

# APPLE GROW+H PARTNERS Healthy Growth.



## COVID-19 Latest News for Business in Stark County

PRESENTED BY LEIF ERICKSON, HANNAH PEARCE, KRISTY ANGERSTIEN, AND SUE PEIRCE

# Welcome

- + All attendees are placed on listen-only mode
- + Submit a confidential question at any time
- + Questions will be reviewed by our team and followed up after the webinar
- + Contact information will be provided
- + Today's webinar recording will be sent via email within 2 hours



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# COVID-19 Response Team Canton Representatives



Sue Peirce, CPA, MTax  
Principal, COVID-19 Leader



Leif Erickson, CPA  
Senior Manager



Kristy Angerstien  
Supervisor



Hannah Pearce  
Senior Associate



# COVID-19 Response Team



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Principal, COVID-19 Leader



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Senior Manager



Brandon Fredericks, CPA  
Senior Manager



Dave Gaino, CPA  
Principal



Leif Erickson, CPA  
Senior Manager



Robert Jackson, CPA  
Senior Manager



Toby Kaye, CPA, MTax  
Manager



Bethany Lawrence  
Senior Associate



Taylor Lorenz, MAcc  
Supervisor



A'Shira Nelson, CPA  
Manager



Matt Silla, ASA, CFA  
Senior Manager

- + PPP Loan updates, along with documentation and loan forgiveness considerations
- + SBA updates for the PPP loan
- + Cash flow management strategies, including for when the PPP loan is received
- + Employment and unemployment questions
- + Main Street Lending Program for self-employed, sole proprietors, and independent contractors
- + General tax updates

# Understanding the Time Periods

ILLUSTRATION:

Period 1	Period 2 (aka Covered Period) Forgivable Period	Period 3	Post 6/30
Reimburse business for expenses already incurred and paid following 2/15 and prior to receipt of funds using PPP funds	8-week period eligible for forgiveness	Allowed to spend any remaining PPP funds on allowable expenses until 6/30	Awaiting further guidance from SBA

2/15

6/30

# Allowable Uses / Forgivable Expenses

Allowable uses (Section 1102)	Forgivable expenses (Section 1106)
Time period for allowable uses - February 15, 2020 through June 30, 2020 Must be paid between February 15, 2020 and June 30, 2020	Time period for forgivable expenses - 8-week period [56 days] from date of loan disbursement Must be incurred and paid during the 56-day period
Payroll cost – <b>See Below</b> Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums Employee salaries, commissions, or similar compensations [no \$100,000 cap]	Payroll cost – <b>See Below</b>
Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation )	Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation in existence prior to February 15, 2020)
Rent (including rent under a lease agreement)	Payments on any covered rent obligation in existence prior to February 15, 2020
Utilities	Covered utility payments
Interest on any other debt obligations that were incurred before the covered period	

**The following are included in payroll costs for both allowable uses and forgivable expenses:**

Gross salary, wage, commission, bonus or similar [\$100,000 cap applies to salary and wages]  
 Payment of cash tips or similar vacation, parental, family medical or sick leave (only if not included in gross pay)  
 Allowance for dismissal (only if not included in gross pay)  
 Group health benefits, including insurance premiums paid by employer (employee's share is already included in gross pay)  
 Retirement plan contributions paid by the employer (additional clarification is needed from SBA)  
 Payment of state unemployment  
 Less - qualified sick leave and family leave wages under FFCRA where a credit is taken  
 Less - employer's share of FICA during the covered period between 2/15/2020 and 6/30/2020 (clarified by SBA which differs from language in the law)  
 Less – compensation of employee whose principle residence is outside the United States



- + Loan documents vary by bank
- + Make certain you have copy of all the loan documents issued by your bank. These may include:
  - + SBA note
  - + Bank's loan agreement
  - + Acknowledgement of receipt
  - + Certification
  - + Errors and omissions agreement
  - + Notice of forgiveness documentation
  - + Notice of PPP forgiveness
  - + Agreement to provide additional documentation post closing
  - + Loan forgiveness affidavit

# Paycheck Protection Program (PPP)



## Loan forgiveness

- 8-week period after loan origination
- Forgivable expenses: (1) payroll, (2) mortgage interest, (3) rent, and (4) utilities
- Reduction factor pitfall (1) headcount; (2) salary/wages
- Forgiven amount EXCLUDED from gross income / Expenses NOT deductible



## Understanding PPP Loan Documentation

- Payroll Tax Reports / Compensation
- State and Local Employer Taxes / Group Health Benefits
- Retirement plan benefits
- Other expenses and documents to consider



## Key Questions and Item to consider

- What is the definition of a full-time employee (FTE)
- How to you compute headcount as part of the reduction factor
- Can you provide the example within the calculator for the compensation over 100k
- How do I determined the amount paid and incurred in the 8 week period

## *SBA release the Forgiveness Application Form on May 15, 2020 – Critical Components*

- + Incurred and paid
  - + *Payroll*
    - + Paid = considered paid on date payroll checks are distributed
    - + Incurred = Day the employee's pay is earned
      - + Payroll costs incurred but not paid during the borrower's last pay period of the Covered Period (56 days) are eligible for forgiveness if paid on or before the next regular payroll date.
- + *Eligible nonpayroll costs (Agreements must be in force before February 15, 2020)*
  - + Must be paid during Covered Period or incurred during Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period.
  - + Covered mortgage obligation interest includes any business mortgage obligation on real or personal property
  - + Covered rent includes business rent or lease payments for real or personal property
  - + Covered utilities includes electricity, gas, water, transportation, telephone or internet access
- + Individual employee payroll costs eligible for forgiveness cannot exceed annual salary of \$100,000.

PPP Loan Forgiveness Application includes important FTE Reduction Exception

Any FTE reductions for the following reasons do NOT reduce the Borrower's loan forgiveness:

- + Employee rejects written offer of rehire
- + Fired for cause
- + Voluntary resignation
- + Voluntarily requested and received a reduction in their hours

- + The lender in its sole and absolute discretion will determine the amount of forgiveness based on the attestations of the Borrower and the truth and accuracy of the documentation provided by the Borrower.
- + Awaiting further SBA guidance but PPP forgiveness application (issued 5/15 provides significant information
- + Document, document, document!!!

# PPP Loan Forgiveness Application



**Paycheck Protection Program  
Loan Forgiveness Application**

OMB Control Number 3245-0407  
Expiration Date: 10/31/2020

**Documents that Each Borrower Must Submit with its PPP Loan Forgiveness Application**

**PPP Loan Forgiveness Calculation Form**

**PPP Schedule A**

**Payroll:** Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period or the Alternative Payroll Covered Period consisting of each of the following:

- Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
  - Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
  - State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
- Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the Borrower included in the forgiveness amount (PPP Schedule A, lines (6) and (7)).

**FTE:** Documentation showing (at the election of the Borrower):

- the average number of FTE employees on payroll per month employed by the Borrower between February 15, 2019 and June 30, 2019;
- the average number of FTE employees on payroll per month employed by the Borrower between January 1, 2020 and February 29, 2020; or
- in the case of a seasonal employer, the average number of FTE employees on payroll per month employed by the Borrower between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or any consecutive twelve-week period between May 1, 2019 and September 15, 2019.

The selected time period must be the same time period selected for purposes of completing PPP Schedule A, line 11. Documents may include payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state. Documents submitted may cover periods longer than the specific time period.

**Nonpayroll:** Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period.

- Business mortgage interest payments: Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
- Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.
- Business utility payments: Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.

**Documents that Each Borrower Must Maintain but is Not Required to Submit**

PPP Schedule A Worksheet or its equivalent and the following:

- Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1, including the "Salary/Hourly Wage Reduction" calculation, if necessary.
- Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 2; specifically, that each listed employee received during any single pay period in 2019 compensation at an annualized rate of more than \$100,000.
- Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule.
- Documentation supporting the PPP Schedule A Worksheet "FTE Reduction Safe Harbor."

All records relating to the Borrower's PPP loan, including documentation submitted with its PPP loan application, documentation supporting the Borrower's certifications as to the necessity of the loan request and its eligibility for a PPP loan, documentation necessary to support the Borrower's loan forgiveness application, and documentation demonstrating the Borrower's material compliance with PPP requirements. The Borrower must retain all such documentation in its files for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request.

SBA Form 3508 (05/20)

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## On May 13, 2020 – FAQ #46 provided guidance regarding the certification:

- Any borrower, including affiliates, that received PPP loans of less than \$2 million will be deemed to have made the required certification in good faith.
- Borrowers with loans greater than \$2 million may still have an adequate basis for making the required good-faith certification, based on individual circumstances.
  - If SBA determines in the course of review that the borrower lacks an adequate basis for the required certification, SBA will seek repayment of the PPP loan balance and notify the bank that the borrower is not eligible for loan forgiveness.
  - If borrower repays, SBA will not pursue administrative enforcement.
- Forgiveness application requires box to be checked if PPP loan in excess of \$2 million

# Where We are Today

top Washington Post

## J. Crew files for bankruptcy, the first national retail casualty of the coronavirus pandemic

Major national retailers are foundering as the coronavirus pandemic accelerates the industry's long decline, with Monday's bankruptcy filing ...



USA TODAY

## Gold's Gym files for Chapter 11 bankruptcy protection amid coronavirus closings

Gold's Gym filed for Chapter 11 bankruptcy protection Monday as the coronavirus pandemic wreaks havoc on the company's business.



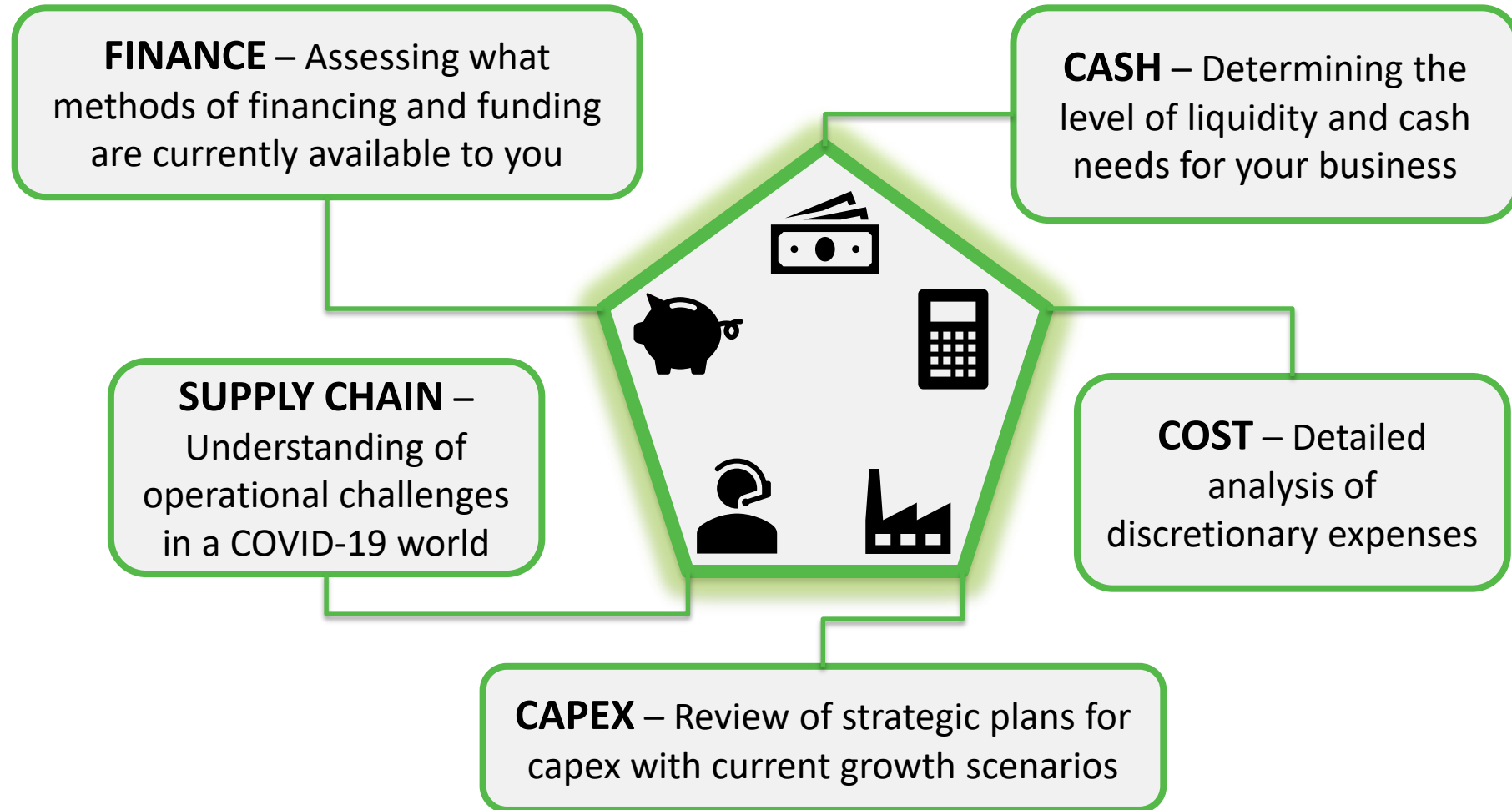
Newsday

## Small businesses struggle to stay afloat as COVID-19 leaves downtowns deserted

Closures associated with COVID-19 are threatening the health of Long Island's many downtowns and the livelihoods of those who own ...



# Diagnosis & Triage



## Businesses which are interested

- + Please check our AGP Cash Management Tool
- + [applegrowth.com/cashquiz](https://applegrowth.com/cashquiz)

### CASH MANAGEMENT TOOL QUESTIONNAIRE



### Healthy Growth.

Apple Growth Partners places a unique emphasis on the healthy growth of our clients. Our signature Healthy Growth Checkup® is a comprehensive instrument utilized by all AGP professionals to evaluate each area of your operation and uncover savings and opportunities for your business to grow. This document ensures that we address your needs and thoroughly consider potential tax-saving opportunities, every year.



For the best results using the AGP Cash Management Tool, we advise business owners to answer as realistically and honestly as possible, for the sake of your business's plan.

The quiz below will take about **10 minutes** to assess how your business currently grades on cash management through the COVID-19 crisis. Once completed, review your grade and share it with your leadership team. The advisory team at Apple Growth Partners will help bring additional analysis to these questions or help to build a plan to improve your grade.

# Cash Management Key Takeaways

## + Cash Management Key Questions

- + *Does your model allow for scenario planning?*
- + *Do you know the capabilities of all your funding and financing levers?*
- + *What is your contingency plan?*
- + *Who is handling your communication to the stakeholders?*

## + Cash Management call to action

- + ***Assess*** your situation
- + ***Take action***
- + ***Communicate*** the plan
- + ***Manage and monitor***

## + Focusing on what's on the horizon

- + PPP status
- + Macro environment



- + The CARES Act provides that employers may defer the deposit and payment of the employer's portion of Social Security taxes.
- + However, Employers that received a PPP loan may not defer the deposit and payment of the employer's share of Social Security tax after the employer receives a decision from the lender that the loan was forgiven.
- + The deferral applies to deposits and payments of the employer's share of Social Security tax beginning on March 27, 2020 and ending December 31, 2020.



## + Employee retention credit

Elective (by quarter) refundable payroll tax credit per employee (50% of qualified wages; annual max credit of \$5,000) for qualified wages paid during the governmental order period or the receipts decline period

No credit for the same wages used for work opportunity credit or the FFCRA credits (new sick and family medical leave credits), or for RELATED PARTY WAGES

Credit computations differ depending on small (average of 100 or less FTEs (under Sec. 4980H) for 2019) or large employer (greater than 100 FTEs for 2019)

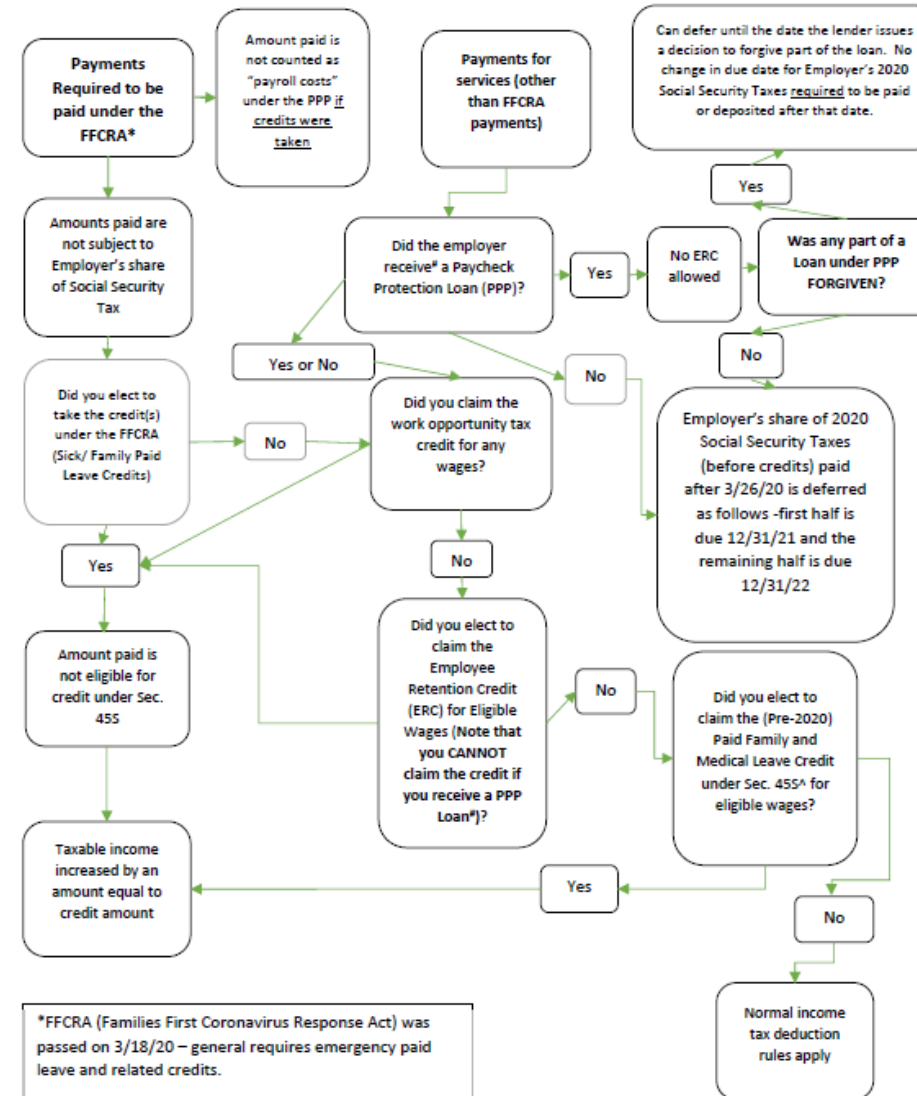
- All qualified wages for eligible days/quarter for small employers qualify; for large employers only qualified wages paid for time that the employee is not providing services are eligible. Aggregation rules apply in determining size of the employer.

No credit at all if employer (or if aggregated, any one of the employers) received a PPP Loan

Must choose between PPP loan (as well as loan forgiveness net of lost tax deductions) vs. Employee Retention Credit (net of lost deduction for wages)

# Payroll Flow Chart

Download at  
[applegrowth.com/covid19](https://applegrowth.com/covid19)



# FAQs related to Required Paid Leave

[FAQs Directly from IRS:](#) This website is frequently updated.

The screenshot shows the IRS website interface. At the top is the IRS logo and navigation links: Help, News, English (with a dropdown arrow), Charities & Nonprofits, and Tax Pros. Below this is a dark blue header with links for File, Pay, Refunds, Credits & Deductions, and Forms & Instructions, along with a search bar. The main content area has a breadcrumb trail: Home / News / Topics in the News / Coronavirus Tax Relief / COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses FAQs. The title of the page is 'COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses FAQs'. On the left is a sidebar with 'Topics in the News' (Coronavirus Tax Relief, Economic Impact Payments), 'News Releases', 'Multimedia Center', 'Tax Relief in Disaster Situations', 'Tax Reform', and 'Taxpayer First Act'. The main content area under the title is 'Frequently Asked Questions' with a list of 11 links: General Information, Determining the Amount of the Tax Credit for Qualified Sick Leave Wages, Determining the Amount of the Tax Credit for Qualified Family Leave Wages, Determining the Amount of Allocable Qualified Health Plan Expenses, How to Claim the Credits, How Should an Employer Substantiate Eligibility for Tax Credits for Qualified Leave Wages?, Periods of Time for Which Credits are Available, Special Issues for Employers: Taxation and Deductibility of Tax Credits, Special Issues for Employers: Interaction of FFCRA Tax Credits with Other Tax Credits, Special Issues for Employers: Use of Third-Party Payers, Special Issues for Employers: Other Issues, Special Issues for Employees, and Specific Provisions Related to Self-Employed Individuals.

IRS

Help | News | English | Charities & Nonprofits | Tax Pros

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Search

Home / News / Topics in the News / Coronavirus Tax Relief / COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses FAQs

## COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses FAQs

**Topics in the News**

- Coronavirus Tax Relief
- Economic Impact Payments

**News Releases**

**Multimedia Center**

**Tax Relief in Disaster Situations**

**Tax Reform**

**Taxpayer First Act**

### Frequently Asked Questions

- [General Information](#)
- [Determining the Amount of the Tax Credit for Qualified Sick Leave Wages](#)
- [Determining the Amount of the Tax Credit for Qualified Family Leave Wages](#)
- [Determining the Amount of Allocable Qualified Health Plan Expenses](#)
- [How to Claim the Credits](#)
- [How Should an Employer Substantiate Eligibility for Tax Credits for Qualified Leave Wages?](#)
- [Periods of Time for Which Credits are Available](#)
- [Special Issues for Employers: Taxation and Deductibility of Tax Credits](#)
- [Special Issues for Employers: Interaction of FFCRA Tax Credits with Other Tax Credits](#)
- [Special Issues for Employers: Use of Third-Party Payers](#)
- [Special Issues for Employers: Other Issues](#)
- [Special Issues for Employees](#)
- [Specific Provisions Related to Self-Employed Individuals](#)

# Main Street Lending Program Overview

- + Federal Reserve has created the Main Street Lending Program to provide a total of \$600 billion in financing for small and medium-sized businesses. While the program's start date has yet to be announced, here's what you need to know to check eligibility and get ready to apply.
- + In order to be eligible for a Main Street Lending Program loan, a business must:
  - + Have been established before March 13, 2020;
  - + Not be an ineligible business according to Small Business Administration (SBA) regulations;
  - + Have no more than 15,000 employees *or* 2019 annual revenues of no more than \$5 billion;
  - + Created in the United States or under the laws of the United States;
  - + Have significant operations and majority of its employees based in the United States.
- + To obtain a loan under the Program, an Eligible Borrower must submit an application, and any other documentation required by an Eligible Lender to such Eligible Lender.

- + IRS issued Notice 2020-32 stating that otherwise deductible expenses paid with PPP funds and forgiven may not be deductible for federal income tax purposes
- + City tax considerations for remote working
- + Tax planning considerations
  - + Net operating loss carrybacks
  - + Qualified Improvement property /Bonus Depreciation
- + FAQs regarding forgivable expenses –
  - + What does “incurred” and “paid” really mean?
  - + What’s included in utilities?
  - + Are bonuses permitted?
  - + How do commissions impact the calculation?
  - + How do flat rates impact the calculations?
  - + What if payroll falls outside the 8-week period?
  - + If you forgive an employee advance is it considered compensation?
  - + What’s included in health insurance?

- + Our COVID-19 Response Team's popular webinar series continues:
- + Part 9: Release of SBA Paycheck Protection Program (PPP) Loan Forgiveness Application
  - + Wed., May 27 | 1 – 2 PM
- + Part 10: Main Street Lending Program
  - + Thurs., May 28 | 11 AM – 12 PM
- + Register today at [applegrowth.com/COVID19](https://applegrowth.com/COVID19)



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