



CURRENT UPDATES: PPP AND EMPLOYEE RETENTION CREDIT (ERC)

THURSDAY | FEB 18, 2021 | 12:00 PM EST



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 1. Type them into the Q&A box.
 2. Wait until the end of the webinar and ask directly. Just raise your hand and our moderator will ask you to unmute your microphone.
 3. If we cannot answer your questions during the webinar, we will subsequently respond to your question by email or phone.
- This presentation is being recorded, so if you would like a copy please email us after the webinar.
- After the webinar a short survey will appear on the screen. Please take a moment to answer these questions. All responses are anonymous and will help make sure you get the most from our webinar series.



disclaimer

Today's webinar does not address all information related to the SBA Paycheck Protection Program ("PPP") and the Employee Retention Credit ("ERC") and does not constitute consultation with your counsel or advisors regarding the application of PPP and ERC requirements to your particular situation. Further, updated guidance from the SBA and/or the Department of the Treasury has been, and may continue to be, issued. Participants should seek advice from their own counsel or advisors before acting on information presented.

Today's speakers



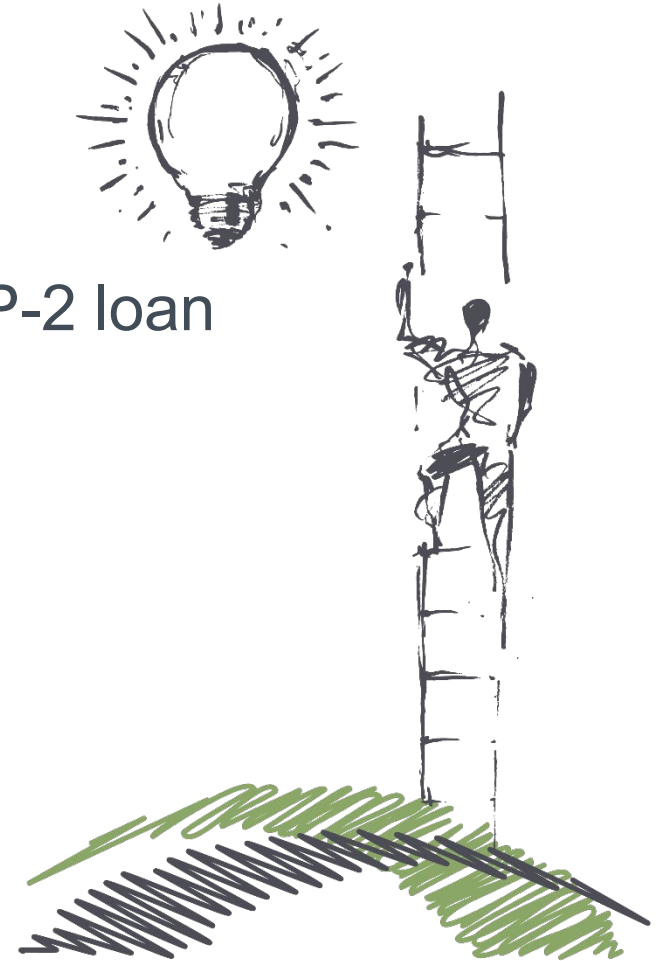
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Today's agenda

- Latest PPP-1 forgiveness & PPP-2 loan application
- PPP and ERC tax update
- Interplay of PPP & ERC
- Q&A



overview

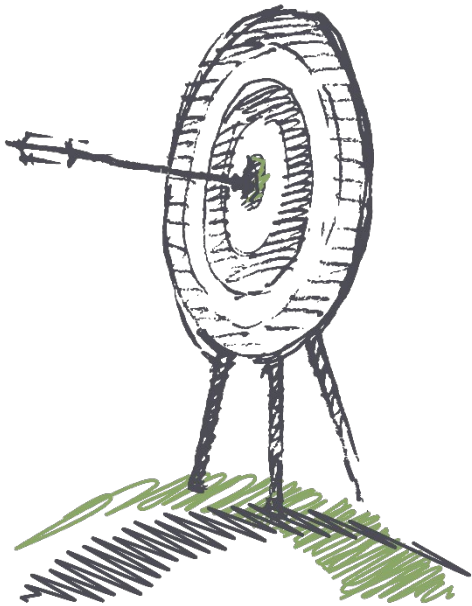


- PPP-1 vs. PPP-2
- SBA oversees PPP
- Employee Retention Credit (ERC)
- IRS oversees ERC
- Consolidated Appropriations Act, 2021 signed 12/27/2020
 - Allowed deductibility in 2020 of eligible expenses paid with forgiven PPP-1 loan
 - Created PPP-2 loan
 - PPP borrowers now eligible for ERC

SECTION 1

LATEST
PPP-1 FORGIVENESs &
PPP-2 LOAN APPLICATION

loan forgiveness timing



- File for forgiveness within 10 months from end of covered period
- Example: covered period ended 10/30/20—file by 8/30/21

ACCOUNTING FOR Forgiveness



- Record PPP loan when proceeds received
- Write off loan to “other income” when SBA forgives the loan in writing
- Most borrowers will have the PPP loan still recorded as of 12/31/20

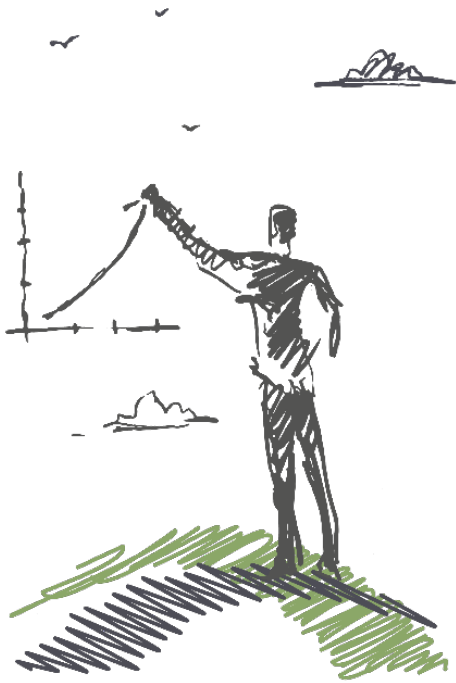
LOAN FORGIVENESS IN 2020

P&L	BOOK
OTHER INCOME- LOAN FORGIVENESS	1,000,000
PPP EXPENSES PAID	<u>(1,000,000)</u>
NET INCOME	<u>0</u>

LOAN FORGIVENESS IN 2021

P&L	YEAR END 2020	AFTER FORGIVENESS YEAR END 2021
OTHER INCOME- LOAN FORGIVENESS	0	1,000,000
PPP EXPENSES PAID	<u>(1,000,000)</u>	<u>0</u>
NET INCOME (LOSS)	<u>(1,000,000)</u>	<u>1,000,000</u>

Forgiveness calculation



- PPP-1 and PPP-2 rules similar
 - Accumulate eligible costs paid during the chosen covered period
 - 60%+ PPP loan must be spent on payroll
 - Forgiven PPP loans will not be taxable and eligible expenses will be deductible
 - Simplified forgiveness process for loans less than \$150,000 (PPP-2)

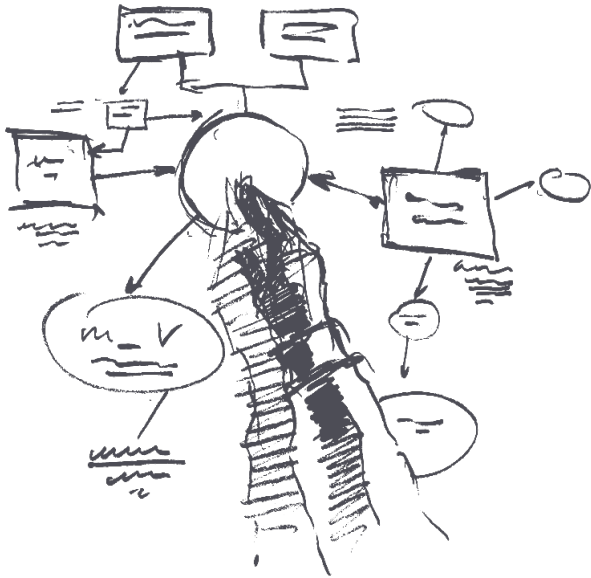
FORGIVENESS calculation

	24 WEEKS
RENT	
UTILITIES	
EMPLOYER MEDICAL	
EMPLOYER 401(K)	
EMPLOYER STATE TAX	
PAYROLL	<u>3,600,000</u>
TOTAL	3,600,000
PPP LOAN AMOUNT	<u>1,600,000</u>
CUSHION	<u>2,000,000</u>

FORGIVENESS calculation

	24 WEEKS
PAYROLL	3,600,000
TOTAL WAGE REDUCTION	<u>(100,000)</u>
SUBTOTAL	3,500,000
FTE REDUCTION QUOTIENT	<u>75%</u>
MODIFIED TOTAL	<u>2,625,000</u>
PPP LOAN AMOUNT	<u>1,600,000</u>
FORGIVENESS AMOUNT	<u>1,600,000</u>

Forgiveness calculation if erc



- If borrower is eligible for ERC (next topic), borrower may reduce eligible payroll and add other eligible expenses
- The same payroll expense cannot be used for PPP forgiveness and ERC

FORGIVENESS calculation

	24 WEEKS
RENT	75,000
UTILITIES	50,000
EMPLOYER MEDICAL	50,000
EMPLOYER 401(K)	20,000
EMPLOYER STATE TAX	5,000
PAYROLL	<u>1,800,000</u>
TOTAL	2,000,000
PPP LOAN AMOUNT	<u>1,600,000</u>
CUSHION	<u>400,000</u>

Overview ppp-2 loan



- PPP-2 loan application & forgiveness
 - Eligibility
 - PPP-2 loan calculation
 - Application form
 - Other provisions
 - Forgiveness
 - PPP-2 eligible costs

eligibility

INELIGIBLE COMPANIES

- Entities permanently closed
- Entities receiving Shutters Venue Operator Grants
- Entities in bankruptcy
- Entities not operating on February 15, 2020
- Publicly-traded
- Lobbying organizations
- Hedge funds or private equity firms

ELIGIBLE COMPANIES

- PPP-2 more restrictive
- Maximum of 300 employees
- Reduction of 25% or more of Gross Receipts in any quarter in 2020 as compared to applicable quarter in 2019
- Certify that “current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant”

Gross Receipts Defined



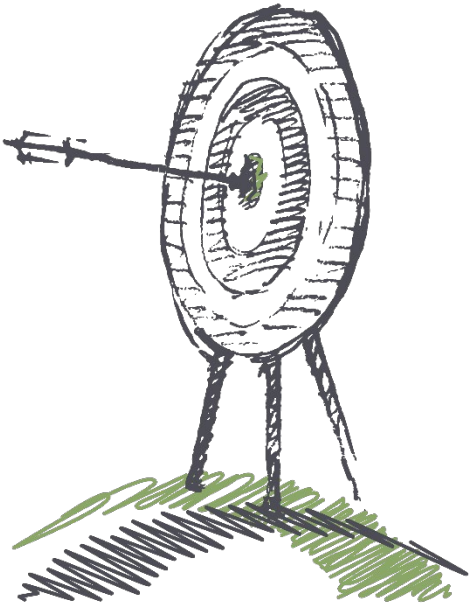
- Sale of products/services (received or accrued)
 - IFR says “in accordance with the entity’s accounting method”
- Interest & dividends
- Rents
- Royalties, fees and commissions
- Excludes forgiven PPP loans
- Excludes capital gains and losses

Gross Receipts Reduction

- Reduction of 25% or more of Gross Receipts in any quarter in 2020 as compared to applicable quarter in 2019
- Borrower can choose to compare 2020 annual gross revenues to 2019 annual gross revenues

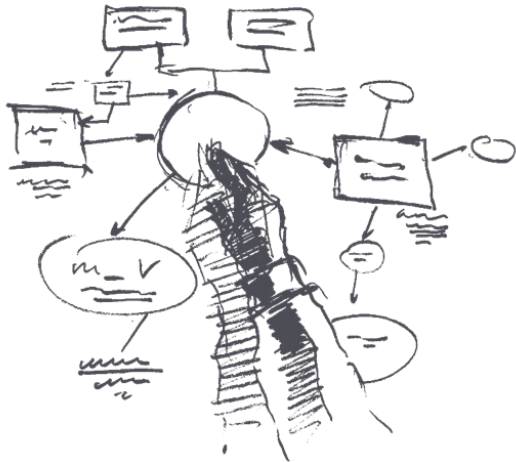


PPP-2 Loan Calculation



- Loan is lesser of:
 - 2019 or 2020 average monthly payroll times 2.5, or
 - Maximum of \$2 million (down from \$10M)
- Average monthly payroll calculated like PPP-1
- NAICS with codes starting 72 can multiply the average monthly payroll times 3.5

Application



- File Form 2483-SD by March 31, 2021

Other Provisions



- PPP-2 loan application can be filed before applying for PPP-1 loan forgiveness
- Filing PPP-2 loan application with same lender can save on documentation required
- Borrower can choose any covered period between 8 and 24 weeks (was 8 or 24 weeks)
- EIDL advances no longer decrease your PPP forgiveness
- Available to 501(c)(6) entities

Eligible Costs PPP-2 Loans



- Similar with PPP-1 rules
 - Payroll costs—(clarified to include group life, disability, vision and dental)
 - Mortgage interest, rent & utilities
 - Added new expense categories such as worker protection (PPE)

PPP loans with affiliates



- PPP-2 revenue test should be performed at the group level before calculating at the affiliate level

summary

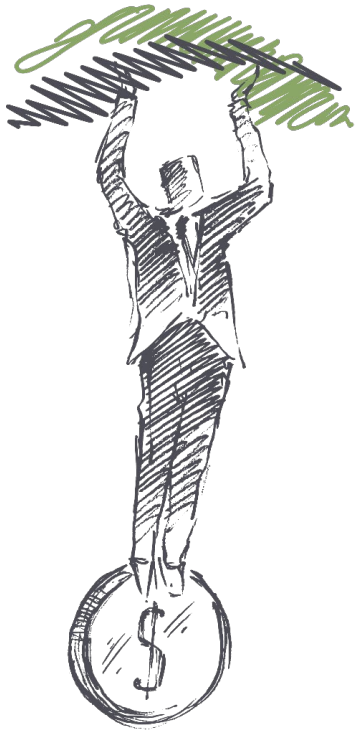


- More similarities than differences
- This is the best information we have today
- We will continue to monitor
- Any questions, please don't hesitate to call us

SECTION 2

PPP & ERC tax UPDATE

PPP Tax Update



- Deductibility of the Expenses
- Basis Step-up
- State Tax Update

Employee Retention Credit



- Payroll tax credit
- ERC – 2020
 - Rules
 - Limitations
- ERC – 2021
 - More generous
- Affiliation

SECTION 3

interplay of ppp & erc

PPP & ERC Interplay



- ERC Wages go Before PPP Wages
- How to Maximize Both
 - Take advantage of the flexibility with the PPP

THANK YOU

FINAL QUESTIONS?



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