

What Should I be doing NOW for My Business and My Employees?

With special guests Mike Malugani and Jill Rock,
Smith Schafer & Associates

DUNLAP & SEEGER, P.A.



Gregory J. Griffiths
gjj@dunlaplaw.com



David M. Pederson
dmp@dunlaplaw.com



Hilary R. Stonelake-Curtis
hrs@dunlaplaw.com



John C. Beatty
jcb@dunlaplaw.com

Prepared by the ROCHESTER AREA CHAMBER OF COMMERCE

SMALL BUSINESS LOAN INFORMATION

Current as of 04.01.2020

DEED SMALL BUSINESS EMERGENCY LOANS

Terms of Loan

- Interest-free up to \$35K
- 5-yr term, deferred six mos., potential forgiveness

Eligibility

Small businesses affected by
Governor Walz's Executive Order

Apply

Online form, submit to
CEDA (cedausa.com) or
SMIF (smifoundation.org)

DEED SMALL BUSINESS LOAN GUARANTEE PROGRAM

Terms of Program

- 80% loan guarantee up to \$200K
- Will directly come from lenders

Eligibility

- Up to 250 FTE
- Minnesota Location

Apply

- Apply through enrolled lenders
- More info coming soon

ENROLLMENT INFORMATION FOR LENDERS: <http://bit.ly/MNLGP20>

SBA ECONOMIC INJURY DISASTER LOANS

Terms of Loan

- Up to \$2M, advance possible
- Rates: 3.75% for-profit, 2.75% non-profits

Eligibility

- Max 500 FTE
- both for- and non-profit

Apply

Online form (<https://covid19relief.sba.gov/#/>)

SBA PAYCHECK PROTECTION PROGRAM

Terms of Loan

- Up to \$10M, Rate max 4%
- Forgiveness for specific expenses
- Deferred for 6 mos.

Eligibility

- 500 Max FTE
- For-profit & non-profit
- In business on Feb. 15, 2020

Apply

- Apply through qualifying lender
- More info to come

ROCHESTER/RAEDI EMERGENCY ECONOMIC DEVELOPMENT LOANS

Terms of Loan

- Max \$25K, rate 1%, 3-yr term
- Payments start 3 mos. after emergency is over

Eligibility

- Rochester location, up to 25 FTE
- Must apply to DEED Shared Work

Apply

- Download online PDF
- Email rochesterELP@rochestermn.gov
- Applications close on April 3

FOR MORE DETAILED INFO, VISIT WWW.ROCHESTERMNCHAMBER.COM

Prepared by the ROCHESTER AREA CHAMBER OF COMMERCE

UNEMPLOYMENT INSURANCE DURING COVID

UNEMPLOYMENT INSURANCE PROGRAM

Apply on DEED's website: www.uimn.org.

CURRENT PROGRAM:

Provisions

- 50% of weekly wage up to \$740 for 26 weeks

Eligibility

- Job loss due to COVID-19
- Ordered to avoid contact with others, not come to work
- Childcare and school is canceled & no care is available



CARE ACT ADDITIONS:

Provisions

- Increase weekly benefit by \$600 for next four mons.
- Extends unemployment by 13 weeks (12/20)
- Waives one-week waiting period

Newly Eligible

- Gig workers, independent-contractor, religious institution employees, self-employed

MINIMIZE LAYOFFS THROUGH DEED's SHARED WORK PROGRAM

Apply online at www.uimn.org/employers/alternative-layoff/

Process

- Divide work hours among employees instead of a layoff
- Pay employees wages for hours worked
- Partial unemployment insurance offsets reduced hours

Eligibility

- No seasonal or temporary employees
- FTE employees only (full- or part-time)
- Worked at least one year
- Salaried included if pay is reduced

For more info, visit: www.ROCHESTERMNCAMBER.com

FFCRA – What Has Changed?

- UI - No waiting period. Benefits available if COVID-19 related.
- Extra \$600 per week and 13 week extension due to CARES Act.
- Paid sick leave - Up to 80 hours
 - \$511 per day (\$5,110 total) due to government shutdown, quarantined, or having COVID-19 symptoms.
 - 2/3 wages up to \$200 per day (\$2,000 total) if due to care for another or to care for a minor child due to school or day care closure.
- Paid expanded FMLA *only applies* if cannot work due to minor child's school or child care closed related to COVID-19.
- 2/3 of wage up to \$200 per day (\$10,000 total)

FFCRA Q&As

- When will the extra \$600 start? Will employees earn more than wages?
- What if the layoff is unrelated to COVID-19?
- What is the difference between a “layoff” and “furlough”?
- I am a reimbursing employer for UI purposes. Do I get any relief from Governor Walz’ order or the FCCRA?

FFCRA Q&As

- What if my employees went on furlough prior to April 1st? Do they qualify for FFCRA?
- Do layoffs due to shut down/stay-at-home orders qualify for FFCRA sick pay?
- What documentation can I require for requests for FFCRA leave?

FFCRA TAX CREDITS

- Payroll tax credits are available for wages paid under Sick Pay or under Emergency FMLA. Credits are dollar for dollar with the amounts paid. Employer is responsible for Medicare Tax (1.45%)
- Taxpayers have three options:
 - Wait and claim the entire refund when filing the subsequent payroll tax return (2nd quarter 2020 is filed July 30, 2020)
 - Short payroll tax deposits by the expected credit
 - File Form 7200 Advance Payment of Employer Credits Due to COVID-19

PPP – What's the Latest?

What's Changed?

Last night SBA posted new interim regulations and forms:

- New Loan Application Form (*SBA Form 2483*)
- New Lender Application Form (*SBA Form 2484*)
- Interest rate now 1%
- Term now 2 years
- Clarity on Lender's ability to rely on Borrower certifications
- Confirms "*E-signature or e-consents can be used*"
- Utility payments "*under service agreements dated before February 15, 2020*"
- More guidance coming on loan forgiveness
- New 25% rule – "*... at least 75 percent of the PPP loan proceeds shall be used for payroll costs.*"

PPP – What do I do Now?

- Go to the website and read:
<https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>

- Talk to YOUR lender
 - Open a new bank account

“... If you knowingly use the funds for unauthorized purposes, you will be subject to additional liability such as charges for fraud.”

- Fill out the Loan application
- For multi-owner companies, execute a unanimous resolution now
- Gather supporting documents

“Borrowers must submit such documentation as is necessary to establish eligibility such as payroll processor records, payroll tax filings, or Form 1099-MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount.”

PPP CALCULATION

	Qualifying Loan Amount			
	Enter Amounts From Calendar Year 2019*			
1	Total from Employee Detail Worksheet (Skip lines 2-9 below)			
2	Gross Wages , including tips			
3	Less: Gross Wages in Excess of \$100,000/person			enter as positive
4	Employer paid health insurance costs			
5	Employer paid retirement plan match			
6	Employer paid profit sharing			
7	Employer paid SUTA			
8	Employer Paid Medicare			
9	Less: Employer paid expenses for employees with > \$100K total compensation**			enter as positive
10	Net Self Employment Income			
11	Less: Net SE Income > \$100K per person			enter as positive
	Total		-	
	Divided by 12		12.00	
	Average Monthly Payroll Cost		-	
	Multiply by 2.5		2.50	
	Qualifying Loan Amount		-	

PAYROLL COST DETAIL

Employee Name	Hire Date (if in 2019)	Termination Date (if in 2019)	W-2 Box 5 Medicare Wages	Medicare at 1.45%	Your Employer SUTA, Input Rate Below 0.230%	Employer Retirement Plan Contributions Paid in 2019	Employer Paid Health Insurance (amounts paid in 2019)	Employee Portion of Health Insurance (paid in 2019)	Total	Limit to 100,000 Costs	Eligible Payroll
Employee 1			200,000	2,900	78	20,000	4,000	6,000	232,978	100,000	100,000
Employee 2			75,000	1,088	78	2,000	10,000	6,000	94,166	100,000	94,166
Employee 3		3/1/2019	50,000	725	78	1,000		6,000	57,803	16,438	16,438
Employee 4			15,000	218	48	1,000		6,000	22,266	100,000	22,266
Employee 5			30,000	435	78	1,000	5,000	6,000	42,513	100,000	42,513
Employee 6	4/1/2019		85,000	1,233	78			6,000	92,311	75,342	75,342
Employee 7			90,000	1,305	78	8,000	5,000	6,000	110,383	100,000	100,000
Employee 8			20,000	290	60	2,000		6,000	28,350	100,000	28,350
Employee 9	3/1/2019	11/15/2019	30,000	435	78		5,000	6,000	41,513	70,959	41,513
Employee 10			100,000	1,450	78	10,000	10,000	6,000	127,528	100,000	100,000
				-	-				-	100,000	-
Total			695,000	10,078	734	45,000	39,000	60,000	849,811		620,589
			2019 W-3 Box 5			Check to Plan Documents		99,000.00			

PPP CALCULATION

	Qualifying Loan Amount			
	Enter Amounts From Calendar Year 2019*			
1	Total from Employee Detail Worksheet (Skip lines 2-9 below)	620,589		
2	Gross Wages , including tips			
3	Less: Gross Wages in Excess of \$100,000/person		enter as positive	
4	Employer paid health insurance costs			
5	Employer paid retirement plan match			
6	Employer paid profit sharing			
7	Employer paid SUTA			
8	Employer Paid Medicare			
9	Less: Employer paid expenses for employees with > \$100K total compensation**		enter as positive	
10	Net Self Employment Income	600,000		
11	Less: Net SE Income > \$100K per person	400,000	enter as positive	
	Total	820,589		
	Divided by 12	12.00		
	Average Monthly Payroll Cost	68,382		
	Multiply by 2.5	2.50		
	Qualifying Loan Amount	170,956		



Paycheck Protection Program Borrower Application Form

OMB Control No: 3245-0467
Expiration Date: 06/30/2020

Check One: <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other		DBA or Tradename if Applicable	
Business Legal Name			
Business Address		Business TEN (EIN, SSN)	Business Phone
		() -	
		Primary Contact	Email Address
Average Monthly Payroll:	\$	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$
Purpose of the loan (select more than one):		Number of Employees:	
<input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain):			

Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TEN (EIN, SSN)	Address

If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Applicant received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

If questions (5) or (6) are answered "Yes," the loan will not be approved.

Question	Yes	No
5. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, or on probation or parole? Initial here to confirm your response to question 5 →	<input type="checkbox"/>	<input type="checkbox"/>
6. Within the last 5 years, for any felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)? Initial here to confirm your response to question 6 →	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the United States the principal place of residence for all employees of the Applicant included in the Applicant's payroll calculation above?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the Applicant a franchise that is listed in the SBA's Franchise Directory?	<input type="checkbox"/>	<input type="checkbox"/>

Dunlap & Seeger, P.A.

LOAN APPLICATION

What do I need?
Where does it go?
How long will it take?



Paycheck Protection Program Borrower Application Form

OMB Control No.: 3245-0407
Expiration Date: 09/30/2020

Check One: <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other		DBA or Tradename if Applicable 	
Business Legal Name			
Business Address		Business TIN (EIN, SSN)	Business Phone () -
		Primary Contact	Email Address
Average Monthly Payroll: \$		x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$
Purpose of the loan (select more than one):		<input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____	
		Number of Employees:	

Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

Question	Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Applicant received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

If questions (5) or (6) are answered "Yes," the loan will not be approved.

Question	Yes	No
5. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, or on probation or parole? Initial here to confirm your response to question 5 → _____	<input type="checkbox"/>	<input type="checkbox"/>
6. Within the last 5 years, for any felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)? Initial here to confirm your response to question 6 → _____	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the United States the principal place of residence for all employees of the Applicant included in the Applicant's payroll calculation above?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the Applicant a franchise that is listed in the SBA's Franchise Directory?	<input type="checkbox"/>	<input type="checkbox"/>

CERTIFICATIONS

The authorized representative of the Applicant must certify in good faith to all of the below by **initialing** next to each one:

_____ The Applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC.

_____ Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.

_____ The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule; I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.

_____ The Applicant will provide to the Lender documentation verifying the number of full-time equivalent employees on the Applicant's payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight-week period following this loan.

_____ I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the forgiven amount may be for non-payroll costs.

_____ During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under the Paycheck Protection Program.

_____ I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

_____ I acknowledge that the lender will confirm the eligible loan amount using required documents submitted. I understand, acknowledge and agree that the Lender can share any tax information that I have provided with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

How Long Will PPP Be Around?

Loan Apps from 4/3/20 through 6/30/2020...

...or until \$349 billion runs out....??



PPP \$ available on “First-Come, First-Served” Basis

How Do I Receive PPP Forgiveness?

From Treasury:

“the core purpose [is to] ensure finite program resources are devoted primarily to payroll [with an] overarching focus on keeping workers paid & employed”

How to Estimate PPP Forgiveness?

FORGIVENESS COULD = UP TO 100% of LOAN & ACCRUED INTEREST



**Actual Forgiveness To
Depend On Borrower's:
Total Payroll Costs +
Mortgage Interest +
Rent Payments +
Utility Payments Incurred
In Eight-Week Period
Immediately Following
Date PPP Loan Made**

**But...No More
Than 25% of
Forgiven Loan
Amount Can Be
Attributable To
Qualified
Nonpayroll Costs**

PPP LOAN FORGIVENESS ESTIMATE

	Expenses - Estimated for 8 Week Covered Period			
	Expenses Qualified for Loan Forgiveness - Amounts paid in 8 weeks following loan			
1	Total from Employee Detail Worksheet (Skip lines 2-11 below)			
2	Gross Wages , including tips	125,000		
3	Less: Gross Wages in Excess of \$15,385/person	8,000	enter as positive	
4	Less: FFCRA Sick Pay		enter as positive	
5	Less: FFCRA Emergency FMLA		enter as positive	
6	Employer paid health insurance costs	20,000		
7	Employer paid retirement plan match			
8	Employer paid profit sharing			
9	Employer paid SUTA	288		
10	Employer Paid Medicare	1,813		
11	Less: Employer paid expenses for employees with > \$15,385 total compensation**		enter as positive	
12	Net Self Employment Income	30,000		
13	Less: Net SE Income > \$15,385		enter as positive	
14	Rent	20,000		
15	Mortgage Interest		28,000	Total
16	Utilities	8,000	39,229	25% loan forgiveness
	Total Estimated Expenses Qualified for Loan Forgiveness	197,100		
	Limited to amount of loan	170,956		

PPP LOAN FORGIVENESS ESTIMATE (CONT.)

Total Expenses elig for loan forgiveness	170,956
Average FTE Per Pay Period for 8 weeks after loan date	8.00
Total FTEs at 6/30/2020	8.00
Average FTEs Per pay period 2/15/19-6/30/19	10.00
Average FTEs per month 1/1/20-2/29/20	10.00
Lesser of these amounts	10.00
Total % Loan Available for Forgiveness	80.00%
Preliminary Loan Forgiveness	136,765
Less: Reduction in compensation > 25% for any employee < \$100,000	6,000
Estimated Net Loan Forgiveness	130,765
Remaining Loan - Amortized Over 2 years 1% interest	34,191

TAKEAWAYS

- Put your loan app in now (open question on how long you can wait to take money)
- Don't play games (try to manipulate rent, utilities, push the envelope ...)
- Update corporate documents, if necessary
- Documentation – organize it, keep it, update it
- If you decide PPP is for you, start with a lender who you have an established relationship with
- If you receive funds through PPP, hold in a separate account and pay qualified expenses from that account



Current Activities Report

- 1) **www.rochestermnchamber.com** - re-designed to be trusted, most up-to-date COVID info
- 2) **Curated access to subject matter expertise (webinars)**
 - New programs / updates on regs and implementation
 - Strategic & appropriate use of new programs to support business continuity
 - Workforce economic support (UI, Families First, & CARES)
 - Workforce health & community connectivity
- 3) **Partner collaboration**
 - SCORE | Cheryl Thode | Cheryl.thode@scorevolunteer.org
 - SBDC | semnsbdc@gmail.com | * increased capacity
 - RAEDI
 - Local Government
- 4) **Advocacy**
 - Local (City & County) – Reduce the cost of doing business
 - State – Business property tax deferral*
 - Federal – Identify/communicate needed clarity to CARES Act

Please contact kharrington@rochestermnchamber.com with suggestions for additional services

QUESTIONS?

For more information, please contact:

- **Dunlap & Seeger:**

Greg Griffiths: gjg@dunplaw.com

Dave Pederson: dmp@dunlaplaw.com

Hilary Stonelake-Curtis: hls@dunlaplaw.com

John Beatty: jcb@dunlaplaw.com

- **Smith Schafer:**

Mike Malugani: m.malugani@smithschafer.com

Jill Rock: j.rock@smithschafer.com