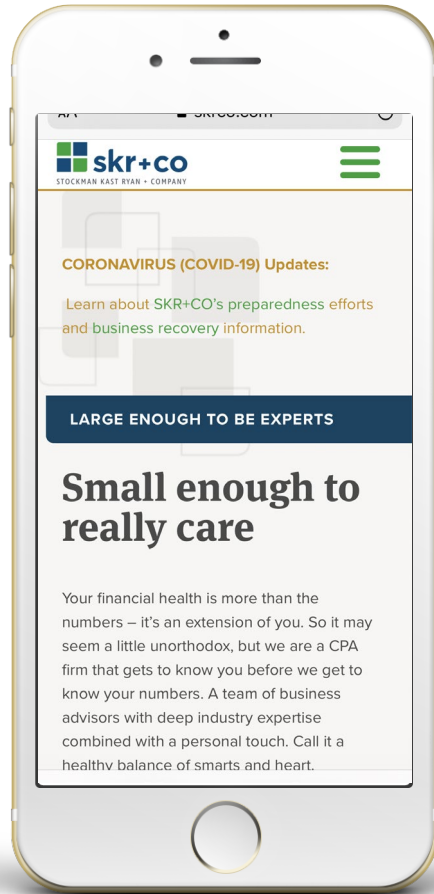
Accounting Today
2017, 2018, 2019, 2020

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

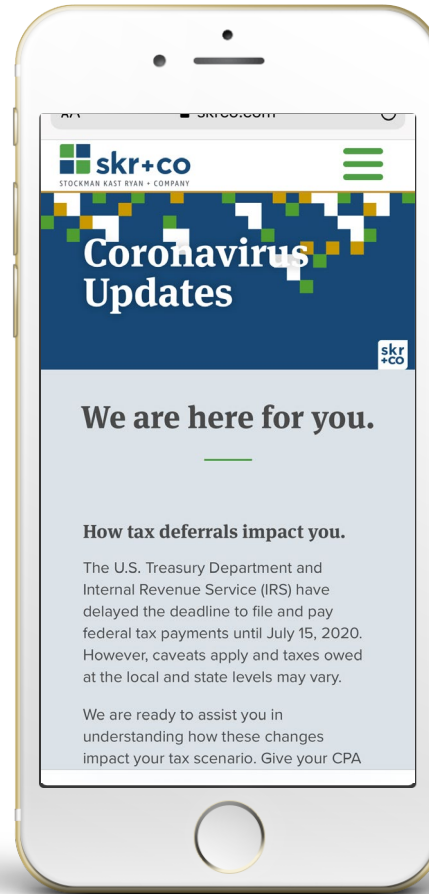
Committed to this Community



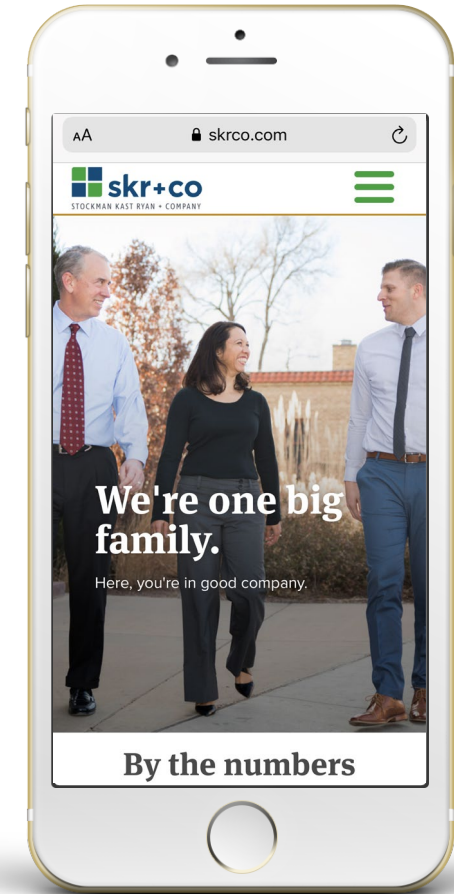
SKR+CO and Coronavirus Updates



Communication
Channels



Coronavirus
Updates



SKR+CO
Operations

PPP Loan Forgiveness

Subject to change based on expected guidance from the SBA

Jordan Empey, CPA
Tax Partner



June - August



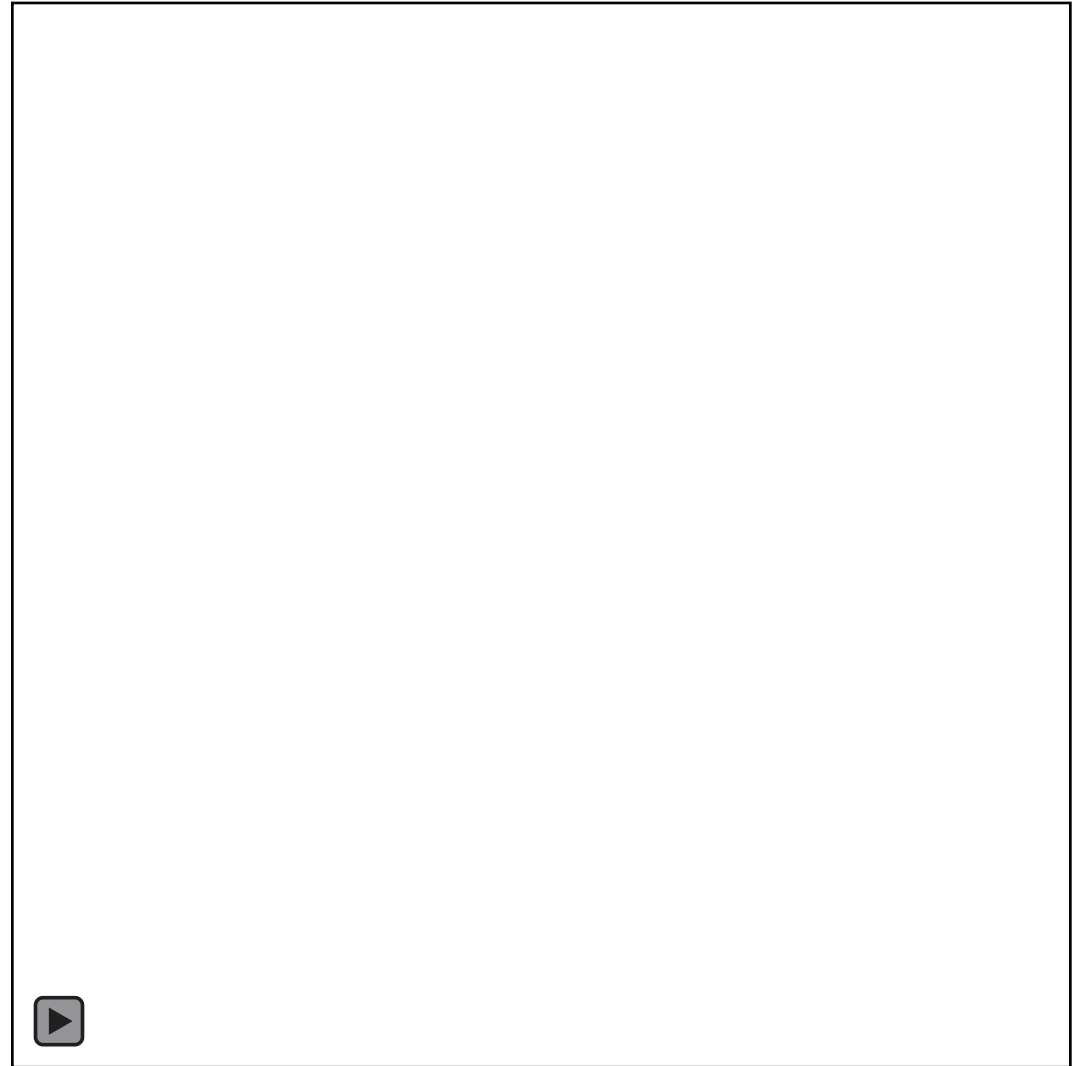
Where we left off: What we needed from SBA



- Compensation limits per employee: Will limits increase in proportion to the increased covered period (i.e., \$15,385 to \$46,154)?
- How will this impact owners?
- What is the timing for borrowers to apply for forgiveness? Can you elect early?
- What impact will changes have on filing 2020 tax returns?

What was supposed to happen next

- August 4, SBA issued new guidance through Frequently Asked Questions (FAQs) covering five overarching categories.
- August 10, PPP Loan Forgiveness applications opened.
- And then ...



A man with a beard and glasses is looking at a smartphone. He is wearing a blue and white checkered shirt. The background is a blurred indoor setting with a window. The image has a blue tint.

We waited. Again.

FAQs clarified some items,
many remain TBD

FAQs for 5 categories of PPP Loan Forgiveness




1. **General Loan Forgiveness**
2. **Payroll Costs**
3. Nonpayroll costs
4. Reductions FAQs
5. Economic Injury Disaster Loans

General Loan Forgiveness

Question: Which loan forgiveness application should sole proprietors, independent contractors, or self-employed individuals with no employees complete?

Answer:

- No employees at the time of the PPP loan application
- Did not include any employee salaries in the computation of average monthly payroll

 **Paycheck Protection Program**
PPP Loan Forgiveness Application Form 3508EZ

OMB Control No. 3245-0407
Expiration date: 10/31/2020

| Business Legal Name ("Borrower") | DBA or Tradename, if applicable | |
|----------------------------------|---------------------------------|----------------|
| Business Address | Business TIN (EIN, SSN) | Business Phone |
| | () - | |
| | Primary Contact | E-mail Address |

SBA PPP Loan Number: _____ Lender PPP Loan Number: _____

PPP Loan Amount: _____ PPP Loan Disbursement Date: _____

Employees at Time of Loan Application: _____ Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ EIDL Application Number: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ Weekly ☐ Biweekly (every other week) ☐ Twice a month ☐ Monthly ☐ Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

Forgiveness Amount Calculation:

[Loan Forgiveness Application Form 3508EZ](#)
or lender equivalent

General Loan Forgiveness

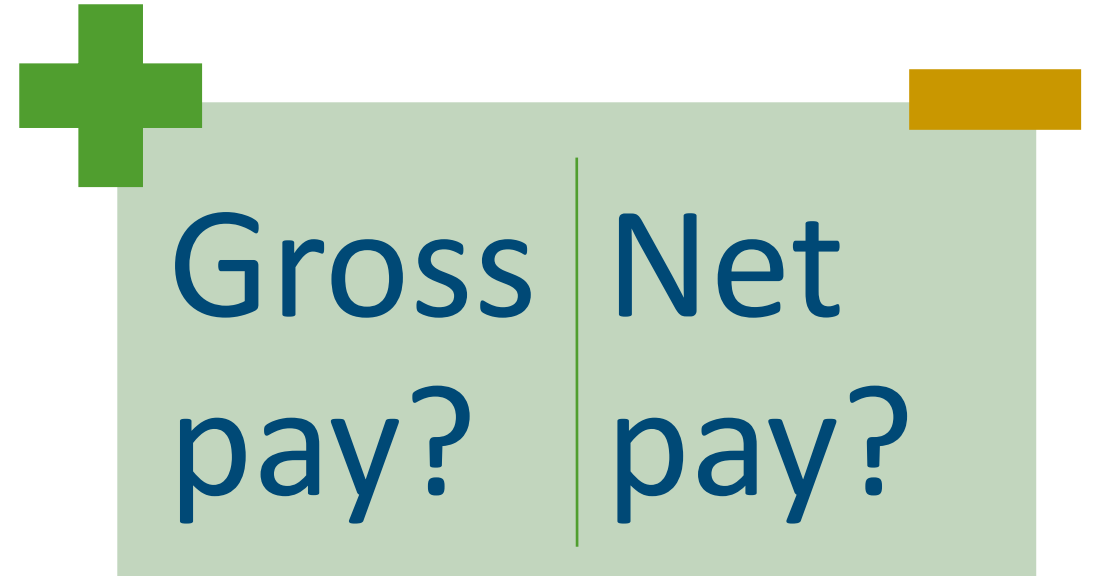
Question: If a borrower submits a timely loan forgiveness application, does the borrower have to make any payments on its loan prior to SBA remitting the forgiveness amount, if any?

Answer: Not if you follow the super clear rules!

- Submit loan forgiveness application within ten months of the completion of the Covered Period
- No payments required until the forgiveness amount is remitted to the lender by SBA.
 - If the loan is fully forgiven, the borrower is not responsible for any payments.
 - If only a portion of the loan is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid by the borrower on or before the maturity date of the loan.
- Interest accrues during the time between the disbursement of the loan and SBA remittance of the forgiveness amount.
- The borrower is responsible for paying the accrued interest on any amount of the loan that is not forgiven.
- The lender is responsible for notifying the borrower of remittance by SBA of the loan forgiveness amount (and the date on which the borrower's first payment is due, if applicable.

Loan Forgiveness Payroll Costs

Question: For purposes of calculating cash compensation, should borrowers use the gross amount before deductions for taxes, employee benefits payments, and similar payments, or the net amount paid to employees?



Answer: The **gross amount** should be used when calculating cash compensation.

Loan Forgiveness Payroll Costs

Question: What expenses for group health care benefits will be considered payroll costs that are eligible for loan forgiveness?

Answer: Employer expenses for employee group health care benefits that are **paid or incurred** by the borrower **during** the Covered Period or the Alternative Payroll Covered Period **are payroll costs eligible** for loan forgiveness.

- Payroll costs **do not include** expenses for group health care benefits paid by employees either pre-tax or after tax, such as the employee share of their health care premium.
- Forgiveness is **not provided** for expenses for group health benefits accelerated from periods outside the Covered Period or Alternative Payroll Covered Period.

Loan Forgiveness Payroll Costs

Question: What contributions for retirement benefits will be considered payroll costs that are eligible for loan forgiveness?

Answer: Generally, employer contributions for employee retirement benefits that are paid or incurred by the borrower during the Covered Period or Alternative Payroll Covered Period qualify as “payroll costs” eligible for loan forgiveness.

- The **employer contributions** for retirement benefits included in the loan forgiveness amount as payroll costs **cannot** include any retirement contributions deducted from employees’ pay or otherwise paid by employees.
- Forgiveness is **not provided** for employer contributions for retirement benefits accelerated from **periods outside** the Covered Period or Alternative Covered Period.

Loan Forgiveness Payroll Costs

Question: How is the amount of owner compensation that is eligible for loan forgiveness determined?

Answer: It depends!

- Business type
- Length of covered period
- Owner-employee or self-employed compensation caps
- Cash compensation vs. non-cash compensation



C Corporations Owner-Employee

- C-corporation owner-employee, defined as an owner who is also an employee (including where the owner is the only employee), is eligible for:
 - Loan forgiveness up to the amount of 2.5/12 of his or her 2019 employee cash compensation
 - Loan forgiveness for payments for employer state and local taxes paid by the borrowers and assessed on their compensation
 - The amount paid by the borrower for employer contributions for their employee health insurance
 - Employer retirement contributions to their employee retirement plans capped at the amount of 2.5/12 of the 2019 employer retirement contribution.
- Payments other than for cash compensation should be included in the loan forgiveness application and do not count toward the \$20,833 cap per individual.

S Corporations Owner-Employee

- S-corporation owner-employee, defined as an owner who is also an employee, is eligible for:
 - Loan forgiveness up to the amount of 2.5/12 of their 2019 employee cash compensation, with cash compensation defined as it is for all other employees.
 - Loan forgiveness for payments for employer state and local taxes paid by the borrowers and assessed on their compensation.
 - Employer retirement contributions to their employee retirement plans capped at the amount of 2.5/12 of their 2019 employer retirement contribution.
- Employer contributions for health insurance are **not eligible** for additional forgiveness for S-corporation employees with at least a 2% stake in the business, including for employees who are family members of an at least 2% owner, because those contributions are included in cash compensation.
- The eligible non-cash compensation payments should be included in the loan forgiveness application and do not count toward the \$20,833 cap per individual.

Self-employed Schedule C (or Schedule F) filers:

- The compensation of self-employed Schedule C (or Schedule F) individuals, including sole proprietors, self-employed individuals, and independent contractors, that is eligible for loan forgiveness is limited to 2.5/12 of 2019 net profit as reported on IRS Form 1040 Schedule C line 31.
- Separate payments for health insurance, retirement, or state or local taxes are not eligible for additional loan forgiveness; health insurance and retirement expenses are paid out of their net self-employment income.
- If the borrower did not submit its 2019 IRS Form 1040 Schedule C (or F) to the Lender when the borrower initially applied for the loan, it must be included with the borrower's forgiveness application.

General Partners

- The compensation of general partners that is eligible for loan forgiveness is limited to 2.5/12 of their 2019 net earnings from self-employment that is subject to self-employment tax.
- Compensation is only eligible for loan forgiveness if the payments to partners are made during the Covered Period or Alternative Payroll Covered Period.
- Separate payments for health insurance, retirement, or state or local taxes are not eligible for additional loan forgiveness.
- If the partnership did not submit its 2019 IRS Form 1065 K-1s when initially applying for the loan, it must be included with the partnership's forgiveness application.

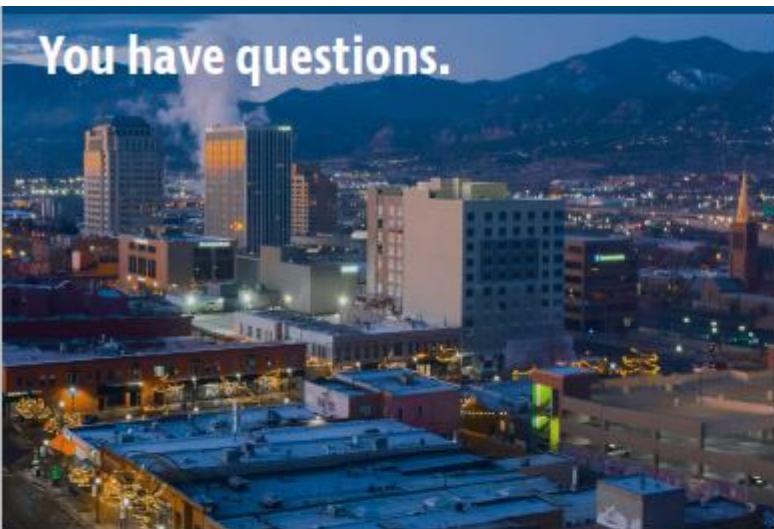
LLC Owners



- LLC owners must follow the instructions that apply to how their business was organized for tax filing purposes for tax year 2019, or if a new business, the expected tax filing situation for 2020.

PPP Forgiveness Support Team

You have questions.



We have answers.

- Reviewing or completing applications
- Preparing or reviewing calculations
- Minimizing forgiveness reductions
- Understanding documentation rules
- Balancing EIDL + PPP programs
- Layering PPP with FMLA + unemployment
- Maximizing federal and local relief funding
- Determining exit strategies
- Timing rehires and loan repayments
- Forecasting for business continuity
- Planning for post-COVID cashflow

If you have a specific question for the PPP Team please reach out to them at communications@skrco.com



PPP FORGIVENESS SUPPORT TEAM

When every business is different, every question is unique and every answer is essential to meeting strict guidelines, feel confident turning to your team of experts well-versed in the latest business recovery information.

Team members include:

- Jordan Empey, Tax Partner
- Jason Raak, Tax Manager
- Jennifer Carter, Senior Tax Consultant
- Alaine Lubin, Senior Business Advisor

For assistance with PPP loan programs or other business relief initiatives tied to COVID-19 interruptions, please contact 719.630.1186 or communications@skrco.com.

Question + Answer



Upcoming Webinars

TBD | Pending additional SBA guidance

- Presented by Jordan Empey, CPA



Registration links will be posted at skrco.com/client-center/CoronavirusUpdates