

# PPP Loan Forgiveness

Wednesday, May 27, 2020

Professional Tax Planning, LLC  
&  
Corporate Payroll Services



# Legal Disclaimer

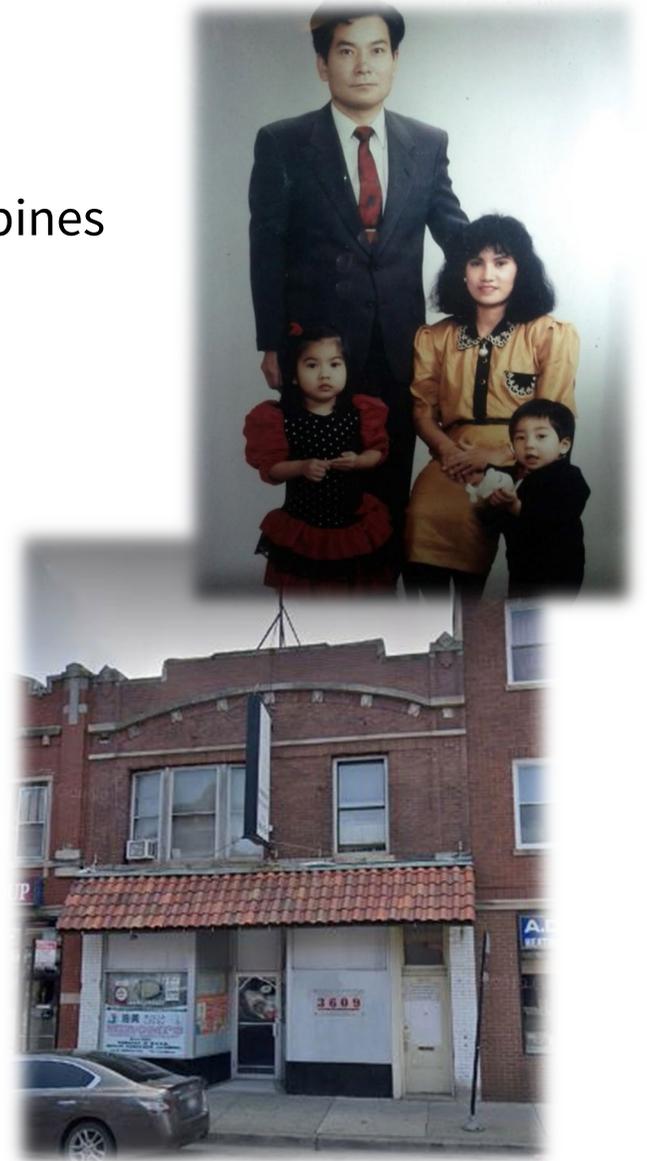
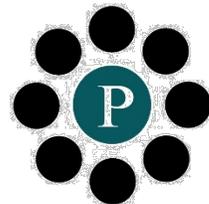
The information presented today is provided for educational purposes and should not be considered legal advice.

# 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*



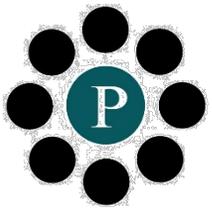
# ABOUT EPHRAT

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



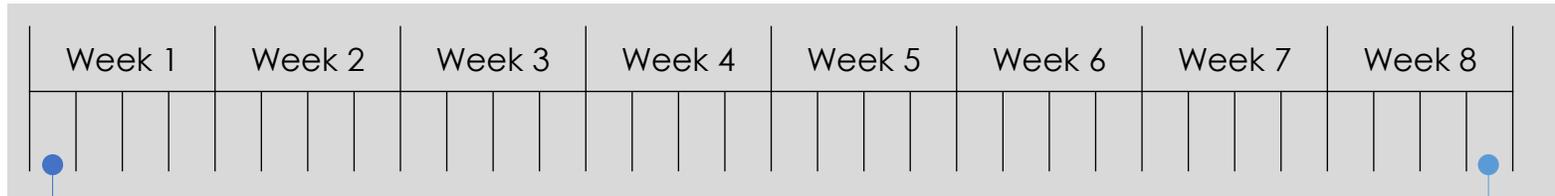
**Ephrat Merid**  
*Corporate Payroll Services*

[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

# 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>1st Pay Period</b>	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

# June

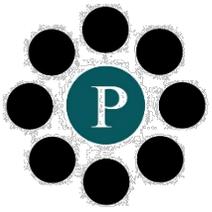
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
01	02	03	04	05	06	07
08	09	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30 <b>END</b>	01	02	03	04	05

# July

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
06 <b>END</b>	07	08	09	10	11	12
11	12	13	14	15	16	17

 **COVERED PERIOD**

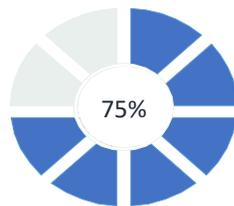
 **ALTERNATIVE PAYROLL COVERED PERIOD**



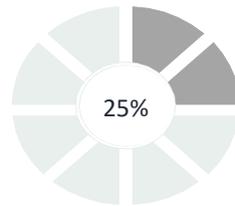
# ALLOWABLE EXPENSES

	MAY				JUNE				>>>> 2022			
	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8	2 year term			
<b>Payroll</b>	Payroll – 75% or more											
<b>Utilities</b>	Utilities – 25% or less											
<b>Rent</b>	Rent – 25% or less											
<b>Mortgage Interest</b>	Mortgage Interest – 25% or less											
<b>Return the money</b>									RETURN THE MONEY!!!			

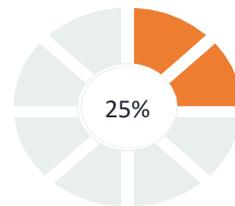
● RETURN THE MONEY



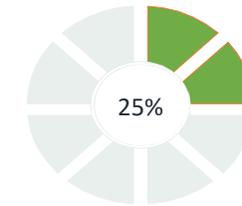
● Payroll



● Utilities



● Rent



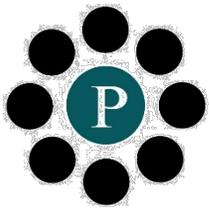
● Mortgage Interest

\$15,385 cap per employee during 8 weeks

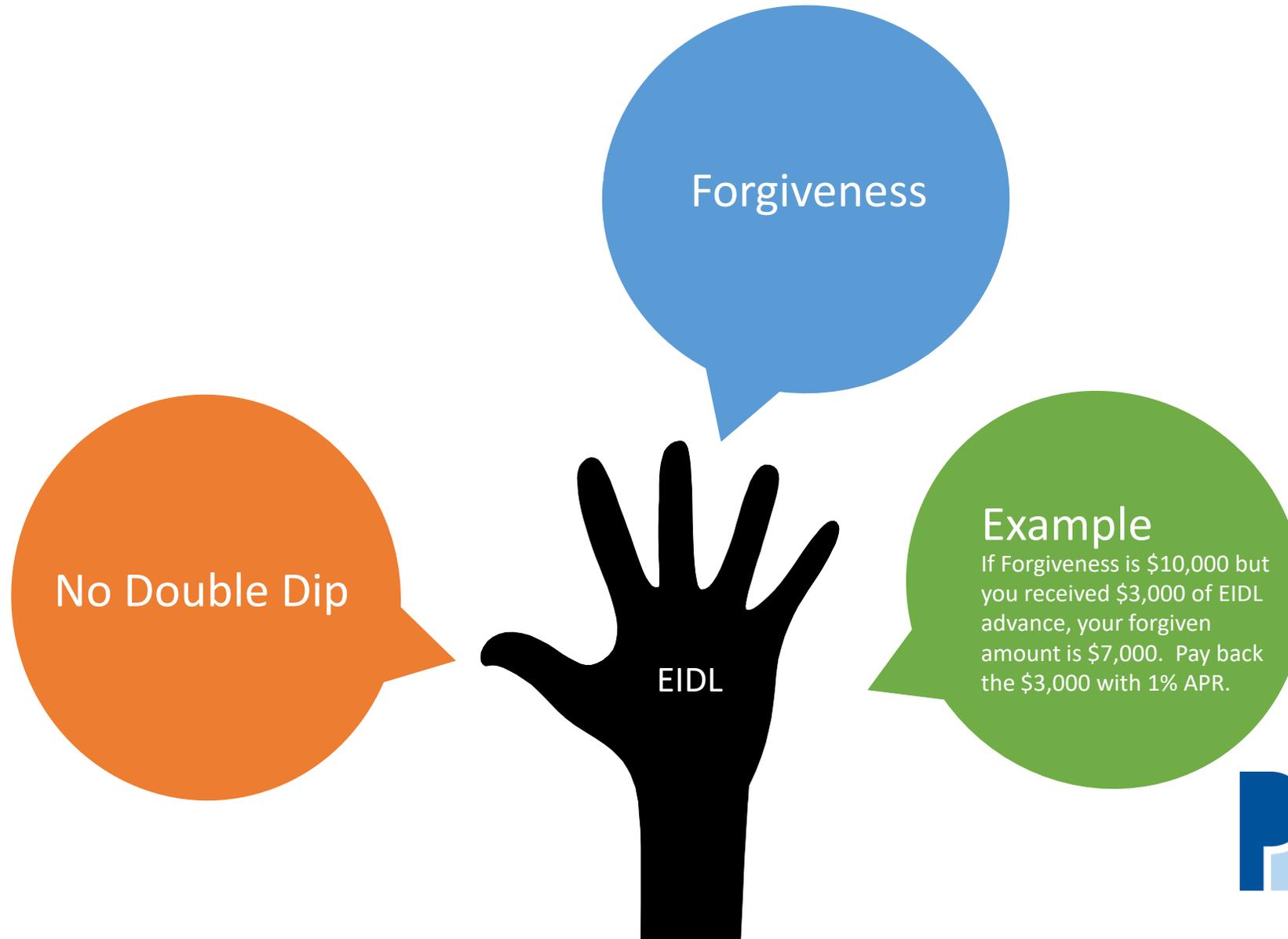
Why?  $\$15,385 / 8 \text{ weeks} = \$1,923 \times 52 \text{ weeks} = \$100,000$

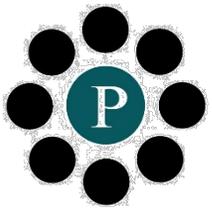
## = 100% Forgiven

*\*owner-employee / self-employed cannot exceed \$15,385 across ALL businesses*



# EIDL Advance





# What is my weekly payroll?



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\$ 2019 Net Profit

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52 weeks

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Weekly Pay

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\$ 78,000 / year

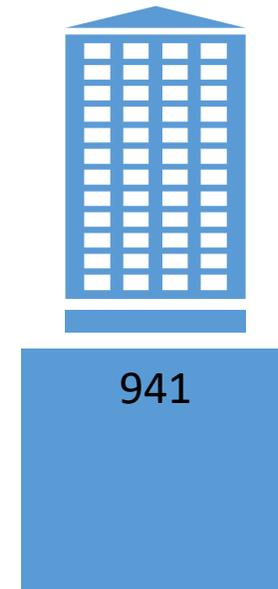
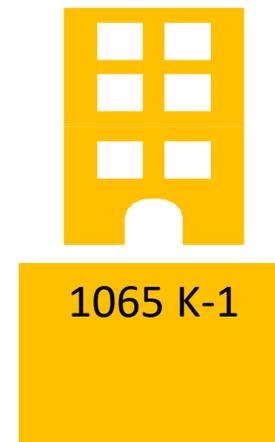
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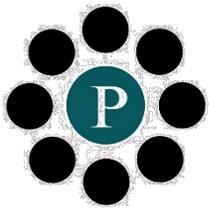
52 weeks

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1,500 / week

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# What about my employees?

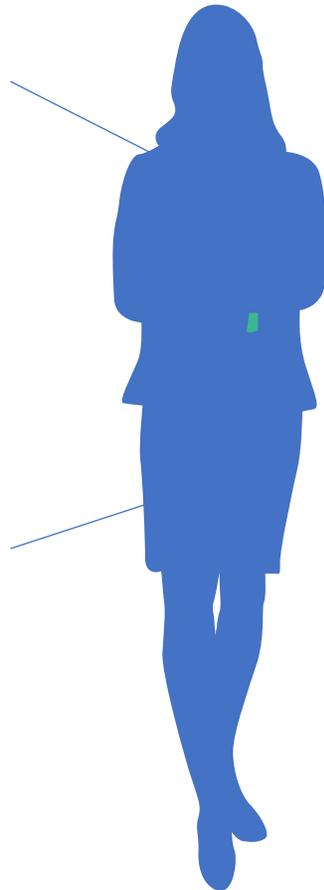
## W-2 = YES

You, as the employer, are responsible for their livelihood. You pay PPP funds because the government doesn't want them to get unemployment. W-2 employees either get PPP fund or unemployment.

## YOU

You are self employed. You deserve the money because you pay self employment taxes.

Self employment taxes are payroll taxes, which are the additional 15.3% of your business profits paid when you file for your taxes every year.

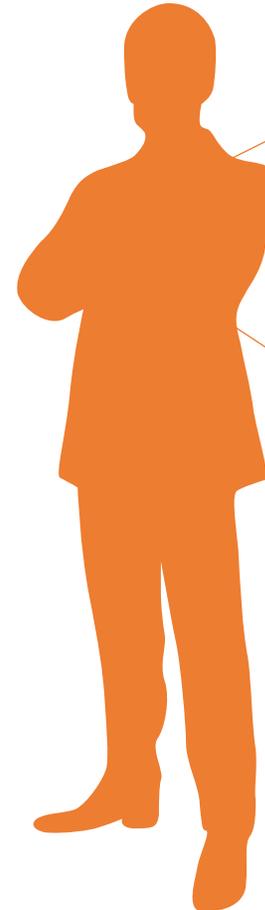


## 1099 = NO

You do not pay any taxes on their behalf. Anyone who receives a 1099 considered to be their own business.

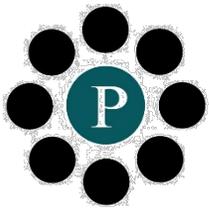
## NO DOUBLE DIPPING

They can apply for their own PPP money. If you pay them using your PPP money, they can DOUBLE DIP. That's not fair!



## Warning!

**Your headcount must be the same as when you applied or else you risk reducing your forgiveness amount. Hire employees. If they refuse, document that refusal in their writing (i.e. Email from the refusing employee)**



# What is rent? What are utilities?

Business Use of Home  
Rental Space?

Not sure

Car Lease

OK



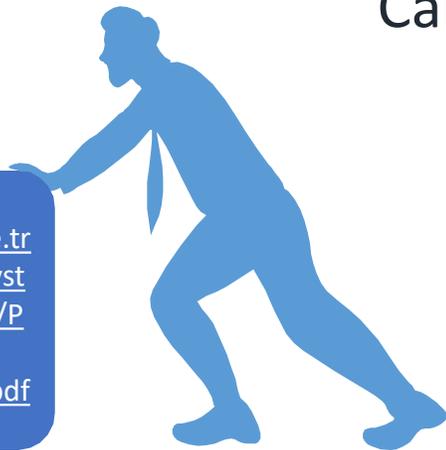
Electricity, Gas, Water  
OK

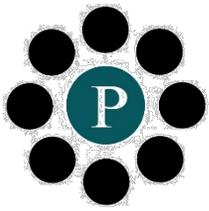
Transportation,  
Cell Phone, Internet  
OK

Equipment Lease  
OK

**GUIDANCE**

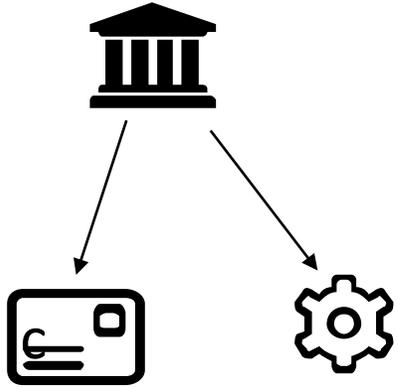
<https://home.treasury.gov/system/files/136/PP-IFR-Loan-Forgiveness.pdf>





# Make an Audit Trail

SBA recommendation



## Step 1

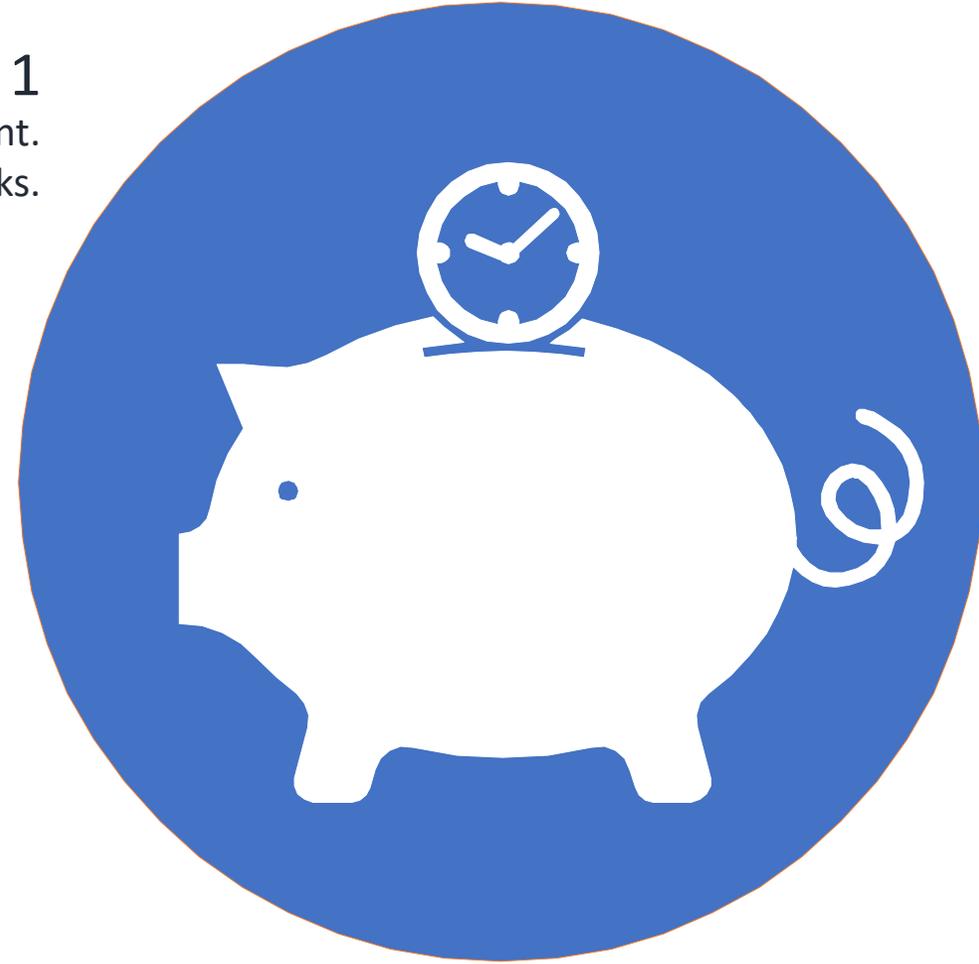
Deposit PPP funds in its OWN bank account.  
BUY paper checks.

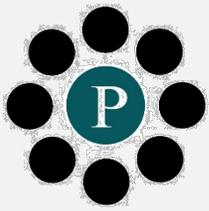
## Step 2

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"**





# FORGIVENESS CHECKLIST – 4 ITEMS

## Accurate

Personal Tax Return  
Business Tax Return

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

Bank statements  
Checks  
Tax Forms (941)

## **PAYROLL EVIDENCE**

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

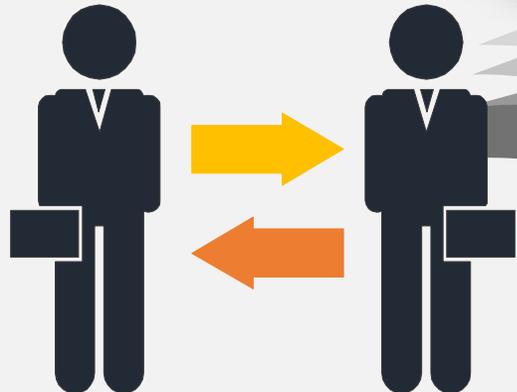
## **NON-PAYROLL EVIDENCE**

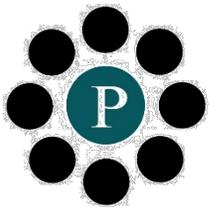
Your lender makes a  
decision in 60 days.

## **FORGIVENESS APPLICATION**



Talk to your  
**LENDER!!!**





What if I already spent the money?!

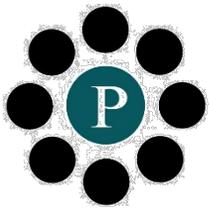
**This may be a problem...**

**...because you initialed & certified that you knew  
what you were signing up for.**

**Here comes civil or criminal fraud charges!**

**Fines up to \$250,000**

**Jail time up to 5 years**



# No, really! What do I do?!



## 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 find out from SBA what the forgiveness guidance. Get from YOUR LENDER what exactly they want from you.

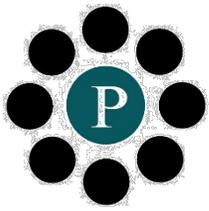


## Solution 4 – Allocate funds in System

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)

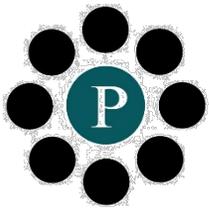
Click on the red banner at the top for word-for-word guidance



### 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



# PPP ASIDE

## TREAT YOUR JOB AS A BUSINESS

**RECORDS**  
Receipts, Bank Statements, Accounting System

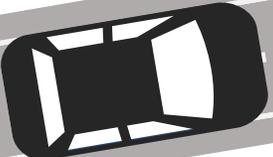
**FINANCIALS**  
Spend time understanding how you want to review your overall business picture

**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.



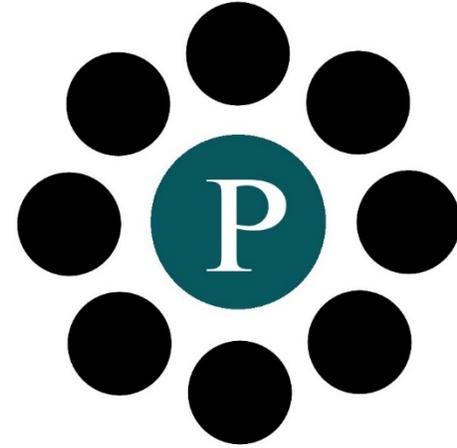
# How Corporate Payroll Services can help?

- 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





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



Questions? 1-on-1?

Taking appointments

[calendly.com/taxproplan](https://calendly.com/taxproplan)

# FAQ'S