

The HEALS ACT & The Payroll Protection Program



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- ❑ 20+ years of banking/bank auditing experience
- ❑ 3+ months of Payroll Protection Program experience.

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The HEALS ACT:

- ❑ The HEALS Act is the Phase 4 of economic relief current in going through the House and Senate for approval.
- ❑ The HEALS Act contains a variety of proposed items.
- ❑ It is anticipated the HEALS Act will qualify 501(c)(6) designated businesses to participate in the Payroll Protection Program (PPP).

Proponents of this measure argue that keeping chambers financially solvent is essential, making the case they play a critical role in helping small businesses get back on their feet.

What is PPP?

- ❑ PPP was created via the CARES Act.
- ❑ Qualifying businesses can receive potentially forgivable loans up to 2.5 x their monthly payroll.
- ❑ 5 yr term with 1% interest rate – payments are deferred.
- ❑ The program is first come, first serve and funds are limited.
 - ❑ Leftover PPP funds as of 7/31/2020 \$128 Billion
 - ❑ Proposed additional funding via the HEALS Act of \$190 Billion
 - ❑ Proposed (HEALS Act) 2nd PPP loans for some businesses (50% or more decline in revenue)

What can PPP Funds be used for and be Forgiven?

- ☐ Payroll: Gross salary or wages, gross tips, gross commissions, paid leave (not including leave covered by the Families Coronavirus Response Act), allowance for dismissal or separation paid, employee benefits cost (employer paid health insurance or employer paid retirement plans)
- ☐ Utilities*
- ☐ Mortgage Interest Payments*
- ☐ Rent or Lease Payments*

ITEMS of NOTE:

- ☐ 60% spent on Payroll test.
- ☐ *Indicates the service, loan or rent/lease agreement must be in place prior to 2/15/2020.
- ☐ PPP funds can not be used to pay contract labor.

Calculation of Max Loan Amount:

- ❑ 2.5 x 2019 monthly payroll (gross pay).
- ❑ Each individual is capped at \$100,000 per year.

<https://home.treasury.gov/system/files/136/How-to-Calculate-Loan-Amounts.pdf>

As of 6/26/2020:

Question: How is the maximum PPP loan amount calculated for eligible nonprofit organizations (up to \$10 million)? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the 24-week period following the first disbursement of the PPP loan.)

Answer: The following methodology should be used to calculate the maximum amount that can be borrowed for eligible nonprofit organizations (eligible nonprofit religious institutions, see the next question):

Calculation of Max Loan Amount:

- **Step 1:** Compute 2019 payroll costs by adding the following:
 - 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States, which can be computed using 2019 IRS Form 941 Taxable Medicare wages & tips (line 5c-column 1) from each quarter plus any pre-tax employee contributions for health insurance or other fringe benefits excluded from Taxable Medicare wages & tips, subtracting any amounts paid to any individual employee in excess of \$100,000 and any amounts paid to any employee whose principal place of residence is outside the U.S;
 - 2019 employer health insurance contributions (portion of IRS Form 990 Part IX line 9 attributable to health insurance);
 - 2019 employer retirement contributions (IRS Form 990 Part IX line 8); and
 - 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).

Calculation of Max Loan Amount (cont.):

- **Step 2:** Calculate the average monthly payroll costs (divide the amount from Step 1 by 12).
- **Step 3:** Multiply the average monthly payroll costs from Step 2 by 2.5.
- **Step 4:** Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

Calculation of Max Loan Amount:

The nonprofit organization's 2019 IRS Form 941 and state quarterly wage unemployment insurance tax reporting form from each quarter (or equivalent payroll processor records or IRS Wage and Tax Statements), along with the filed IRS Form 990 Part IX or other documentation of any retirement and health insurance contributions, must be provided to substantiate the applied-for PPP loan amount.

A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish you were in operation and had employees on that date.

What documents should I provide my Lender for the loan amount calculation?

- ☐ Contact your lender to determine what documents they prefer.
- ☐ IRS Form 941 (wages)
- ☐ IRS Form 990 (employer paid health insurance & employer retirement contributions)
- ☐ W3 with accompanying W-2s (2019)

Preparing for Forgiveness

- ❑ HEALS Act Proposal - \$150,000 or below automatic forgiveness (with certifications)
- ❑ 3508EZ Form vs 3508 (aka - Long Form)
- ❑ 3508EZ Form --- Page 1 of the Instructions (documenting ability to complete the EZ Form)
- ❑ Covered Period: 8 or 24 weeks or anywhere in between
- ❑ 60% spent on payroll

Preparing for Forgiveness (cont.)

- ❑ What can you spend the PPP funds on and get forgiveness:
 - ❑ Payroll Cost
 - ❑ Business Mortgage Interest Payments*
 - ❑ Business Rent or Lease Payments*
 - ❑ Business Utility Payments*
 - ❑ * - Indicates must have already been in place prior to 2/15/2020.
- ❑ Documentation to provide your lender to calculate forgiveness amount.
 - ❑ A completed Forgiveness Application (EZ or Long Form)
 - ❑ Proof of how you spent your funds
 - ❑ If necessary, proof the items were in place prior to 2/15/2020.

What if I do not receive 100% Forgiveness?

- ☐ Review process:

- ☐ Your lender has 60 days to complete their calculation and submit it to the SBA.

- ☐ The SBA has 90 days to complete their review.

- ☐ If a portion of the loan is determined to NOT be forgiven, your lender will be notified by the SBA and will provide you with written notice informing you of your forgiveness amount and notifying you of when you will have to start making payments.

- ☐ If you do not apply for forgiveness, you will have to start making payments ten months after the end of your covered period.

Potential Streamlined Approach:

- ❑ Applying: Provide your lender a completed Application with W3 and supporting W-2s for 2019. Ask your lender about any additional information required.
- ❑ Spend 100% of your PPP funds on Payroll:
 - ❑ Assuming no reduction in payroll you should be able to spend 100% of your PPP funds (2.5 x monthly payroll) in 11 weeks.
- ❑ Provide your lender with applicable forgiveness application and printout from payroll or accounting system showing your payroll for 11 or more weeks during your covered period.

What You Should Be Doing Now:

- ☐ Contact your lender to let them know you are interested in receiving a PPP loan.
- ☐ Find out what information they need to receive from you to be ready to get your PPP loan when you become eligible.
 - ☐ When submitting application via the SBA website it requires some additional information that is not included on the PPP application.
- ☐ Getting the ball rolling today should increase your odds of receiving a PPP loan.

Resources:

- ❑ The SBA/Treasury post all of their guidance and documents on the U.S. Department of the Treasury website:

<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

- ❑ The link above contains all **OFFICIAL GUIDANCE**.

Questions?