

A REVIEW OF THE BASICS

- Up to 2.5 x 1 month of payroll (including benefits and local employer paid taxes) or Net Income for SE (NOT including benefits), on average.
- Can ONLY be used for Payroll, Mortgage Interest, Rent, Utilities, or Interest on debt (only if incurred before 2/15).
- Forgivable if used for any of the above with some key caveats:
 - Interest on Debt is not forgivable. The expenses must have been in place prior to 2/15.
 - Forgiveness is reduced proportionally by reduction in Full Time **Equivalent** employee count
 - Forgiven portion is also reduced by EIDL if already received
 - Only 25% can be used for non-payroll expenses
- Non-forgiven portion becomes loan @ 1% interest, 2 year term, 6 month deferral for 1st payment
- Still available as of 5/12 (try Lendio or Paypal?)

WARNING! THIS IS A BUDGET TOOL, NOT A LENDER FORGIVENESS SAMPLE APPLICATION

- !!RULES COULD CHANGE!!
- No official docs out yet on forgiveness!
- Try other calculators too???
- Major outstanding confusion still exists:
 - <https://www.natlawreview.com/article/ppp-loan-forgiveness-some-answers-many-questions>
 - <https://www.journalofaccountancy.com/news/2020/may/aicpa-small-business-advocates-call-for-ppp-rules-clarity.html>

SOLE PROPRIETORS – SOME SPECIAL RULES

- Loan is based on bottom-line profit on Schedule C.
- “Owner compensation replacement” tops out at 8/52 of bottom line profit on Schedule C.
- Use rest for other covered expenses or it becomes a loan!
- Make a budget!

HEADS UP! TAB #1 LESSONS FOR EVERYONE

- Be sure to spend during timeline – expenses are technically supposed to be “accrued and paid” in the 8 week period. Cash basis!
- EIDL “GRANT” reduces loan forgiveness. It’s merely an “advance” on the PPP – it becomes a loan!
- 75% max loan use and loan forgiveness on non-payroll.
- Non-payroll expenses are crucial to maximize forgiveness.
- Interest on debt is allowed but not forgivable (unless it’s Mortgage interest)
- If you got max value of loan it’s IMPOSSIBLE to all become a grant!
- Much more complicated for biz with employees as we shall see.

CRUCIAL CONCEPTS

- Only use PPP for allowable expenses; EIDL is much more flexible.
- What is allowable and what is forgivable are not quite the same.
- Forgiveness is reduced proportionally to FTE reductions.
- Non-payroll expenses can only be 25% of overall forgiveness.
- Budgeting is key!

- A few tidbits:
 - Max *annualized wage* \$100,000 forgivable / employee (\$1,923 / week)
 - Reducing pay by any one employee by >25% reduces forgiveness.

MANAGING THE PPP

- I repeat, the math is complicated, understand it.
- Determining head count and budget can be crucial and reduction of FTE is a big deal!
- Raises/hazard/retention pay YES.
- Bookkeeping/Tracking Expenses.

GRAB BAG

- Is it worth hiring employees back who were making more with UI?
 - Can ignore a employee in calc if you have given them a re-hire offer they turned down – but don't be a jerk!
- Is it worth it to take PPP on as a loan to pay off debt?
- Taxes on the loan. IRS no. State /local taxes tbd – possible problem where owner is not employee. Hire yourself?
- Scary PR from the SBA about ineligibility.
- Documentation and deadlines for forgiveness application with your lender