

Critical Business Updates for Business Owners

EVERY OTHER WEDNESDAY

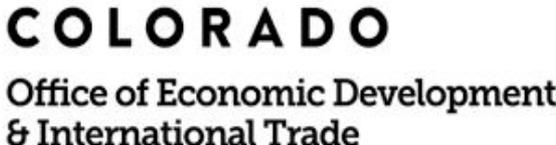
WESTERN SLOPE COLORADO

Critical Resource Updates
for Business Owners

Every Other Wednesday
@ 1PM



Sponsored by:



Agenda

- **Welcome**

- Erin McCuskey, Director, [Northwest Colorado Small Business Development Center](#)

- **SBA/PPP Legislation Overview**

- Steve White, Lead Lender Relations Specialist, [SBA Colorado District Office](#)

- **PPP Forgiveness - Practical Accounting Guidance**

- Introduction - Bonnie Watson, [Telluride Foundation](#)
- Mark Betts, [ASAP Accounting & Payroll](#)
- Tracey Koehler, [ASAP Accounting & Payroll](#)

- **Q&A & Wrap Up**

- Bonnie Watson, [Telluride Foundation](#)
- Erin McCuskey, Director, [Northwest Colorado Small Business Development Center](#)

SBA/PPP Legislation Overview



Steve White,
Lead Lender Relations Specialist
[SBA Colorado District Office](#)

PPP Forgiveness – Practical Accounting Guidance



Mark Betts
Senior V.P.
[ASAP Accounting & Payroll](#)



Tracey Koehler
Marketing Manager
[ASAP Accounting & Payroll](#)



PAYCHECK PROTECTION PROGRAM:
LOAN FORGIVENESS
Guidance Update - PPPFA

The Fine Print

This information is provided as a self-help tool and does not constitute legal or financial advice. Laws, regulations and lending products are changing daily and decisions as to whether or how to use this information and/or what actions to take in response to the COVID19 Pandemic are solely those of the employer. The providers of this information disclaim any and all responsibility and liability for its accuracy, completeness or fitness for your particular business purposes.

PPP Guidance Challenges

March 27, 2020 - CARES Act signed

April 2, 2020 - Interim Final Rule 1 posted

April 3, 2020 - First day of PPP loan applications

April 10, 2020 - Start of 8-week Covered Period for some loans

May 22, 2020 - Interim Final Rule on Loan Forgiveness posted

June 4, 2020 - End of 8-week Covered Period for some loans

Meanwhile, lenders, borrowers and accountants have been reviewing...

- 16 Interim Final Rules (IFR) *(as of June 10th)*
- CARES Act + US Treasury FAQs
- 11-page Forgiveness Application released 5/15
- IFR on Borrower & Lender Responsibilities released 6/1

June 5, 2020 - PPP Flexibility Act (H.R. 7010; PPPFA) signed
Additional guidance expected from US Treasury/SBA. We hope it will clarify various points from original PPP program, as well as changes due to the PPP Flex Act.

16 PPP Interim Final Rules and 15 Other Guidance Documents to Date!

PPP guidance is spread out among 16 Interim Final Rules (IFR), a Treasury FAQ document, CARES Act, PPPFA, and the PPP loan and forgiveness applications. This segmented information makes answering questions especially challenging.

- [Interim Final Rule 1](#)  (originally posted April 2, 2020)
- [Interim Final Rule on Applicable Affiliation Rules](#)  (originally posted 4/3/2020)
- [Interim Final Rule on Additional Eligibility Criteria and Requirements for Certain Pledges of Loans](#)  (originally posted 4/14/2020)
- [Interim Final Rule on Requirements for Promissory Notes, Authorizations, Affiliation, and Eligibility](#)  (originally posted 4/24/2020)
- [Interim Final Rule Additional Criterion for Seasonal Employers](#)  (originally posted 4/27/2020)
- [Interim Final Rule on Disbursements](#)  (originally posted 4/28/2020)
- [Interim Final Rule on Corporate Groups and Non-Bank and Non-Insured Depository Institution Lenders](#)  (originally posted 4/30/2020)
- [Interim Final Rule on Nondiscrimination and Additional Eligibility Criteria](#)  (originally posted 5/5/2020)
- [Interim Final Rule on Extension of Limited Safe Harbor with Respect to Certification Concerning Need for PPP Loan Request](#)  (originally posted 5/8/2020)
- [Interim Final Rule on Loan Increases](#)  (originally posted 5/13/2020)
- [Interim Final Rule on Eligibility of Certain Electric Cooperatives](#)  (originally posted 5/14/2020)
- [Interim Final Rule on Treatment of Entities with Foreign Affiliates](#)  (originally posted 5/18/2020)
- [Interim Final Rule on Second Extension of Limited Safe Harbor with Respect to Certification Concerning Need for PPP Loan and Lender Reporting](#)  (originally posted 5/20/2020)
- [Interim Final Rule on Loan Forgiveness](#)  (originally posted 5/22/2020)
- [Interim Final Rule on SBA Loan Review Procedures and Related Borrower and Lender Responsibilities](#)  (originally posted 5/22/2020)
- [Interim Final Rule on Eligibility of Certain Telephone Cooperatives](#)  (6/5/2020)

PPP Flexibility Act (PPPFA)

— *impacts
related to
forgiveness*

- **24 Weeks:** Provides option to extend the Covered Period to 24 weeks.
- **60% Payroll Costs:** Amends SBA rule requiring 75% of loan forgiveness amount be used on payroll costs down to 60%.
- **Extends Safe Harbor:** Moves deadline for Safe Harbor from June 30th to Dec. 31st
- **Inability to Re-Hire:** Additional FTE Safe Harbor provision for inability to re-hire employees or similarly qualified employees.
- **Compliance with Federal Health Guidance:** Additional FTE Safe Harbor provision for inability to return to staffing levels pre-Feb. 15, 2020 due to compliance with Federal health & safety guidance from DHHS, CDC or OSHA.

PPP Flexibility Act (PPPFA)

— *other impacts*

- **Extends Maturity Date:** Maturity date for any loan after forgiveness period is now 5 years instead of 2
- **Deferment Period Extended:** Changes the deferment period from 6 months to the date the borrower's loan forgiveness amount is determined
- **Employer Payroll Tax Deferral:** Provides means for PPP borrowers to defer payment of employer's portion of Social Security taxes (6.2%) owed on wages paid between March 27, 2020 – Dec. 31, 2020; 50% of amount is due by Dec. 31, 2021 + remaining 50% due by Dec. 31, 2022

PPP Flexibility Act (PPFPA)

— *what didn't
change*

- **Covered Period Start Date:** Remains as the date funds were received, with an exception for those on a bi-weekly or weekly payroll schedule. Those borrowers may elect to use an Alternative Payroll Covered Period beginning first day of pay period after funds received.
- **Payroll Costs Defined:** Most types of wages earned by employees, including cash tips, employer group health insurance & retirement benefit costs, as well as employer-paid state and local payroll taxes.
- **Payroll Costs Incurred/Paid:** Eligible payroll costs remain based on date earned or accrued instead of date paid.
- **Non-Payroll Use of Funds:** Remains defined as mortgage interest, rent payments, utilities (electricity, gas, water, transportation, telephone, and internet access).

Questions Remain?

- **Can an employer choose a period in-between 8 and 24 weeks as their Covered Period?**
- **Will borrowers have to maintain FTE requirements over the entire 24-week period if they chose that time frame instead of the 8-week Covered Period?**
- **What will employers need to show in order to satisfy the new Safe Harbor provision related to inability to re-hire/hire similarly qualified workers?**
- **What will employers need to show in order to satisfy the new Safe Harbor provision related to inability to return to staffing levels pre-COVID due to compliance with Federal health guidance on social distancing?**
- **How should employers perform the salary/hourly wage comparison?**
 - Ex. Hourly workers whose number of hours worked has decreased post-COVID, but whose base hourly rate of pay remains unchanged.*
 - Ex. Hourly or salary worker whose base pay/base hourly rate unchanged, but total earnings impacted by reduction in other earnings types such as commissions, bonuses, or tips being lower than prior reference periods.*
- **Schedule C filer's forgiveness for payroll costs was previously defined as 8/52 of Line 31 of the 2019 Form Schedule C. Is that fraction now also 24/52?**

What should I do now?

- Run business as close to normal as possible; only schedule employees if you're able to put them to work productively.
- Document payments made with PPP funds to comply with eligibility for forgiveness
 - Review to ensure funds were used for eligible non-payroll costs incurred or payments made during the Covered Period (e.g., no backpay)
 - Collect copies of lease agreements to support requirement that it was established prior to Feb 15th
 - Track applicable payroll costs incurred during Covered Period; review final payroll & determine how to pro-rate costs for any pay periods that partial fall out of Covered Period
 - Prepare reports to support FTE & salary/wage level comparisons
 - The Administrator and the Secretary of the Treasury may prescribe regulations granting *de minimis* exemptions from the requirements under this subsection
(Source: CARES Act, Limits on Amount of Forgiveness (6) Exemptions)

If I already have a PPP, will my existing loan automatically convert to the new legislative guidelines?

Most of the PPPFA provisions are applicable to existing PPP loans automatically. However, it's up to the borrower to select the 8- or 24-week Covered Period.

By what date do I need to apply for forgiveness? Can I apply at any time or do I need to wait until the end of the extended time frame?

You have up to 10 months after your Covered Period ends to submit your PPP Loan Forgiveness Application. Once your lender is ready, you can apply at any time. We recommend speaking to your CPA before applying for forgiveness; there likely will be tax consequences in terms of how the forgiven expenses may impact borrowers from an income tax standpoint.

What is allowed and not allowed as an expenditure under the new guidelines?

PPPFA did not change allowable payroll and non-payroll costs. (The Senate also drafted a PPP modification bill that expanded eligible non-payroll costs; the House version that became law did not include those updates).

With the new guidelines, when do I need to rehire employees and how long do I need to keep them employed? What if business drops this summer and I need to lay some employees off?

Per the new guidelines, you have until December 31, 2020 to re-hire employees to meet the FTE requirement for forgiveness. Current guidance does not indicate how long you must retain those employees. There is also a Safe Harbor provision that allows an FTE exemption based on reduced business activity due to public health orders.

Can I include a bonus for employees as a part of the PPP forgiveness? Or, alternatively, can I offer employees hazard pay?

Yes and yes. Remember that eligible compensation is capped at \$100,000 on an annualized basis per employee. It's not clear yet if the covered period extension will increase salary limit to \$46,153.85 to align with 24-weeks worth of payroll costs or remain at the 8-week compensation limit of \$15,385, which was used to calculate the loan amount basis. Also, it's not clear if the possible revised limit will apply to sole proprietor amounts.

Do I need to rehire the same employees, or can I hire different employees at different pay grades? Do I need to maintain the same head count, or will forgiveness just be based on overall payroll cost?

You can re-hire different employees to maintain the FTE headcount for forgiveness. It's possible that you may be exempt from the FTE level requirement if your business was impacted by public health orders issued between March 1 to December 31, 2020.

What do I do if employees don't want to return to work.

One of the FTE Safe Harbor provisions allows an exemption for workers who refuse to return to work and an inability to rehire similarly qualified individuals for the position by Dec. 31, 2020. To qualify for this exemption, you must document your offer to the employee and their rejection. Also, you will need to report the employee's refusal to return to work to your state's unemployment agency.

Can I change an employee's job duties?

Yes.

Any different type of guidance or suggestions for seasonal businesses?

Yes. The Safe Harbor provisions and extended covered period are intended to support seasonal employers. Seasonal employers may also use a different reference period for FTE level comparison. Also, there is an IFR for Seasonal Employers regarding PPP loan eligibility and application criteria.

What will sole proprietors and gig workers report for forgiveness?

Schedule C filer's forgiveness for payroll costs is purely mechanical; it was previously defined as 8/52 of Line 31 of the 2019 Form Schedule C. Is that fraction now also 24/52? If so, full forgiveness for all self-employed taxpayers with no employees should be mathematically guaranteed.

Got the PPP, but I'm afraid to spend it out of fear of the forgiveness not coming to fruition. Can I return it?

The Safe Harbor deadline to return PPP funds passed in May. However, you may be able to work with your lender to return the full amount plus accrued interest.

Q & A and Additional Resources

Slides from today's presentation can be downloaded at:
telluridefoundation.org/covid-19-resources-for-businesses/
and
northwestsbdc.org/covid-19

Visit the Colorado SBDC for resources specific to your location:
coloradosbdc.org

For resources related to entrepreneurs and entrepreneurial communities:
startupcolorado.org



West Slope Startup Week

July 7 - July 30, 2020

NEW VIRTUAL FORMAT

July 7. 9. 14. 16. 21. 23. 28. 30

“One week” of virtual programming throughout the month of July. Every Tuesday morning and Thursday afternoon starting July 7th

Techstars Startup Week West Slope is a free, multi-day, “choose your own adventure” meeting of the entrepreneurial minds and celebration of the #WestSlopeBestSlope way of doing business.

For more information and a detailed schedule of events, go to <https://westslopestartupweek.com/>

Questions & Call Recordings

To access the call recordings or to listen to other topics across all four rural regions, visit the [Choose Colorado YouTube Channel](#).

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STILL HAVE QUESTIONS? Email us: startupco@colorado.edu

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Crisis Solutions for Entrepreneurs by Entrepreneurs

Startup Colorado's new podcast provides a dose of inspiration and insight on how rural business owners are responding to the ongoing crisis.

Recent episodes include:

- Money Is Still Moving
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Subscribe today: startupcolorado.org/podcast



Join us for the next call on Wednesday, June 24th:

Western Slope call @ 1pm

Eastern call @ 3pm

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