



2020 CARES Act Payroll Protection Program

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Payroll Protection Program

- CARES Act signed into law Friday, March 27, 2020
- Includes Payroll Protection Program with up to \$350 Billion of funds available to businesses, both for-profit and non-profit.
- 100% federally guaranteed loans
- Loans may be forgiven if borrowers maintain their payrolls during the crisis and used for approved purposes



Payroll Protection Program

Three Parts to the Program

- The Loan
- How the loan proceeds are used
- The forgiveness of the loan



Who Qualifies

- Any business concern, 501(c)3 nonprofit organization, veterans organization or Tribal business concern that employs less than 500 employees (per location, some exceptions)
- Sole Proprietors, Independent Contractors and Eligible Self-Employed Individuals
- Business/Organization **MUST**
 - Have been in operation on 02/15/2020



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Who Qualifies

More than 500 employees exception:

- Less than 500 employees per location if your NAICS code begins with 72 (Accommodation and Food Service)
- Other businesses if they meet applicable SBA employee-based standards for their industry (waived for NAICS code 72, Franchises, those that receive financial assistance from SBIC companies)



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The Loan – How much can I borrow?

- The lesser of

The average total monthly PAYROLL COSTS incurred during the 1 year period before the date on which the loan is made (Per NEW SBA new guidance, use the year 2019) multiplied by 2.5.

or

\$10,000,000

(note there are calculations for business that were not in business the full year 2019 as well as for seasonal businesses)

The Loan – What are my Payroll Costs?

- Salary, wage, commission or similar compensation PLUS
- Payment of cash tips or equivalent PLUS
- Payment for vacation, parental, family, medical or sick leave PLUS
- Allowance for dismissal or separation PLUS
- Payment required for the provision of group health care benefits, including insurance premiums PLUS
- Payment of any retirement benefits PLUS
- Payment of state or local tax assessed on the compensation of employees



The Loan – What are my Payroll Costs?

Self Employed:

The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a:

- Wage
- Commission
- Income
- Net earnings from self employment
- Or similar compensation that is not more than \$100,000 in 1 year, prorated



The Loan - What is NOT included as a Payroll Cost?

- Compensation greater than \$100,000 (prorated for the period)
- Payroll taxes, railroad retirement taxes, income taxes
- Employees whose principal residence is outside the US
- Qualified sick leave of which a credit is allowed under section 7001 of the Families First Coronavirus Response Act



The Loan - How can I use the proceeds?

- Payroll Costs
- Mortgage Interest
- Rent (including rent under a lease agreement)
- Utilities (electricity, gas, water, transportation, telephone, internet)
- Interest on any other debt obligations that were incurred before the covered period (02/15/2020)



The Loan - Attributes

- Guaranteed by the SBA
- No personal guarantee shall be required
- No collateral shall be required



The Loan - Attributes of portion of loan NOT forgiven



- Guaranteed by the SBA
- Maximum maturity of 10 years (SBA guidance is indicating the maximum will be 2 years)
- Interest rate not to exceed 4 % (SBA guidance is indicating a rate of 0.5%)
- Principal and Interest Payment deferral for at least 6 months
- No prepayment penalty

FORGIVEN –

What period of costs are forgiven?

“An eligible recipient shall be eligible for forgiveness of indebtedness on a covered loan in an amount equal to the sum of the following costs incurred and payments made during the covered period”

The covered period: 8 weeks beginning with the date of the loan

FORGIVEN – What costs are forgiven?

The below costs that are incurred within the 8 weeks of the covered period are forgiven:

- Payroll costs
- Mortgage interest on any debt secured by real or personal property that began before 02/15/2020
- Rental payments (including lease payments)
- Utility payments (electricity, gas, water, transportation, telephone, internet)



FORGIVEN –

How can the forgiveness be reduced?

- Reduction based on Reduction in Number of Employees
- Reduction related to Salaries and Wages
- Likely not more than 25% for non - payroll costs



FORGIVEN – Reduction in Number of Employees

Dividing

The average number of FTEs (Full Time Equivalent Employees) per month during the Covered Period (8 weeks beginning with the date of the loan)

By

The average number of FTEs per month from 02/15/19 to 06/30/19

or

The average number of FTEs per month from 01/01/20 to 02/29/20

- NOTE: Different formula for seasonal employers



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FORGIVEN – Reduction related to Salaries & Wages

“The amount of loan forgiveness under this section shall be reduced by the amount of any reduction in total salary or wages of any employee that is paid less than \$100,000 during the covered period that is in excess of 25 percent of the total salary or wages of the employee during the most recent full quarter during which the employee was employed before the covered period.”

If employees employed during the “covered period” (date of loan plus 8 weeks) have a reduction of pay in excess of 25%, then the difference of that pay will not be included in the loan forgiveness calculation.

FORGIVEN – Exemption for Re -Hires

If the employer has had a reduction in employees and re -hires those employees, then there will be a recalculation of the limitation on forgiveness of the loan.



WHERE DO I GO?

- This is a federal program monitored by the SBA
- The Loan originates at an SBA approved Bank
- Your BANK will process the loan for you



When can I apply?

- April 3 – small businesses and sole proprietors may apply
- April 10 – independent contractors and self employed individuals may apply
- You will need to contact your bank concerning their application process.
- **ANALYZE** your financials and your business condition because the **COVERED PERIOD** starts as soon as you are funded for the loan.



What do I need to get to calculate my loan amount?

- 12 months of payroll data
- Forms 941 to reconcile with your payroll data

For Self Employed

- Forms 1099s received in 2019
- 2019 Schedule C
- 2020 Financials to Date



What will my bank need?

(each bank will be different on their requirements)

- Likely the SBA will be revising SBA Form 1919
- Incorporation/Registration Documents
- IRS TIN# (Form SS-4)
- 2018 Tax Returns – business and personal
- 2019 Financials
- Payroll Data
- Self Employed Data



Questions



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