

PPP Loan Forgiveness

Important Updates and Application Review

June 17, 2020

Professional Tax Planning, LLC
&
Corporate Payroll Services



Legal Disclaimer

The information presented today is provided for educational purposes and should not be considered legal advice.

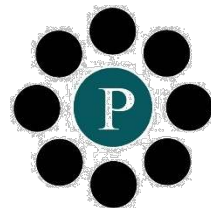
ABOUT HIROMI

- Parents were immigrants from Japan and Philippines
- Parents owned Hiromi's Oriental Restaurant
- Chicago city – born & raised

- 2010 – Auditor for CPA firms, PwC in 2014
- 2016 to present – Shifted specialty
 - Tax return preparation for small businesses
 - Intuit TurboTax On-Demand CPA
 - Internal Auditor for a construction company
 - Freelanced as a CPA consultant



Hiromi U.
CPA & Certified Tax Coach



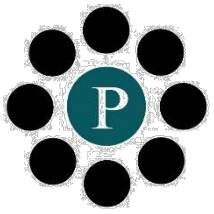
ABOUT EPHRAT



Ephrat Merid
Corporate Payroll Services

ephurat@corpay.com

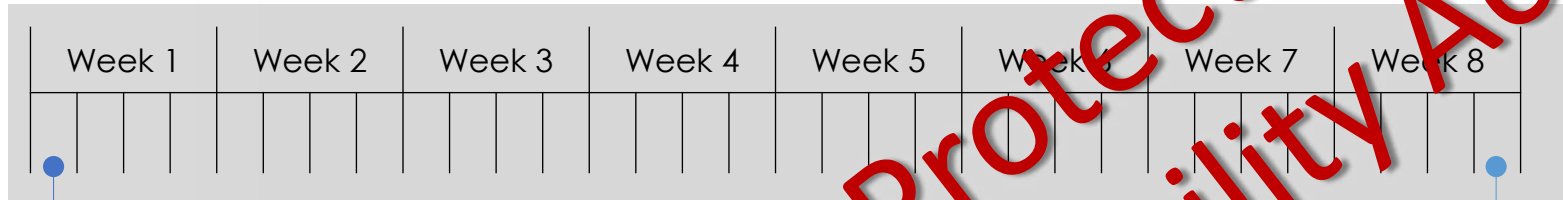
- BS in International Business
- Joined Corporate Payroll Services in 1999
- Has held a variety of roles in
 - Operations
 - Management
 - Information Technology



PPP FORGIVENESS



PPP Forgiveness Timeline



Cash Received

PPP cash received. You have 8 weeks to use the money

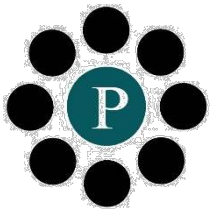


Forgiveness Clock Ends

Remaining amount must be paid back to the LENDER.

- 1% APR
- 2 year loan
- First 6 months min payments are deferred

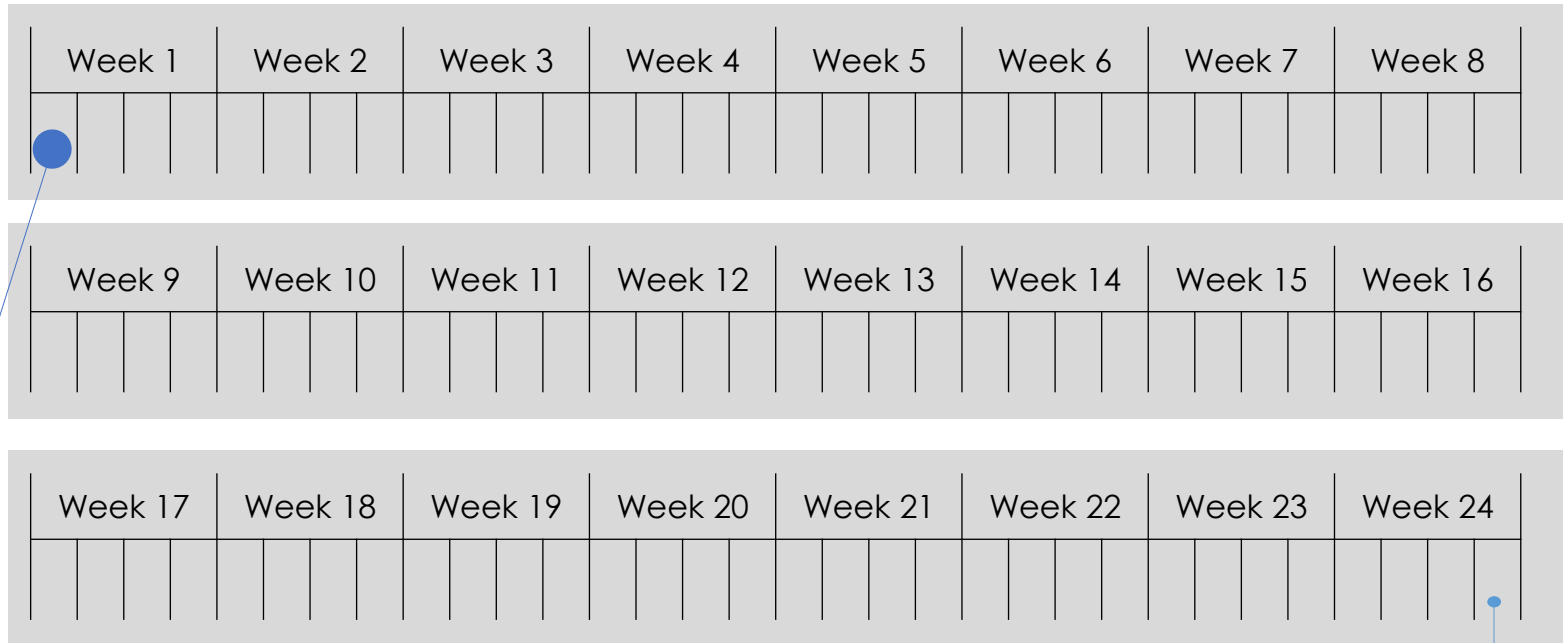
**Paycheck Protection
Program Flexibility Act**



PPP FORGIVENESS



PPP Forgiveness Timeline



Cash Received

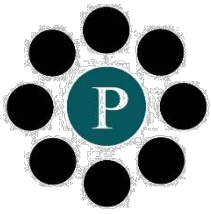
PPP cash received. You have 24 weeks to use the money

Remaining amount must be paid back to the LENDER.



- 1% APR
- 5 year loan
- Minimum payments are deferred to when **forgiveness application is submitted** OR **10** months after the covered period



Forgiveness Clock Ends



May

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
27	28	29	30	01	02	03
04	05  Loan Received	06	07	08	09	10
11  1st Pay Period	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

October

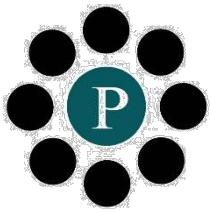
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
28	29	30	01	02	03	04
05	06	07	08	09	10	11
12	13	14	15	16	17	18
19	20 END	21	22	23	24	25
26 END	26	27	28	29	30	31

WARNING! Cannot go beyond

12/31/2020

 **COVERED PERIOD**

 **ALTERNATIVE PAYROLL COVERED PERIOD**



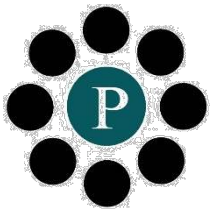
PPP Forgiveness Application

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 _____

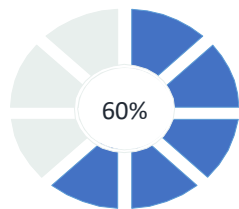


ALLOWABLE EXPENSES

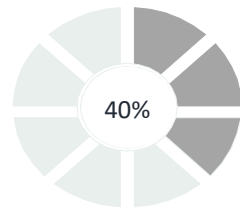
	MAY				JUNE				>>>> 2025			
	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8	5 year term			
Payroll	Payroll – 60% or more											
Utilities	Utilities – 40% or less											
Rent	Rent – 40% or less											
Mortgage Interest	Mortgage Interest – 40% or less											
Return the money									RETURN THE MONEY!!!			

● RETURN THE MONEY

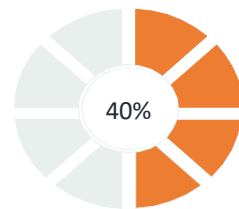
> 60% = 0% FORGIVENESS



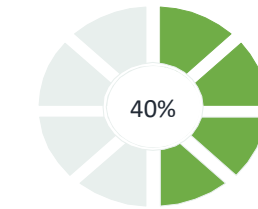
● Payroll



● Utilities



● Rent



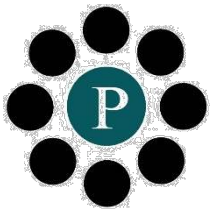
● Mortgage Interest

= 100% Forgiven

*owner-employee / self-employed cannot exceed \$46,153 across ALL businesses

\$46,153 cap per employee during 24 weeks

Why? $\$100,000 / 52 \text{ weeks} = \$1,923.07 \times 24 \text{ weeks} = \$46,153$



EIDL Advance



WORKING CAPITAL ONLY

Ordinary necessary expenses to keep business running. Ex: taxes, rent, materials, supplies

NO
Do **NOT** refinance credit cards, loans, other debt
Do **NOT** buy new appliances or property

Forgiveness

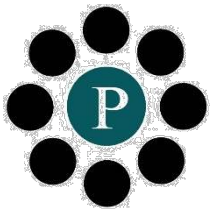
No Double Dip



Example

PPP Loan = \$80,000
Forgiven PPP = \$50,000
EIDL Advance = (\$7,000)

Forgiven PPP = \$43,000



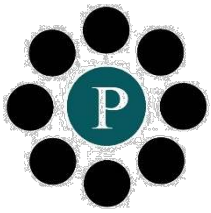
PPP Forgiveness Application

Employees at Time of Loan Application:

Employees at Time of Forgiveness Application:

EIDL Advance Amount:

EIDL Application Number:



What is my weekly payroll?



\$	2019 Net Profit
	52 weeks
	Weekly Pay

\$	78,000 / year
	52 weeks
	1,500 / week

Corporation



ONLY W-2 wages
Not net profit

1120,
1120S, 990
Payroll
Report

C-Corporation
S-Corporation
Tax Exempt Corporation
aka "nonprofit" organization

Sole Proprietors



Schedule C
Line 31

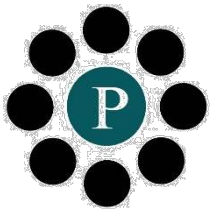
Partnership



1065 K-1

Corporations must report an appropriate and reasonable salary.

If your corporation reported \$0 W-2 wages, that's a NO NO.



Who are my employees?

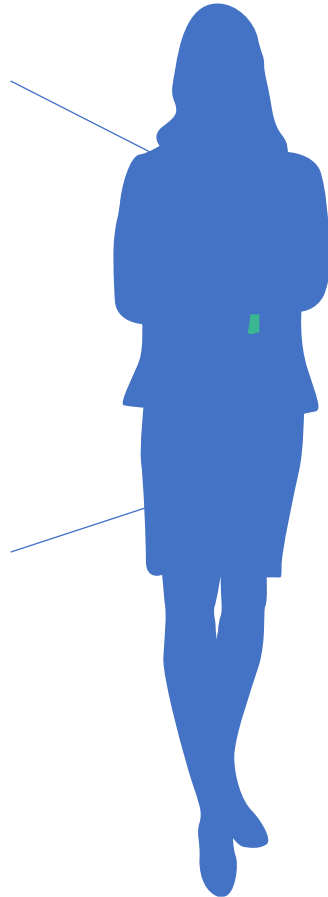
W-2 = YES

Government wants to prevent people from getting unemployment benefits!

YOU

YOU paid self employment taxes (payroll taxes).
YOU deserve PPP funds.

Landlords for residential properties are NOT allowed.

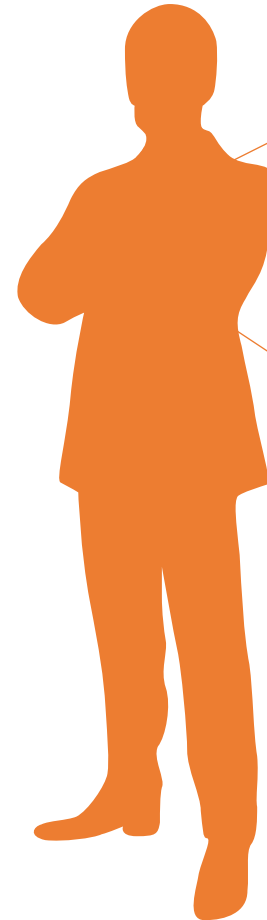


1099 = NO

They are their own business.

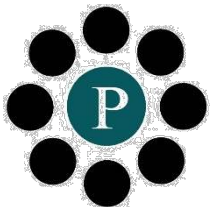
NO DOUBLE DIPPING

They can get their own PPP fund.



Warning!

- **Headcount – same or higher**
- **Salary – same or higher**
- **Refusal to return to work? No Ding.**
- **Disruptive employee? No Ding.**
- **Cannot rehire? Have good documentation.**



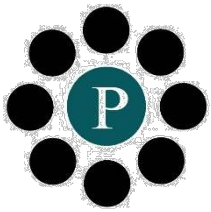
PPP Forgiveness Application

Employees at Time of Loan Application:

Employees at Time of Forgiveness Application:

EIDL Advance Amount:

EIDL Application Number:



PPP Flexibility Act of 2020

“(7) EXEMPTION BASED ON EMPLOYEE AVAILABILITY.—During the period beginning on February 15, 2020, and ending on December 31, 2020, the amount of loan forgiveness under this section shall be determined without regard to a proportional reduction in the number of full-time equivalent employees if an eligible recipient, in good faith—

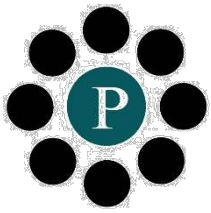
“(A) is able to document—

“(i) an inability to rehire individuals who were employees of the eligible recipient on February 15, 2020; and

“(ii) an inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020; or

“(B) is able to document an inability to return to the same level of business activity as such business was operating at before February 15, 2020, due to compliance with requirements established or guidance issued by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration during the period beginning on March 1, 2020, and ending December 31, 2020, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.

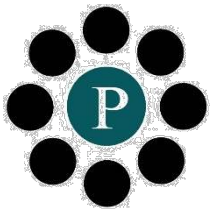
<https://www.congress.gov/bill/116th-congress/house-bill/7010/text>



For W-2 wages, what are Payroll Costs?

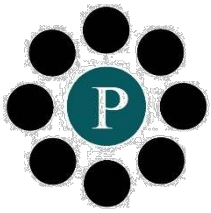
1. **W-2 Wage Gross Payroll**
2. **Employee Benefits**
3. **\$100k yearly salary cap per employee**
4. **Employees live in the United States**
5. **Employer's portion of STATE DOL taxes**

**Not Employer portion of
Federal Social Security, Federal Medicare**



For sole proprietors and partnerships,
what are Payroll Costs?

2019 net profit



PPP Forgiveness Application

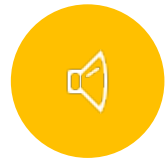
4 parts – **Fill this out backwards**



PPP Loan Forgiveness Calculation Form



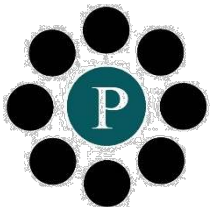
PPP Schedule A



PPP Schedule A Worksheet



PPP Borrower Demographic Information Form
(optional)



PPP Schedule A Worksheet

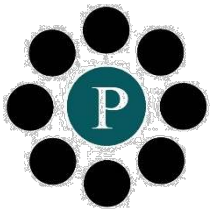
Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

of hours / 40 hours per week

Only enter if reduced pay > 25%



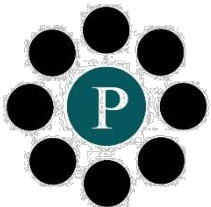
PPP Schedule A Worksheet

Table 2: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of more than \$100,000 for any pay period in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Totals:		Box 4	Box 5

> \$100k salaries



PPP Schedule A

Once you complete Schedule A Worksheet, go to Schedule A

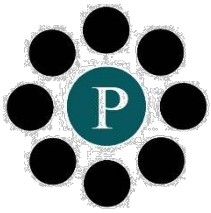
Line 1. Enter Cash Compensation (Box 1) from **PPP Schedule A Worksheet, Table 1:**

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for **employer contributions for employee health insurance:**

Line 7. Total amount paid by Borrower for **employer contributions to employee retirement plans:**

Line 8. Total amount paid by Borrower for **employer state and local taxes assessed on employee compensation:**

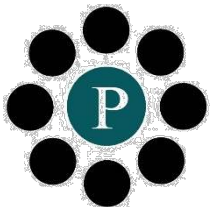


PPP Schedule A

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:
This amount **may not be included in PPP Schedule A Worksheet** Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

Line 10. Payroll Costs (add lines **1**, **4**, **6**, **7**, **8**, and **9**):



PPP Forgiveness Application

Once you complete Schedule A, go to the main application.

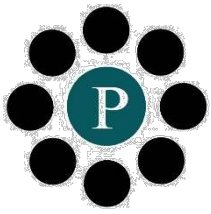
Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:



PPP Forgiveness Application

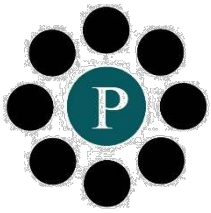
Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:



What is rent? What are utilities?

Business Use of Home
Rental Space
OK

Car Lease
OK

Insurance?
NO

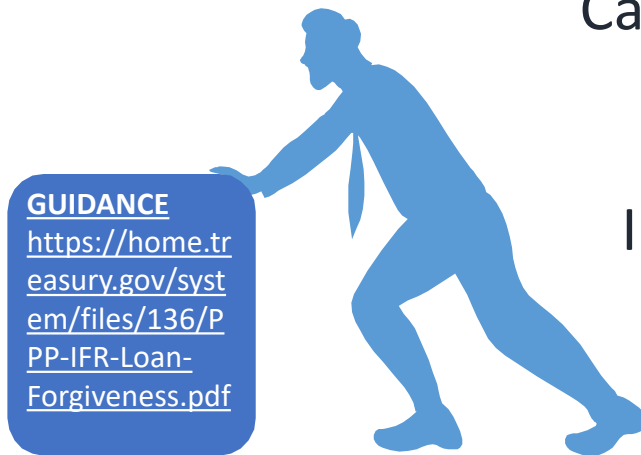


Electricity, Gas, Water
OK

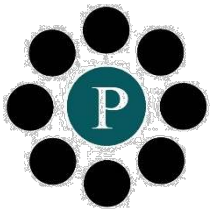
Transportation,
Cell Phone, Internet
OK

Equipment Lease
OK

Car Lease Interest
OK

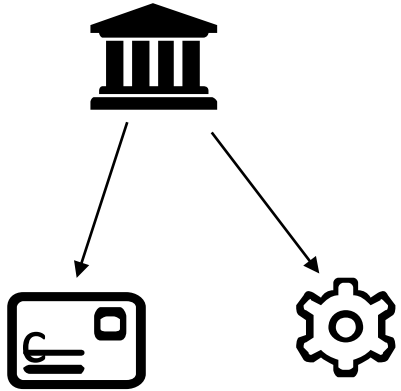


GUIDANCE
<https://home.treasury.gov/system/files/136/PP-IFR-Loan-Forgiveness.pdf>



Make an Audit Trail

SBA recommendation



Step 1

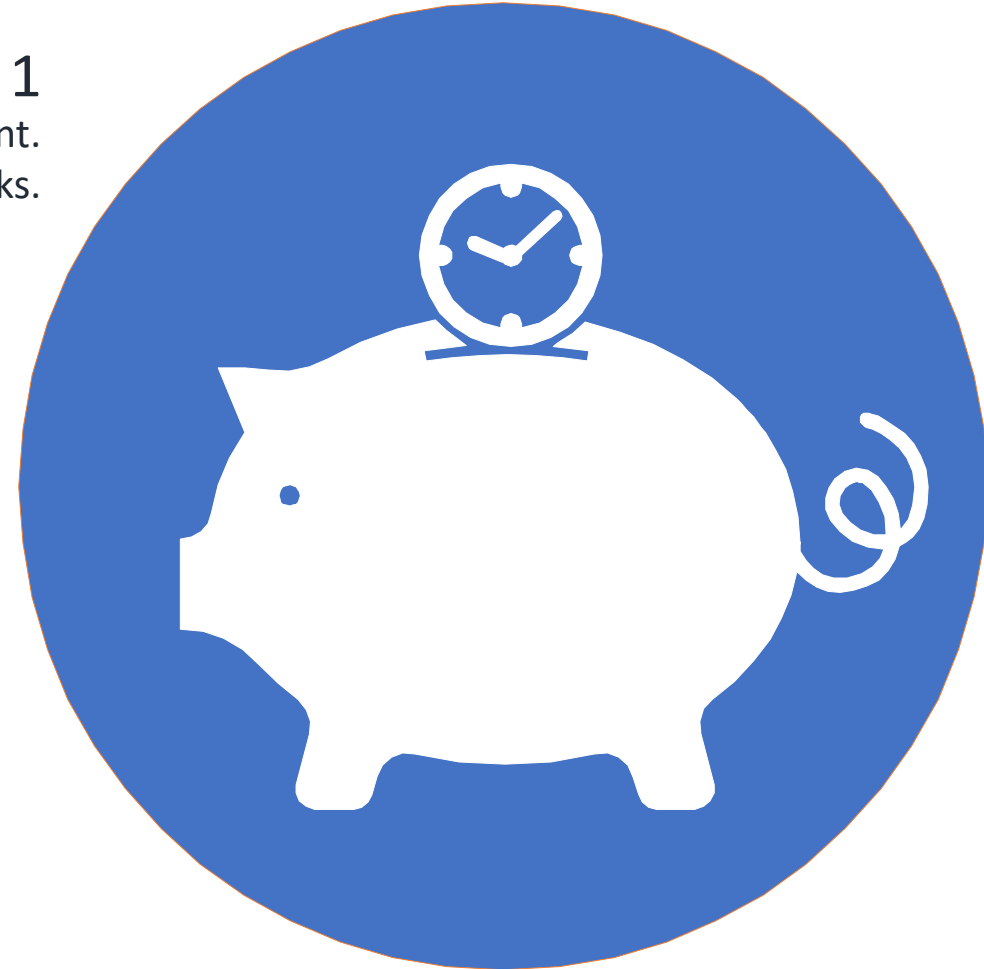
Deposit PPP funds in its OWN bank account.
BUY paper checks.

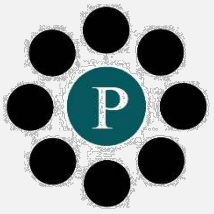
Step 2

Write a weekly check
to your PERSONAL bank account.
In the memo, write "**PAYROLL from PPP
Funds**"

Step 3

Write checks to pay other allowable business expenses.
In the memo, write one of the following:
"Business Utilities from PPP Funds"
"Business Rent from PPP Funds"
"Mortgage Interest from PPP Funds"





PPP FORGIVENESS CHECKLIST – 4 ITEMS

Accurate

Personal Tax Return
Business Tax Return

**2019 1040, 1065,
1120-S, OR 1120**

Bank statements
Checks
Payroll Reports

PAYROLL EVIDENCE

Amortization Schedules,
Receipts, Checks,
Account Statements,
Invoices, Agreements

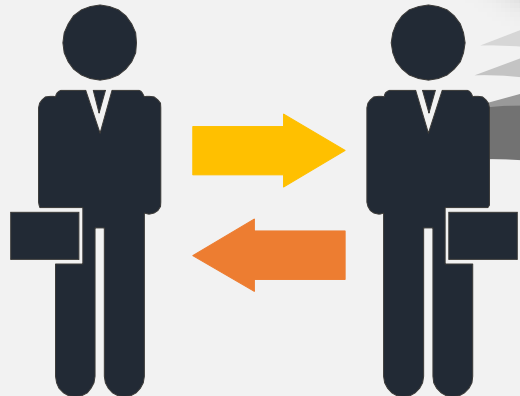
NON-PAYROLL EVIDENCE

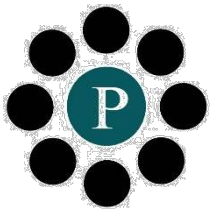
Your lender makes a
decision in 10 months.

FORGIVENESS APPLICATION



Talk to your
LENDER!!!





PPP Forgiveness Application

Your initials

7x

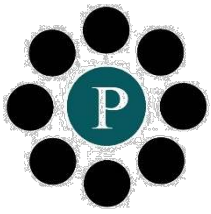
Page 4 is a certification page.

HU I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

HU The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

Jail

Bail – price to get out of jail



What if I already spent the PPP money?



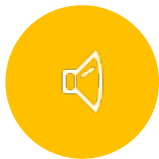
Solution 1 – Reset!

Put the money back. If you received \$10,000 and spent \$3,000, put that \$3,000 back. Then, put the full \$10,000 in a separate bank account.



Solution 2 - Document

Keep record of your receipt and document where that money was spent. As for the remainder of the PPP funds, put in a separate bank account.



Solution 3 – **ASK YOUR LENDER**

In the next week, we will receive forgiveness guidance from the SBA. Get from YOUR LENDER what exactly they want from you.

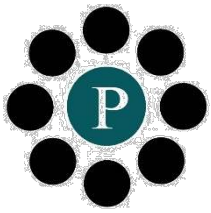


Solution 4 – Allocate funds in System

Open a QuickBooks Online account and allocate the funds using classes. Do you have a **CPA?**

Shameless plug





References



SBA Disaster Program

www.sba.gov/disaster

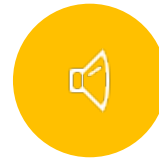
SBA provides disaster loans all year round, including when hurricane and earthquakes happen.



SBA Local Office

www.sba.gov/local-assistance

SBA local office has free resources to help you with your business



PPP Rules

www.treasury.gov

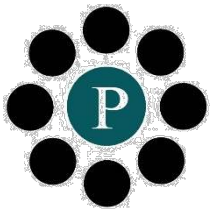
Click on the red banner at the top for word-for-word guidance



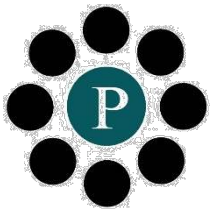
SBA Forgiveness Application

<https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>

PPP Round 2 still has money. Deadline to apply is June 30, 2020



**Updated PPP Forgiveness
Application is coming soon**



PPP ASIDE

TREAT YOUR JOB AS A BUSINESS

RECORDS
Receipts, Bank Statements, Accounting System

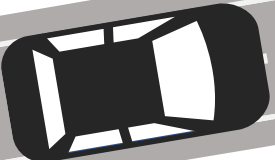
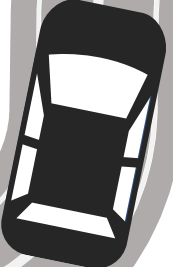
FINANCIALS
Spend time understanding how you want to review your overall business picture

TAXES
Strategize how to reduce your taxes the legal way.
The one that doesn't bring you to jail.

01

02

03



How Professional Tax Planning can help?

Tax Planning & Savings

If there's a problem or confusion, we'll guide you.

Questions?

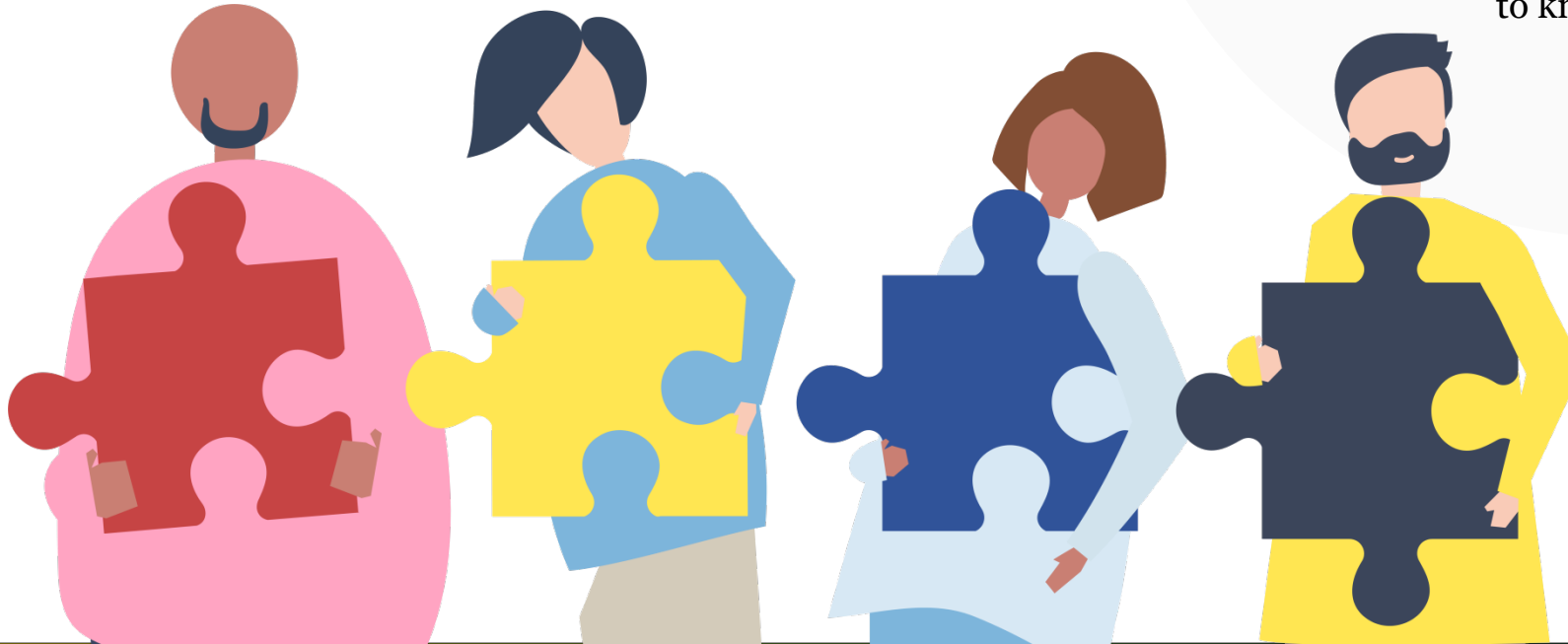
You don't know what you don't know. At least know who to go to.

Time Savings

Get your time back to focus on the core of your business.

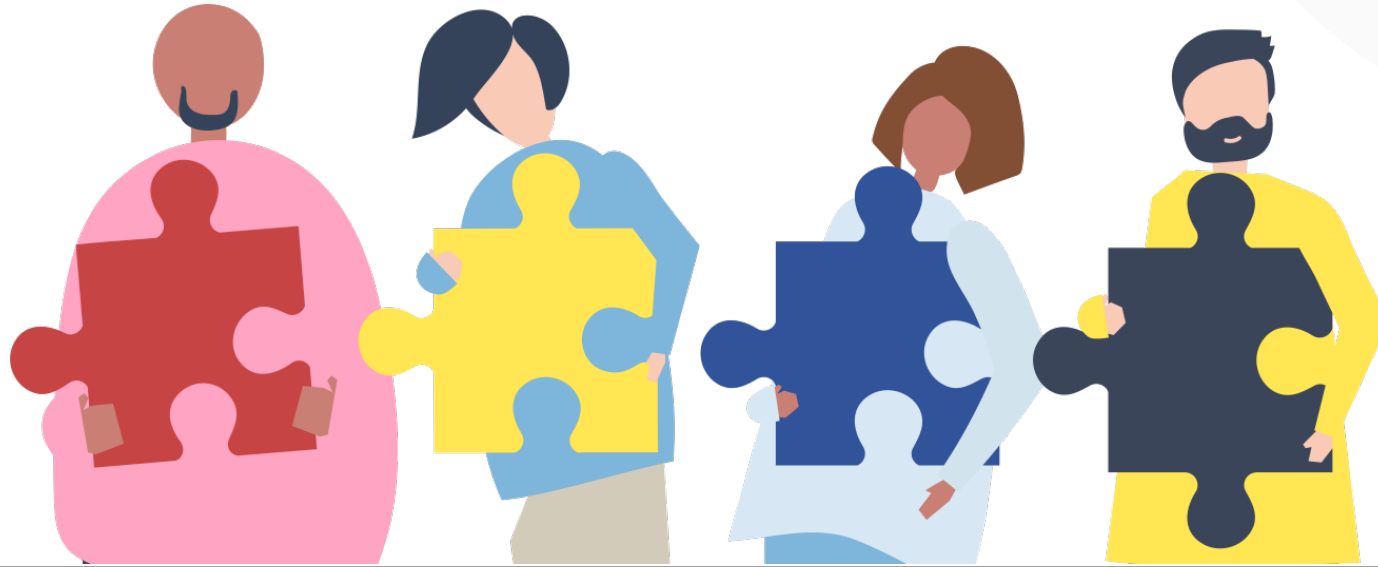
Information overload

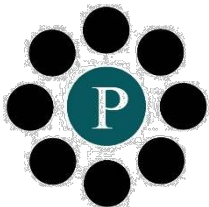
Don't sweat all the jargon and abundant information. We'll guide you with what you need to know.



How Corporate Payroll Services can help?

- Add an additional bank account, like your PPP bank account, for direct deposit debits and/or to be used for issuing paper checks
- Custom Pay Types
- Custom payroll reports





PPP Loan Forgiveness Supplemental Report

	From	Thru
SELECT ONE: <input type="radio"/> Covered Period	Check Dates: //	//
<input type="radio"/> Alternative Covered Period	(Note: Use Check Dates when entering Alternative Covered Period From/Thru)	
FTE (Full-Time Equivalent) Reference Period:	02/15/2019	06/30/2019
SUI State:		(Leave blank to include liability from all states.)
How to calculate FTE when employee works less than 40 hours:	average hours paid per week	
Full-Time Equivalency (FTE) Reduction Exceptions:	0.0	
Additional Full-Time Equivalency (FTE) [Box 2]	0.0	
Additional Full-Time Equivalency (FTE) [Box 5]	0.0	
Pay Types for Calculating Earnings Pay Types selected: None!!!		
Total Loan Amount Received:	.00	
EIDL Advance Amount Received:	.00	
Enter Business Mortgage Interest Payments:	.00	
Enter Business Rent or Lease Payments:	.00	
Enter Business Utility Payments:	.00	
Annual group health care benefits paid on behalf of employees:	.00	
Annual retirement benefits paid on behalf of employees:	.00	
(Note: Employer match amounts set up through payroll will already be included)		
Additional State or Local annual amounts paid on behalf of employees:	.00	
(Note: SUI amounts will already be included)		

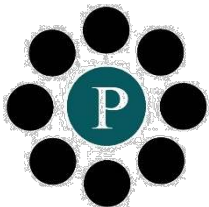
CSV File

Text File

Preview

Print

Cancel



06/11/2020 12:57 T25/TESTDCA
ABCIND

ABC Industries Inc
PPP Loan Forgiveness Supplemental Report
'Covered Period': '05/01/2020' - '06/26/2020' Reference Period: '02/15/2019' - '06/30/2019'

Emp ID	Employee SSN	Employee Name	Total Earnings	Eligible Earnings [1]	Avg FTE [2]	Sal/Hr1 Wage Reduction[3]	EligibleEarn +100k[4]	Avg FTE +100k[5]	Healthcare Benefits	Retirement Benefits	SUI St	SUI Amount	Additional State/Local
150	***-**-6000	Bailey Sarra	577.83	577.83	0.00	0.00	0.00	0.00	0.00	0.00	VA	0.58	0.00
555	***-**-5000	Bentley Albert	3383.53	3383.53	1.00	0.00	0.00	0.00	0.00	0.00	VA	0.78	0.00
129	***-**-6000	Boyd Harry	500.00	500.00	0.00	0.00	0.00	0.00	0.00	0.00	VA	0.50	0.00
112	***-**-7000	Carlos Angela	4047.73	4047.73	1.00	0.00	0.00	0.00	0.00	0.00	VA	0.63	0.00
134	***-**-8000	Charles Helen	1220.00	1220.00	0.75	0.00	0.00	0.00	0.00	0.00	VA	1.22	0.00
109	***-**-9000	Davis Frank	500.00	500.00	0.00	0.00	0.00	0.00	0.00	0.00	VA	0.50	0.00
112	***-**-1000	Derek Albert	562.28	562.28	0.00	0.00	0.00	0.00	0.00	0.00	VA	0.57	0.00
095	***-**-2000	Echols Sophia	3406.00	3406.00	1.00	0.00	0.00	0.00	0.00	0.00	VA	3.40	0.00
159	***-**-3000	Franklin Aida	4060.54	4060.54	0.00	0.00	0.00	0.00	0.00	0.00	VA	0.00	0.00
006	***-**-4000	Harper Scott	7099.00	7099.00	0.00	0.00	0.00	0.00	0.00	0.00	VA	0.00	0.00
135	***-**-5000	Jackson Olivia	4053.90	4053.90	1.00	0.00	0.00	0.00	0.00	0.00	VA	0.71	0.00
008	***-**-6600	Michaels Mark	4903.34	4903.34	1.00	0.00	0.00	0.00	0.00	0.00	VA	0.93	0.00
002	***-**-7700	Morales Mario	4000.00	4000.00	0.00	0.00	0.00	0.00	0.00	0.00	VA	0.00	0.00
004	***-**-8800	Nicholson Roberta	500.00	500.00	0.00	0.00	0.00	0.00	0.00	0.00	VA	0.50	0.00
037	***-**-9900	Richardson Phillip	2250.00	2250.00	1.00	0.00	0.00	0.00	0.00	0.00	VA	2.11	0.00
001	***-**-0000	Smith Joe	5000.00	5000.00	0.00	0.00	0.00	0.00	0.00	0.00	VA	0.00	0.00
{Cust}	***-**-	{User entered amounts}	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	}}	0.00	0.00
Totals			46064.15	46064.15	6.75	0.00	0.00	0.00	0.00	0.00		12.43	0.00



Hiromi U.
CPA & Certified Tax Coach



Questions? 1-on-1?

Taking
New Client Applications

info@taxproplan.com



Do you have HR Related Questions?

We are offering a free trial to our [HR Support Center](#) for the month of June. You will have access to HR professionals and federal, state, and industry related laws, HR templates, and more! Email hrhelp@corpay.com to sign up. Mention this webinar to receive your free trial. (Trial Ends June 31, 2020)



FAQ'S