

# PPP LOAN

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BEST PRACTICES AND LOAN FORGIVENESS

# PRIORITY ONE

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Priority #1 is to keep your business operating and in business during this crisis. Common sense business practices don't go out the window just to get free money. The health of the business must remain at the forefront of all decisions.

100% loan forgiveness is a great benefit, but should NOT be the sole objective.

Working capital will never be so cheap – 1% loan for any portion of the loan not forgiven

# RECORD KEEPING WILL BE CRITICAL

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- Create an audit trail for every penny spent of the loan proceeds:
  - Hold funds in a separate bank account
  - Pay expenses using your regular operating accounts and transfer funds to “release” the loan proceeds
  - Use fund accounting or the class system (if using QuickBooks) to track expenditures
  - Keep all invoices, all payroll journals, canceled checks, all documentation!
- Create a budget for the 8-week period (following loan deposit)
  - 75% of loan must be used for payroll
  - Qualifying payroll costs = gross payroll (capped at \$15,384 per employee) + state unemployment insurance - any payroll tax credits taken for the required COVID-19 sick and family leave time
  - Qualifying benefits = health ins. + retirement plan
  - Rents, utilities, and mortgage interest
  - Interest on other debts (not forgivable but permitted)

# LOAN FORGIVENESS CALCULATOR

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- In general, loan forgiveness may be reduced to the extent that either of the following occurs:
  - Employees who made less than \$100,000 of compensation in 2019 have their compensation reduced by 25% or more; OR
  - The number of full-time employee equivalents is less than the same number of employees during; either February 15, 2019, through June 30, 2019; OR January 1, 2020, through February 29, 2020—you choose the more favorable period to apply.
- Other factors
  - At least 75% of the forgiven portion must be spent on qualifying payroll costs
  - Amounts spent past the 8-week period
  - Interest payments on other debts
  - \$10k grant from an EIDL loan
  - Non-qualified expenses must be repaid

	Loan Origination	End of Covered Period
Covered Period: The 8-week period following loan origination		2/25/1900
<b>Costs Incurred During the "Covered Period" (the 8 week period following loan origination):</b>		
<b>PAYROLL COSTS: For Employees</b>		
Gross Wages		\$ -
Gross salaries, tips, wages, commissions, vacation and sick pay during covered period <sup>1</sup>	\$ -	
Reduction for wages paid to employees in excess of \$15,385 during covered period <sup>1</sup>	\$ -	
Employer paid group health care premiums		\$ -
Employer paid retirement benefits		\$ -
Employer paid State/Local taxes on compensation (i.e., unemployment insurance)		\$ -
<b>PAYROLL COSTS: For Self-Employed/Independent Contractors</b>		
Owner Compensation Replacement		\$ -
2019 Form Schedule C - Line 31		
<b>RENT<sup>2</sup></b>		\$ -
<b>UTILITIES<sup>3</sup></b>		\$ -
<b>INTEREST ON COVERED MORTGAGES (on real or personal property)<sup>4</sup></b>		\$ -
<b>Tentative Loan Forgiveness (before required reductions)</b>		<b>\$ -</b>
<b>LESS: Required Reductions in Loan Forgiveness:</b>		
<b>REDUCTION BASED ON NUMBER OF FTEs:</b>		
Monthly Avg. FTE's for the Covered Period <sup>5</sup>		-
<b>Lesser of (at borrower's choice):</b>		
Monthly Avg. FTE's for the period 2/15/19-6/30/19 <sup>5</sup>	-	
Monthly Avg. FTE's for the period 1/1/20-2/29/20 <sup>5</sup>	-	
<b>Reduction</b>		-
Forgiveness Reduction (%/):	0.00%	-
<b>REDUCTION BASED ON COMPENSATION DECREASES IN EXCESS OF 25%:</b>		
Compared to the Most Recent Full Quarter Before Origination of Loan <sup>6</sup>		-
<b>REDUCTION BASED ON NON-PAYROLL COSTS EXCEEDING 25% OF TENTATIVE LOAN FORGIVENESS:</b>		
		-
<b>TOTAL LOAN FORGIVENESS</b>		<b>\$ -</b>
<b>BALANCE OF LOAN NOT FORGIVEN</b>		<b>\$ -</b>

# REMINDERS & RESOURCES

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- Pick Only One (mutually exclusive)
  - Loan Forgiveness
  - Employee Retention Credit
  - Delay Deposits of Employment Taxes
- US Treasury & SBA are updating regularly; still a lot of questions
  - Treasury Department - <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
  - SBA - <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

QUESTIONS?

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