

# PPP Loan Forgiveness

Important Updates and Application Review

June 17, 2020

Professional Tax Planning, LLC  
&  
Corporate Payroll Services



# Legal Disclaimer

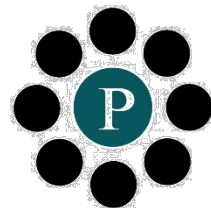
The information presented today is provided for educational purposes and should not be considered legal advice.

# 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*



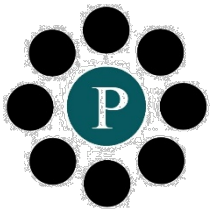
# ABOUT EPHRAT

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



**Ephrat Merid**  
***Corporate Payroll Services***

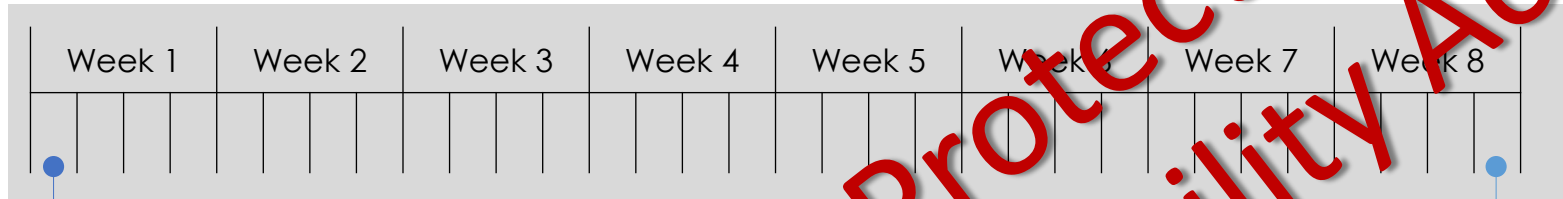
[ephurat@corpay.com](mailto:ephurat@corpay.com)



# 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.

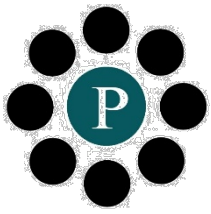
- 1% APR
- 2 year loan
- First 6 months min payments are deferred





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

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





# May

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
27	28	29	30	01	02	03
04	05  <b>Loan Received</b>	06	07	08	09	10
11  <b>1<sup>st</sup> Pay Period</b>	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 <b>END</b>	21	22	23	24	25
26 <b>END</b>	26	27	28	29	30	31

**WARNING! Cannot go beyond**

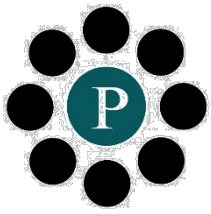
**12/31/2020**



**COVERED PERIOD**



**ALTERNATIVE PAYROLL COVERED PERIOD**

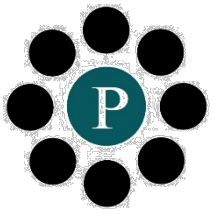


# PPP Forgiveness Application

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

<input type="checkbox"/> Weekly	<input type="checkbox"/> Biweekly (every other week)	<input type="checkbox"/> Twice a month	<input type="checkbox"/> Monthly	<input type="checkbox"/> Other	<input type="text"/>
<b>Covered Period:</b> <input type="text"/> to <input type="text"/>					
<b>Alternative Payroll Covered Period, if applicable:</b> <input type="text"/> to <input type="text"/>					





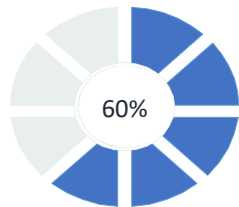
# ALLOWABLE EXPENSES



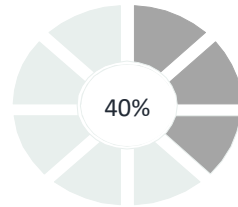
	MAY				JUNE				>>>> 2025			
	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8	5 year term			
Payroll	Payroll – 60% or more											
Utilities	Utilities – 40% or less											
Rent	Rent – 40% or less											
Mortgage Interest	Mortgage Interest – 40% or less											
Return the money									RETURN THE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

● RETURN THE MONEY

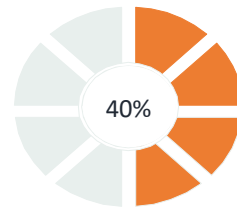
> 60% = 0% FORGIVENESS



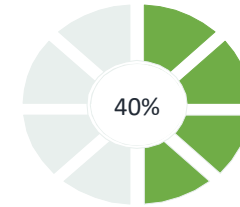
● Payroll



● Utilities



● Rent



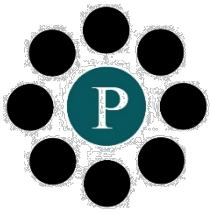
● Mortgage Interest

\$46,153 cap per employee during 24 weeks

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

**= 100% Forgiven**

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



# 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

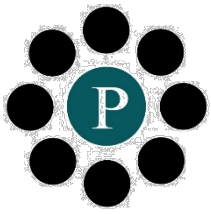
No Double Dip

EIDL

## Example

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

Forgiven PPP = \$43,000



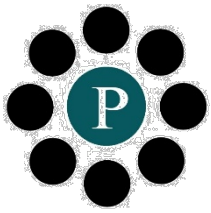
# PPP Forgiveness Application

Employees at Time of Loan Application:

Employees at Time of Forgiveness Application:

EIDL Advance Amount:

EIDL Application Number:



# What is my weekly payroll?



Corporations must report an appropriate and reasonable salary.

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

\$	2019 Net Profit
	52 weeks
	Weekly Pay

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

Sole Proprietors



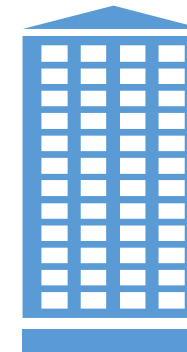
Schedule C  
Line 31

Partnership



1065 K-1

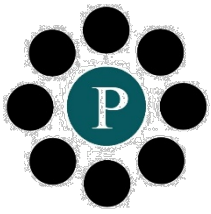
Corporation



1120,  
1120S, 990  
Payroll  
Report

ONLY W-2 wages  
Not net profit

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



# Who are my employees?

**W-2 = YES**

Government wants to prevent people from getting unemployment benefits!

**1099 = NO**

They are their own business.

**NO DOUBLE DIPPING**

They can get their own PPP fund.

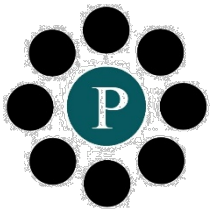
**YOU**

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

Landlords for residential properties are NOT allowed.

## **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.**



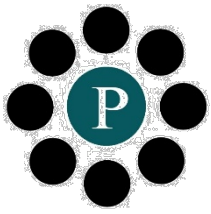
# PPP Forgiveness Application

**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—

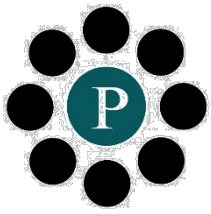
“(A) is able to document—

“(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>

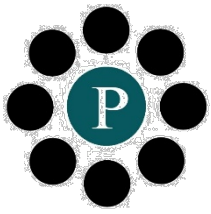


For W-2 wages, what are Payroll Costs?

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**

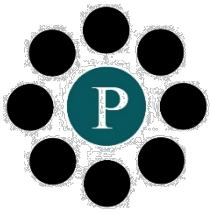
**Not Employer portion of  
Federal Social Security, Federal Medicare**





For sole proprietors and partnerships,  
what are Payroll Costs?

**2019 net profit**



# PPP Forgiveness Application

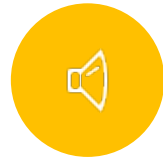
4 parts – **Fill this out backwards**



PPP Loan Forgiveness Calculation Form



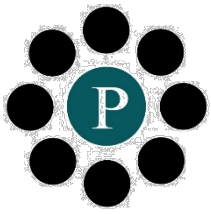
PPP Schedule A



PPP Schedule A Worksheet



PPP Borrower Demographic Information Form  
(optional)



# PPP Schedule A Worksheet

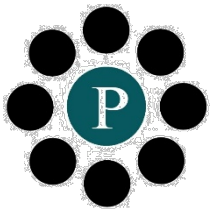
**Table 1:** List employees who:

- 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%



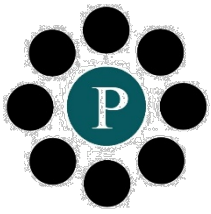
# PPP Schedule A Worksheet

**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

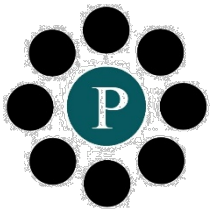
Line 1. Enter Cash Compensation (Box 1) from **PPP Schedule A Worksheet, Table 1:**

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:**

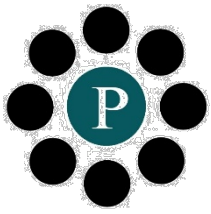



## PPP Schedule A

### 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.

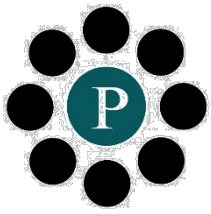
## Payroll and Nonpayroll Costs

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

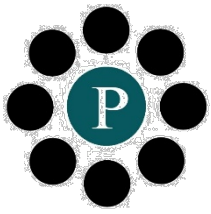
Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

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

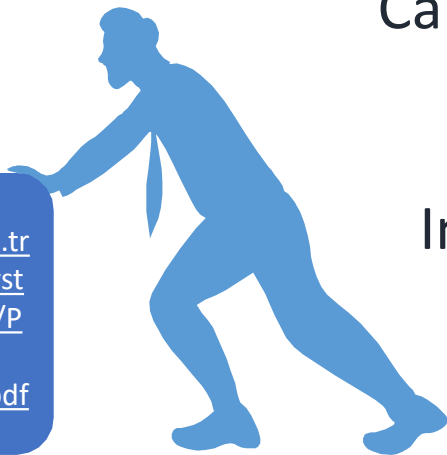
OK

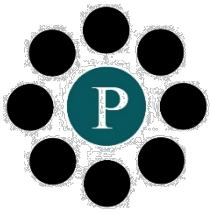
Car Lease Interest

OK

**GUIDANCE**

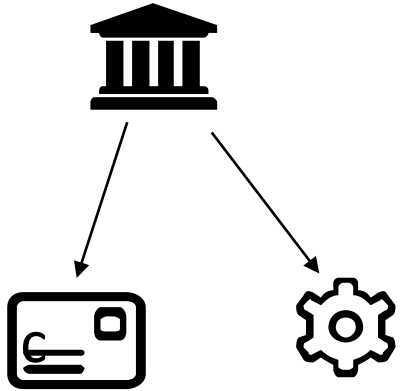
<https://home.treasury.gov/system/files/136/PPP-IFR-Loan-Forgiveness.pdf>





# Make an Audit Trail

SBA recommendation



## Step 1

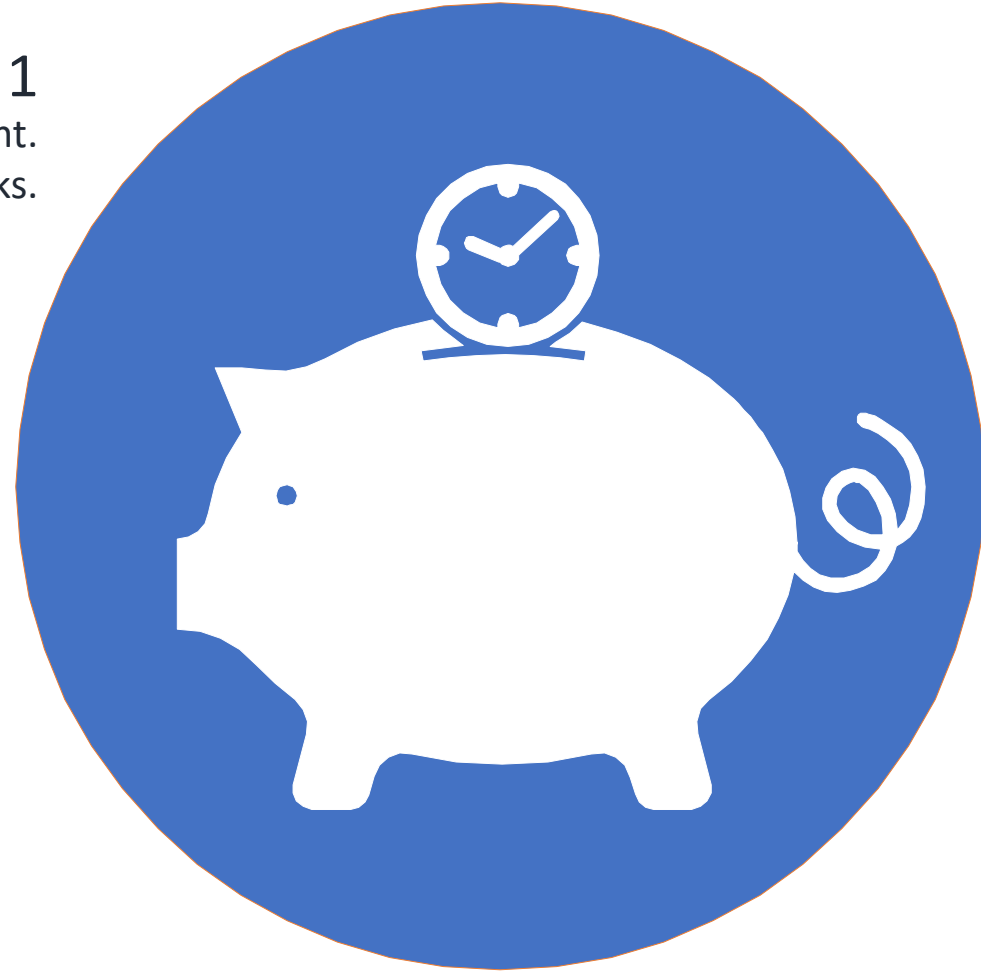
Deposit PPP funds in its OWN bank account.  
BUY paper checks.

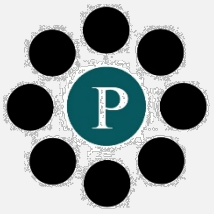
## Step 2

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**

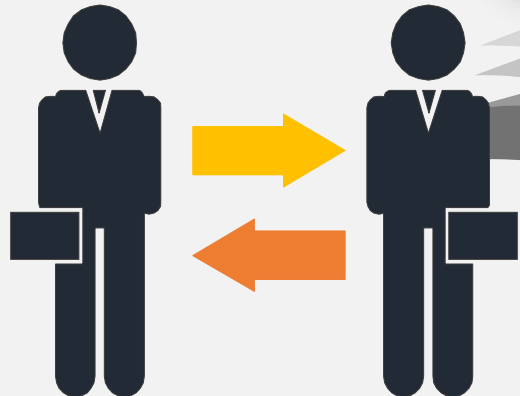


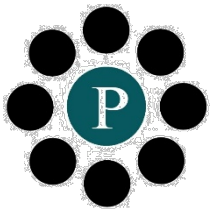
Your lender makes a  
decision in 10 months.

## **FORGIVENESS APPLICATION**



Talk to your  
**LENDER!!!**





# PPP Forgiveness Application

Your initials

7x

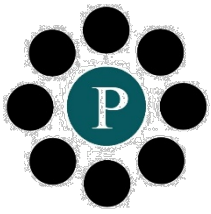
Page 4 is a certification page.

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?



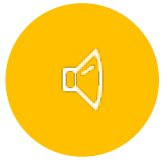
## Solution 1 – Reset!

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.

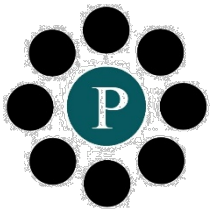


## Solution 4 – Allocate funds in System

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](http://www.sba.gov/disaster)

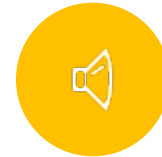
SBA provides disaster loans all year round, including when hurricane and earthquakes happen.



### SBA Local Office

[www.sba.gov/local-assistance](http://www.sba.gov/local-assistance)

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



### PPP Rules

[www.treasury.gov](http://www.treasury.gov)

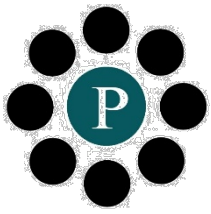
Click on the red banner at the top for word-for-word guidance



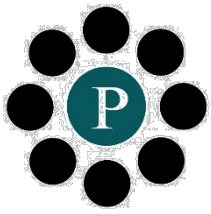
### SBA Forgiveness Application

<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

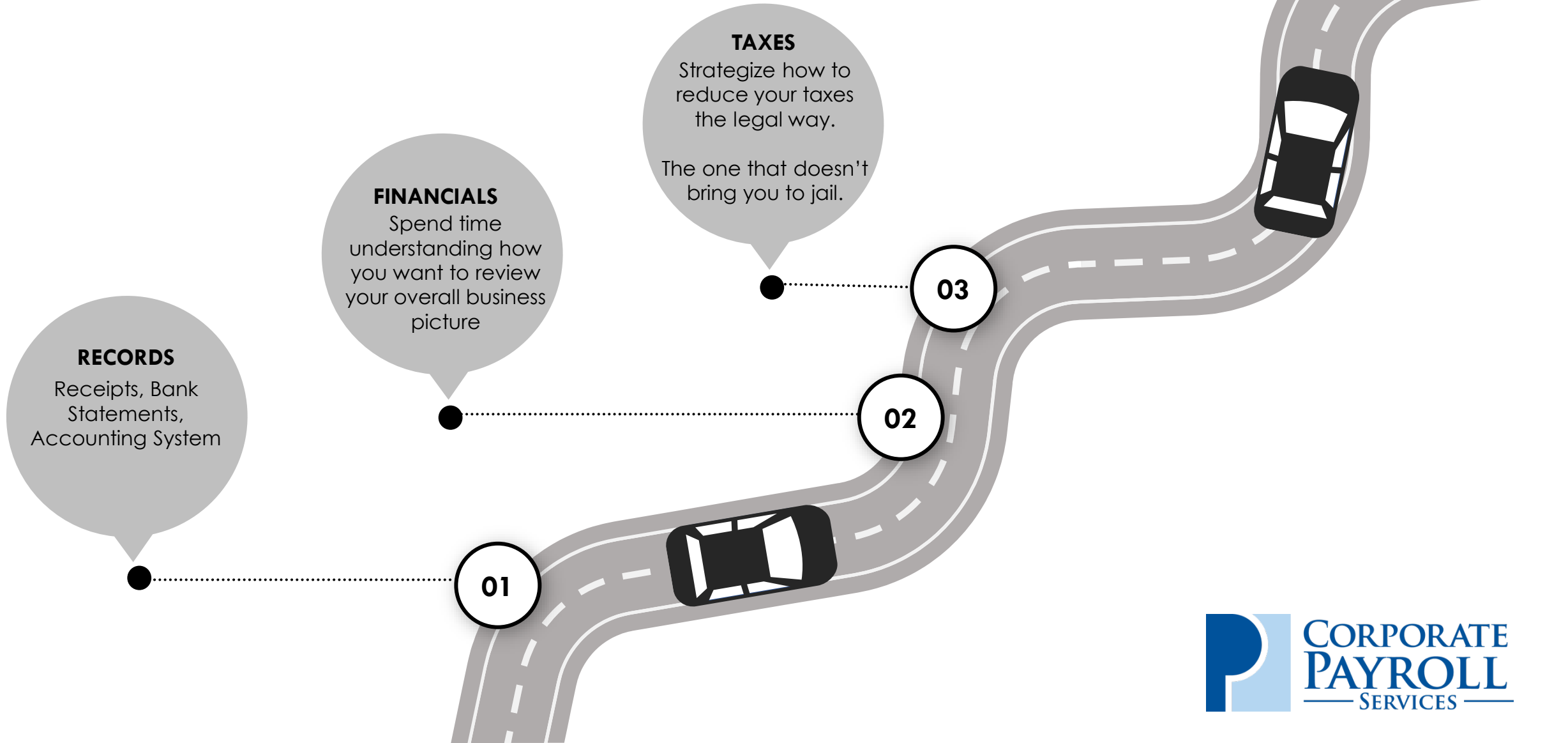


**Updated PPP Forgiveness  
Application is coming soon**



# PPP ASIDE

## TREAT YOUR JOB AS A BUSINESS







# How Professional Tax Planning can help?

## **Tax Planning & Savings**

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

## **Questions?**

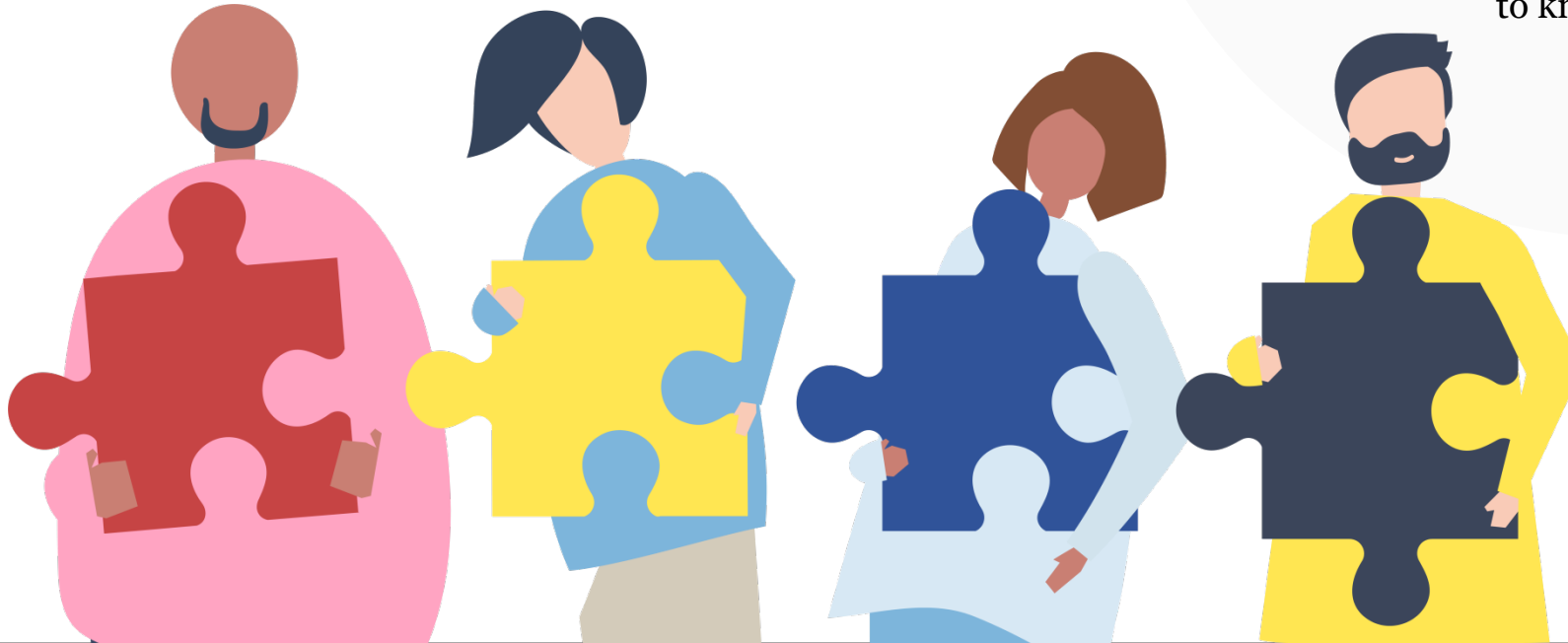
You don't know what you don't know. At least know who to go to.

## **Time Savings**

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

## **Information overload**

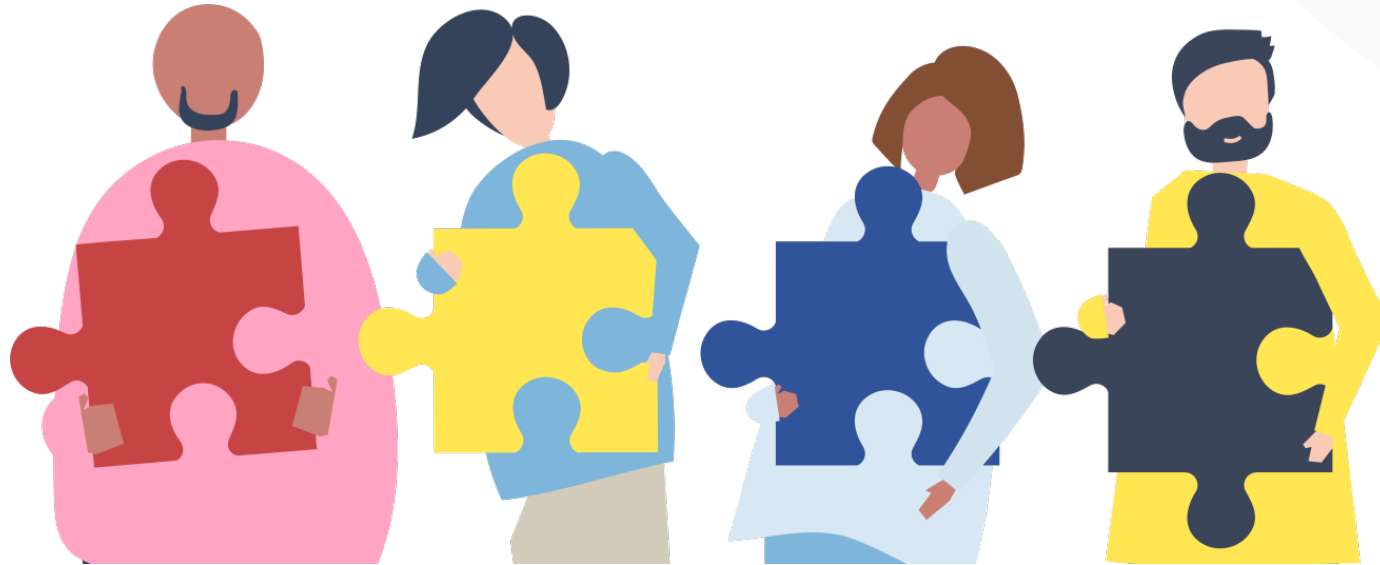
Don't sweat all the jargon and abundant information. We'll guide you with what you need to know.

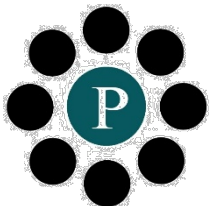




# How Corporate Payroll Services can help?

- 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		
<input type="radio"/> Alternative Covered Period	Check Dates: //	//
(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)		

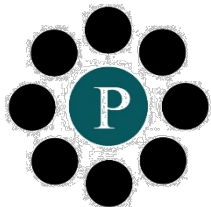
CSV File

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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'

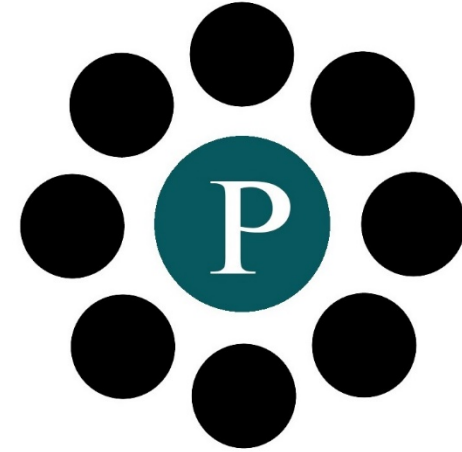
Emp ID	Employee SSN	Employee Name	Total Earnings	Eligible Earnings [1]	Avg FTE [2]	Sal/Hr1 Wage Reduction[3]	EligibleEarn +100k[4]	Avg FTE +100k[5]	Healthcare Benefits	Retirement Benefits	SUI St	SUI Amount	Additional State/Local
150	***-**-6000	Bailey Sarra	577.83	577.83	0.00	0.00	0.00	0.00	0.00	0.00	VA	0.58	0.00
555	***-**-5000	Bently 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	Moralez 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

PASTRY

EIN: 11-1234568



**Hiromi U.**  
*CPA & Certified Tax Coach*



Questions? 1-on-1?

Taking  
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[info@taxproplan.com](mailto:info@taxproplan.com)



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# FAQ'S