

# PATH FORWARD

Reopen • Reimagine • Recover

A webinar series by the Rochester Area Chamber

## Considerations for 2020 Q4 Planning

10/28/2020

# Agenda

## **Welcome & Introductions**

Kathleen Harrington, Rochester Area Chamber of Commerce

## **HR Issues**

Greg Griffiths, Dunlap & Seeger, P.A.

## **Paycheck Protection Program Forgiveness – Tax Issues**

Jill Rock & Mike Malugani, Smith Schafer & Associates CPAs

## **Your Bank's Perspective on PPP Loan Forgiveness**

Tyler Coleman, Sterling State Bank

## **Preview of What's to Come**

Dave Pederson, Hilary Stonelake Curtis, & John Beatty, Dunlap & Seeger, P.A.

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# HR Issues

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- ◆ FFCRA Update
- ◆ OSHA Recordkeeping Related to COVID-19 Exposure.
- ◆ FFCRA Leave Recordkeeping.

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# FFCRA

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- ◆ Paid sick leave - Up to 80 hours
  - Up to \$511 per day due to:
    - Subject to local quarantine or isolation order.
    - Advised to self-quarantine.
    - Experiencing symptoms and seeking diagnosis.
  - Paid at 2/3 up to \$200 per day due to:
    - Is caring for someone related to the above.
    - School or child care closure.

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# FFCRA

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- ♦ An additional 10 weeks if can't work due to minor child's school or child care closure related to COVID-19.
  - 2/3 of wage up to \$200 per day.

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# OSHA Reporting and Covid-19

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- ◆ OSHA requires employers to keep records of reportable illnesses and injuries.
- ◆ Logged with Form 300 Log of Work-Related Injuries and Illnesses.

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# OSHA and Employee Exposure to Covid-19

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- ◆ COVID-19 is a recordable illness if:
  - The case is a confirmed case of COVID-19;
  - The case is work-related.
  - How do you know?

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# OSHA and Employee Exposure to Covid-19

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## ♦ Questions to ask:

- Did several cases develop among workers who work closely together?
- Did it start shortly after close exposure to a particular customer or coworker?
- Was there close exposure to the general public in a locality with ongoing community transmission?
- Likely not work-related if they are the only worker to contract COVID-19.
- Likely not work-related if exposed to outside person (such as a family member) who was infectious.



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# FFCRA Leave Recordkeeping

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- ◆ Keep records related to the need for leave for four years, whether leave was granted or denied.
- ◆ Includes if leave denied due to the small business exception.
- ◆ Same with documentation to support claims for FFCRA tax credits including how the employer determined the amount claimed.



# PAYCHECK PROTECTION PROGRAM FORGIVENESS – TAX ISSUES

Jill Eggerichs Rock, CPA, JD



Smith Schafer & Associates, Ltd.

 **SMITH•SCHAFFER**  
& ASSOCIATES, LTD.  
Certified Public Accountants and Consultants

# PPP FORGIVENESS AND TAXES

- Congressional Intent
  - CARES Act: makes forgiveness of the loan an exclusion from taxable income.
- IRS
  - Issues Notice 2020-32: considers tax-free forgiveness to be “tax exempt income” and denies deductibility for expenses related to tax exempt income.

# PPP FORGIVENESS AND TAXES

- Consider waiting until 2021 to apply for forgiveness
  - May be able to defer income to 2021.
  - But, consider:
    - 2021 income and tax rates.
    - Loan covenants.
    - FTE count.
- General Partners and Sole Proprietors w/o Employees
- Year-end tax planning before 12/31 is more important for those that took the PPP.

# PPP FORGIVENESS FTE CONSIDERATIONS

- Language of CARES:
  - Forgiveness shall be reduced by the total eligible costs divided by the FTE reduction quotient.
  - NOT the total loan amount divided by the FTE reduction quotient – this is an important distinction, see the following example.

## Forgiveness Amount Calculation:

Example 100,000  
loan

### Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): 250,000

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

This line does not  
start with loan  
amount, but starts  
with cost amount.

### Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: 250,000

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): 50%

### Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7): 125,000

Line 9. PPP Loan Amount: 100,000

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60): 333,333

### Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): 100,000

## MINNESOTA SECTION 179 CONFORMITY

- Full conformity for Section 179 for tax years beginning in 2020.
  - \$1,040,000 limit, assets placed in service less than \$2,590,000
- Retroactive conformity for like kind exchange property for tax years 2017-2019.
  - Will need to amend.
- Forms and instructions expected mid-November



# YOUR BANK'S PERSPECTIVE ON PPP LOAN FORGIVENESS

BY TYLER COLEMAN – VP, STERLING STATE BANK





# WHEN SHOULD YOU APPLY FOR FORGIVENESS?

- ▶ REQUIRED WITHIN 10 MONTHS AFTER YOUR COVERED PERIOD
- ▶ NOTHING STOPPING YOU FROM SUBMITTING AS EARLY AS TODAY
  
- ▶ ASK YOUR TAX AND LEGAL ADVISORS
- ▶ PERSONAL PREFERENCE
- ▶ YOUR BANK'S FEELINGS DON'T MATTER

## WHICH FORM IS FOR YOU?

- ▶ LOAN < \$50,000 = FORM 3508S
- ▶ ALMOST EVERYBODY ELSE = FORM 3508EZ
- ▶ IF YOU FIRED EMPLOYEES UNRELATED TO COVID-19 = FORM 3508

# FORM PPP LOAN FORGIVENESS 3508S



## Paycheck Protection Program PPP Loan Forgiveness Application Form 3508S

OMB Control No. 3245-0407  
Expiration date: 10/31/2020

A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$50,000 OR LESS. A Borrower that, together with its affiliates, received PPP loans totaling \$2 million or greater cannot use this form.

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
		( )	
		Primary Contact	E-mail Address

SBA PPP Loan Number: \_\_\_\_\_ Lender PPP Loan Number: \_\_\_\_\_

PPP Loan Amount: \_\_\_\_\_ PPP Loan Disbursement Date: \_\_\_\_\_

Employees at Time of Loan Application: \_\_\_\_\_ Employees at Time of Forgiveness Application: \_\_\_\_\_

EIDL Advance Amount: \_\_\_\_\_ EIDL Application Number: \_\_\_\_\_

Forgiveness Amount: \_\_\_\_\_

### **By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:**

The Authorized Representative of the Borrower certifies to all of the below by **initialing** next to each one.

- \_\_\_\_\_ The dollar amount for which forgiveness is requested does not exceed the principal amount of the PPP loan and:
- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
  - includes payroll costs equal to at least 60% of the forgiveness amount;
  - if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and
  - if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.
- \_\_\_\_\_ I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.
- \_\_\_\_\_ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness, and has accurately calculated the forgiveness amount requested.
- \_\_\_\_\_ I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.
- \_\_\_\_\_ The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 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.
- \_\_\_\_\_ The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.
- \_\_\_\_\_ I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

Signature of Authorized Representative of Borrower \_\_\_\_\_

Date \_\_\_\_\_

Print Name \_\_\_\_\_

Title \_\_\_\_\_

SBA Form 3508S (10/20)



# PPP LOAN FORGIVENESS FORM 3508EZ



## Paycheck Protection Program PPP Loan Forgiveness Application Form 3508EZ

OMB Control No. 3245-0407  
Expiration date: 10/31/2020

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
		( ) -	
		Primary Contact	E-mail Address

SBA PPP Loan Number: \_\_\_\_\_ Lender PPP Loan Number: \_\_\_\_\_

PPP Loan Amount: \_\_\_\_\_ PPP Loan Disbursement Date: \_\_\_\_\_

Employees at Time of Loan Application: \_\_\_\_\_ Employees at Time of Forgiveness Application: \_\_\_\_\_

EIDL Advance Amount: \_\_\_\_\_ EIDL Application Number: \_\_\_\_\_

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ Weekly ☐ Biweekly (every other week) ☐ Twice a month ☐ Monthly ☐ Other \_\_\_\_\_

Covered Period: \_\_\_\_\_ to \_\_\_\_\_

Alternative Payroll Covered Period, if applicable: \_\_\_\_\_ to \_\_\_\_\_

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

### Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs:

LIMITING FACTOR

Line 2. Business Mortgage Interest Payments: \_\_\_\_\_

Line 3. Business Rent or Lease Payments: \_\_\_\_\_

Line 4. Business Utility Payments: \_\_\_\_\_

### Potential Forgiveness Amounts

Line 5. Add the amounts on lines 1, 2, 3, and 4: \_\_\_\_\_

Line 6. PPP Loan Amount: \_\_\_\_\_

Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60): \_\_\_\_\_

### Forgiveness Amount

Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7): \_\_\_\_\_

## WHY IS IT TAKING SO LONG?

- ▶ THE BANK HAS 60 DAYS
- ▶ SBA HAS 90 DAYS FROM WHEN BANK SUBMITS
- ▶ SBA PORTAL STARTED ACCEPTING APPS AUGUST 10<sup>TH</sup> – THE FIRST FORGIVENESS CAME ON OCTOBER 7<sup>TH</sup>
- ▶ EVERYONE EXPECTED SIMPLIFICATION

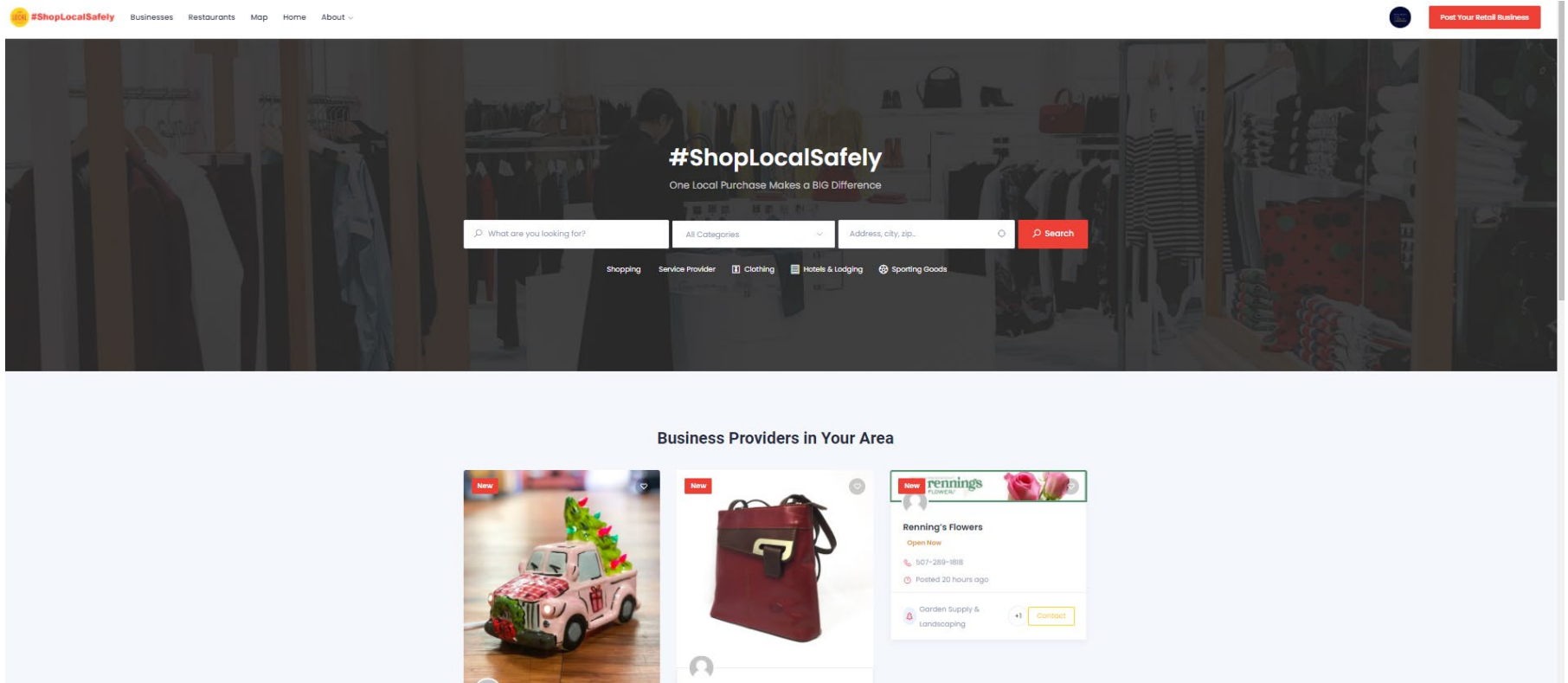


## EIDL REDUCTION

- ▶ IF YOU RECEIVED AN EIDL GRANT/ADVANCE, YOUR FORGIVENESS WILL BE REDUCED
- ▶ REMAINDER IS A LOAN AT 1%

# Chamber Update

**#ShopLocalSafely Campaign**  
**Sign up for Online Retail Directory ASAP**  
**[www.shop-local-safely.com](http://www.shop-local-safely.com)**



# Questions?