



Economic Assistance Act Update

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Agenda for Today:

Preparing for PPP Applications- General Info

Calculating my average payroll costs

What do I need to apply?

Sole Proprietors & Independent Contractors, Farmers,
S-Corporations, Partnerships, Seasonal Employers

Getting information and Assistance

Preparing for the PPP Application.

General information to know and things to gather

Preparing for PPP Application

General Info for 1st or 2nd Draw Loans

1. Talk to your lender!!
 - Are they participating? What is their process for applications? When will they accept applications?
 - If not, you'll want to identify another lender to apply.
2. Gather info to calculate payroll expenses (total)
 - Salaries/wages for W-2 employees (up to \$100,000 annual per employee)- (more on that in a minute)

Preparing for PPP Application

General Info for 1st or 2nd Draw Loans

3. Be familiar with the expenses allowed and plan accordingly
 - You can't 'double dip'... can't use two loans to pay same 'bill'
 - Payroll, rent/lease (signed before 2/15/20), utilities, cloud computing, PPE/mods, essential supplies.
 - Remember- 60% MUST BE FOR PAYROLL!
4. Make sure you have a record keeping system for forgiveness.
 - Talk to your accountant if unsure how to do that.

Preparing for PPP Application

General Info for 1st or 2nd Draw Loans

5. Double Check Eligibility for Second Draw

- In business on February 15, 2020
- 25% or greater revenue deduction... how calculate?
 - Total gross revenue (not including 1st PPP loan):
 - Compare 1st quarter 2019 vs 1st quarter 2020 or
 - Compare 2nd quarter 2019 vs 2nd quarter 2020 or
 - Compare 3rd quarter 2019 vs 3rd quarter 2020 or
 - Compare 4th quarter 2019 vs 4th quarter 2020
 - As long as ONE quarter is down 25% you are eligible

Preparing for PPP Application

General Info for 1st or 2nd Draw Loans

- Must meet the “Necessity Requirement”
“Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.”

Note: The SBA has stated it will not question the necessity certification for loans under \$2 million. However, the list of recipients will be made public.

6. Deadline to apply is March 31, 2021... so DON'T WAIT!
 - Funds could run out prior to that deadline.

Quick Note on Forgiveness

Some Important Changes with PPP2

- All expenses incurred as part of the PPP program will be deductible for federal tax purposes.
- Any income from the PPP program will NOT be included as income for federal tax purposes.
- EIDL Advance will NOT be deducted from PPP forgiveness (1st or 2nd draw loans).

Calculating Payroll Costs

What's included and what's not.

Calculating the PPP2 Loan Amount

Basic Formula

- You have the option of using your payroll amounts from 2019, or the 12 months prior to the application of PPP. (sole props & partnerships are different)
- Add up all your payroll costs (covered on next slide). Any employee that had total payroll cost more than \$100,000, reduce their cost to \$100,000.
- Divide the total by 12 then multiple by 2.5 (except for NAICS codes 72 which will us 3.5x average payroll amount)

Calculating the PPP2 Loan Amount

What can you include as payroll?

- From your 941 forms- take line 5c, column 1.
- Employer & Employee (pre-tax) contributions from.
- Health insurance.
- FSA, HAS, etc.
- Disability, dental or vision insurance.
- Retirement contributions.
- Payments for state unemployment insurance.

Calculating the PPP2 Loan Amount

What is not allowed as payroll?

- Employees located outside the U.S.
- Compensation of ANY employee over \$100,000 (lower to \$100,000).
- Employer's or Employee's FICA taxes.
- Qualified sick and family leave wages which credit was received.

What do I need to apply?

Forms, information and such.

Applying for the PPP2 Loan

How to Apply

- Complete SBA application Form 2483-SD.
- Provide copies of 4 quarters of 941 (or payroll processor records) for period you are using as basis (2019, 2020, prior 12 months).
- Include state unemployment reports for same periods.
- Provide proof that you were paying employees on February 15, 2020.
- Provide proof that your business has sustained at least a 25% decrease in revenue for any quarter.

Applying for the PPP2 Loan

Sole proprietors or Independent Contractors (Self-Employed)

- Use either your 2019 or 2020 1040 schedule C line 31 (net profit)
- If this value is over \$100,000 then use \$100,000
- Take the value of line 31 divide by 12 multiple by 2.5 = PPP amount
 - If you have employees, use same formula as others and add to line 31 amount

What to submit to lender.

- The Schedule C that you used to figure the amount
- Bank statement that shows you were in business on February 15, 2020
 - If you have employees need to provide the same documentations as others.

Applying for the PPP2 Loan

Farmers

- Use either your 2019 or 2020 1040 schedule F, line 9 (gross income)
- If this value is over \$100,000 then use \$100,000.
- Value of line 9 divide by 12 multiple by 2.5 = PPP amount
 - If you have employees, there is a more complicated formula.

What you will submit to the lender:

- The Schedule F that you used to figure the amount
- Bank statement that shows you were in business on February 15, 2020
 - If you have employees- same documentations as other businesses.

Applying for the PPP2 Loan

Partnerships (The partnership must submit the application, not partners!)

- Net earnings from **self-employment** of general partners, 2019 or 2020 IRS Form 1065 K-1, **line 14** (not line 1).
- Subtract Section 179 claimed deductions, Line 12. Subtract unreimbursed expenses claimed & multiply by .9235
- Take total by partner (if over \$100,000 then use \$100,000) divide by 12, then multiply by 2.5 for loan amount.
 - If you have employees use same as for other businesses

What to submit to lender:

- Tax form 1065 with all K1s & Bank statement that shows you were in business on February 15, 2020
 - If you have employees need to provide the same documentations as others

Applying for the PPP2 Loan

Special Rules for S-Corporations

- Only S-Corps with payroll qualify for PPP, if you only took distributions, you would not qualify for this program.
- For owners that are less than 2% ownership then health insurance expenses can be counted towards payroll expenses.
- For owners that are 2% or more ownership, then health insurance expenses cannot be counted towards payroll expenses.
- Company retirement contributions can be counted as payroll expenses for all owners. (some restrictions for 2% or more).

Applying for the PPP2 Loan

Rules for Seasonal Employers

- Seasonal business defined as a business that does not operate more than 7 months in a calendar year -or-
- During the preceding calendar year had gross receipts for any 6 months of that year that were not more than 33.33% of the gross receipts for the other 6 months.
- If seasonal employer as defined above, select any 12 week period beginning on February 15, 2019 and ending on February 15, 2020 as your period.
- Total amount divided by 3 gives average monthly payroll (excluding amounts per employee over \$100,000).

Assistance from the Loudoun SBDC

Virtual Coaching from SBDC is available!

Visit our site and click the “Start Here” button.

Website: www.loudounsbdc.com/get-started

Details and info on the home and news & information pages.
Join our email list to get updates as they are released.



Questions?

If you think of one later contact us:

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