

PAYCHECK PROTECTION PROGRAM (PPP):

Forgiveness Application and Legislative Update



WEBINAR #7

December 3, 2020

PPP Loan Forgiveness Insights

Andrea P. Sardone
Director



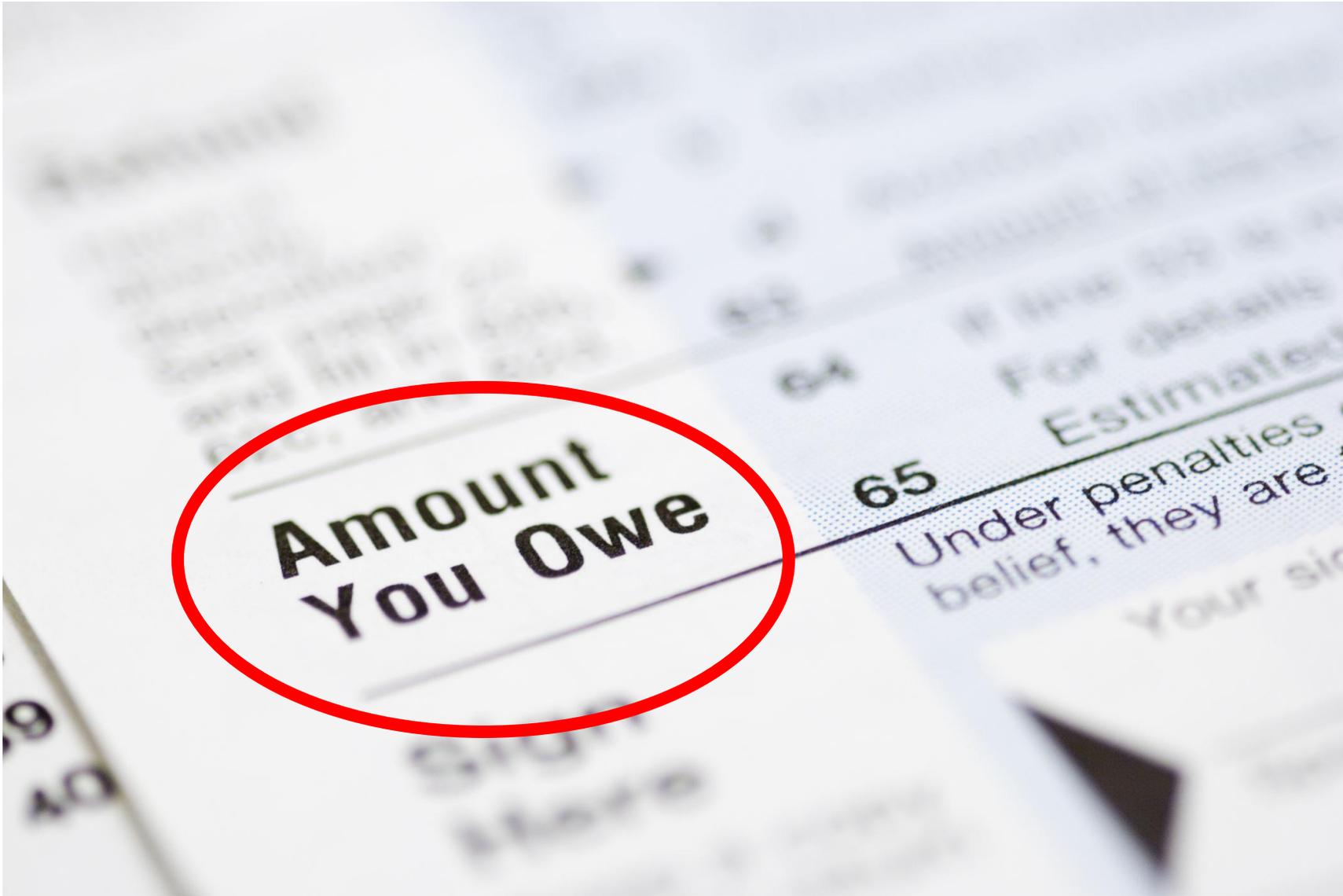
Introduction

Rob Klingensmith

Partner

*Consulting Line Leader
Today's Moderator*





Meet Our Panelists



Kasey M. Pittman
CPA, MSA Tax

Senior Manager, Tax



Sean R. O'Connell
CPA/PFS, CGMA

*Partner,
Tax Service Line Co-Leader*



Maura Lange
CPA

Partner

Polling Question #1

Where are we now?

Kasey M. Pittman, CPA, MSA Tax
Senior Manager, Tax



Where are we now?



Loan Forgiveness

Sean R. O'Connell, CPA/PFS, CGMA
Partner, Tax Line Leader



PPP Loan Forgiveness Applications



PPP Loan Forgiveness Applications

SBA Form	Length	When Used
3508S	2 pages	< \$50,000 loan
3508EZ	3 pages	<u>Either:</u> <ul style="list-style-type: none">• Self-employed with no employees, or• No FTE or pay rate reductions, or• Reduced FTEs (but not pay rates) due to COVID-19
3508	5 pages	All others

And, for all PPP Loans of \$2 Million or More:



SBA Form	Category of Borrower
3509	For-profit loan necessity questionnaire
3510	Non-profit loan necessity questionnaire

By the numbers:

- ✓ **9** pages each
- ✓ **21** “after-the-fact” questions – Business Activity, including Q2 revenue; Liquidity Assessment, including employees receiving \$250,000+ salary; Some open explanation fields.
- ✓ **6** questions require supporting documents
- ✓ **10** days to return form and support
- ✓ **30,000** of the 5.2 million PPP loans were > \$2 million

PBMares Forgiveness Deliverable



Table of Contents



September 4, 2020

Company A
PO Box 123
Anywhere, VA 22401

PPP Loan Forgiveness Computation Letter

Dear :

Based on the data that you have provided for the 12-week covered period through July 6, 2020, we estimate that your business may be eligible for PPP to **\$211,925**. Your \$10,000 EIDL grant does not need to be repaid. However, whether any amount of your PPP loan will be approved for forgiveness. Y PBMares harmless from any and all claims arising from or related to the accuracy of the PPP Loan Forgiveness Application and the ultimate forgiveness of the SBA loan you received due to PBMares' good faith completion of serv

Our computations supporting the above amount are attached. Should you please call me.

As a follow-up, please let us know if your lender makes any revisions to th

In addition, when the Small Business Administration provides y

Company A Forgiveness Amount Calculation

Total PPP Loan \$ 211,925

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): \$ 280,481

Line 2. Business Mortgage Interest Payments: \$ -

Line 3. Business Rent or Lease Payments: \$ 14,400

Line 4. Business Utility Payments: \$ 3,005

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: \$ 297,886

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): 100.00%

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7): \$ 297,886

Line 9. PPP Loan Amount: \$ 211,925

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60): \$ 467,469

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): \$ 211,925

Remaining Loan Balance \$ -

How will the taxability of forgiveness affect you?

Maura Lange
CPA, Partner



Tax Timing

- Tax free income but Notice 2020-32 invoked Section 265
 - Deductions associated with the production of tax-free income are not deductible
- Timing
 - When do we have to take into account?
 - When expense is incurred?
 - When forgiveness app submitted?
 - When forgiven – by lender or by SBA?
 - With Rev. Rul. 2020-27 that just came out on November 19th the IRS has made this a 2020 event if there is a reasonable expectation of forgiveness
 - Loans over \$2M now have to complete an additional Form 3509, better argument for not a reasonable expectation and therefore pushing to 2021

NOTE: The financial accounting treatment of PPP funding does not have an impact on the determination of tax treatment.

What further guidance will be issued?



Polling Question #2

FAQs

FAQs on FTEs

What if I don't have as many full-time equivalent employees as I did before the pandemic? Can I not get full forgiveness?



FAQs on FTEs

- **FTE Reduction Exemptions**
 - Unable to rehire or hire someone similarly qualified **by Dec 31**
 - Fired for cause
 - Voluntarily resigned or asked for reduction
- **FTE Exemptions**
 - Rehire to Feb 15 level **no later than Dec 31**
 - Inability to return to same level of business activity due to COVID compliance

FAQs on Sale of Business

PPP Loan Balance Due On Sale?

Changes of
Ownership

- 20% or more of ownership is sold or transferred
- 50% or more of assets (fair market value) are sold or transferred
- PPP recipient is merged with or into another entity

No SBA Approval
Required If:

Ownership interest transfer:

- 50% or less of ownership interest, or
- Forgiveness application submitted and escrow account controlled by PPP Lender

Asset sale:

- Forgiveness application submitted and escrow account controlled by PPP Lender

FAQs: Forgiveness in 2020 or 2021

What do we do?



FAQs: What if we don't get forgiveness?



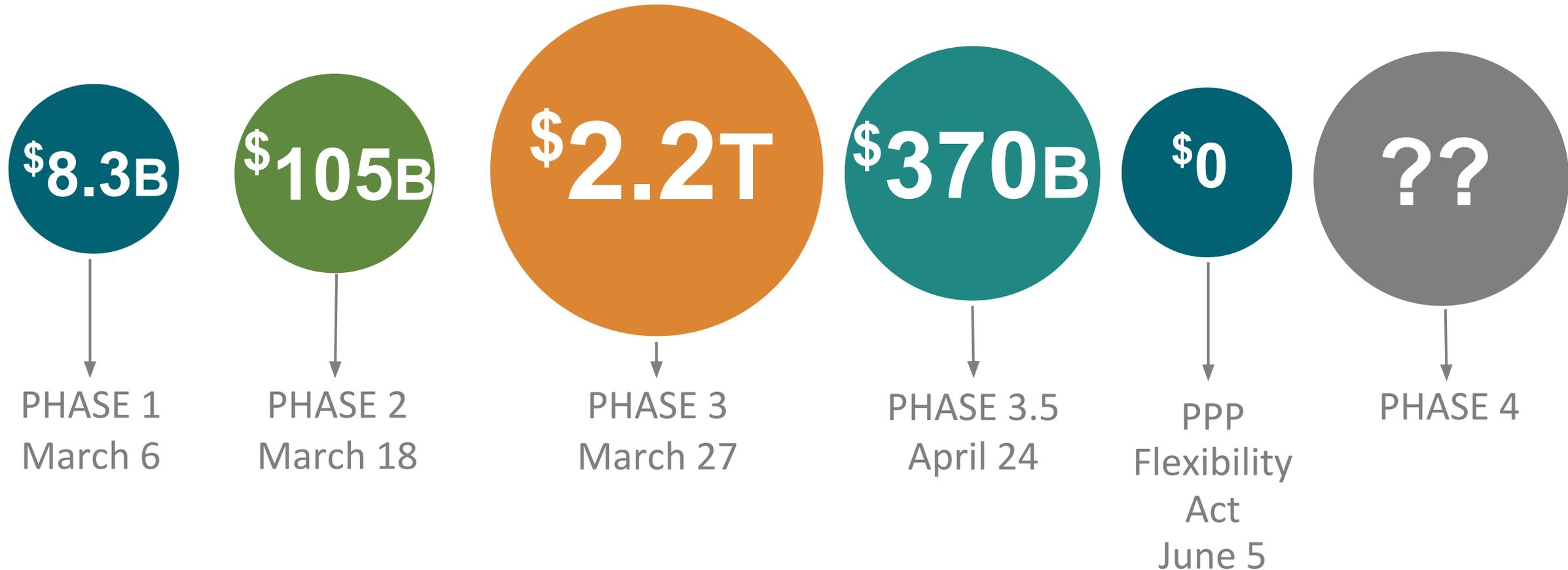
Tax Planning for 2020 and 2021



Legislative Update



2020 Tax Legislation



PPP Guidance



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The screenshot shows the PBMares Focus website's insights page. At the top, the PBMares logo is on the left, and navigation links for SERVICES, INDUSTRIES, PEOPLE, RESOURCES, LOCATIONS, and CONTACT are on the right. Below the navigation is a large hero image of a car's side mirror and a road, with the PBMares Focus logo and tagline 'Insights for Smarter Decisions' overlaid. A dark grey bar below the hero image contains the word 'Insights' on the left and 'Home / Insights' on the right.

The main content area features three article cards. The first card is titled 'Exempt Organization Inflation Adjusted Items for 2021' and includes a photo of two people in a building. The second card is titled 'New 2020 Form 1099-NEC' and includes a photo of a 2020 Form 1099-MISC. The third card is titled 'Virginia Employment Laws Expanded to Require New Hire Reporting of Independent Contractors' and includes a photo of oranges and a green apple.

On the right side of the page, there is a 'CONNECT WITH US' section with a form for name, phone number, and email, and a 'SUBMIT FORM' button. Below that is a 'SEARCH BY TOPIC' section with a search bar and a magnifying glass icon. At the bottom right, there is an 'EXPLORE POSTS BY CATEGORY' section.

Exempt Organization Inflation Adjusted Items for 2021
Rev. Proc. 2020-45 provides annual inflation adjustments for more than 60 tax provisions, including those affecting exempt organizations. (authored by RSM US LLP)
November 17, 2020 | Categories: Not-for-Profit | Tags: Authored by RSM US LLP [Read More >](#)

New 2020 Form 1099-NEC
NEW FORM 1099-NEC: The PATH Act accelerated the due date for filing Form 1099 that included nonemployee compensation (NEC) to January 31, and Treasury Regulations eliminated the automatic 30-day extension of time to file for forms that included NEC.
November 17, 2020 | Categories: Tax, Business | Tags: 1099-MISC; Martha McCoy [Read More >](#)

Virginia Employment Laws Expanded to Require New Hire Reporting of Independent Contractors
A new but perhaps little-known law in the State of Virginia requires that all employers, labor organizations, and hiring halls report information about newly hired independent contractors to the state's New Hire Center.

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EXPLORE POSTS BY CATEGORY:



Rob Klingensmith
Partner

Consulting Line Leader



Polling Question #3

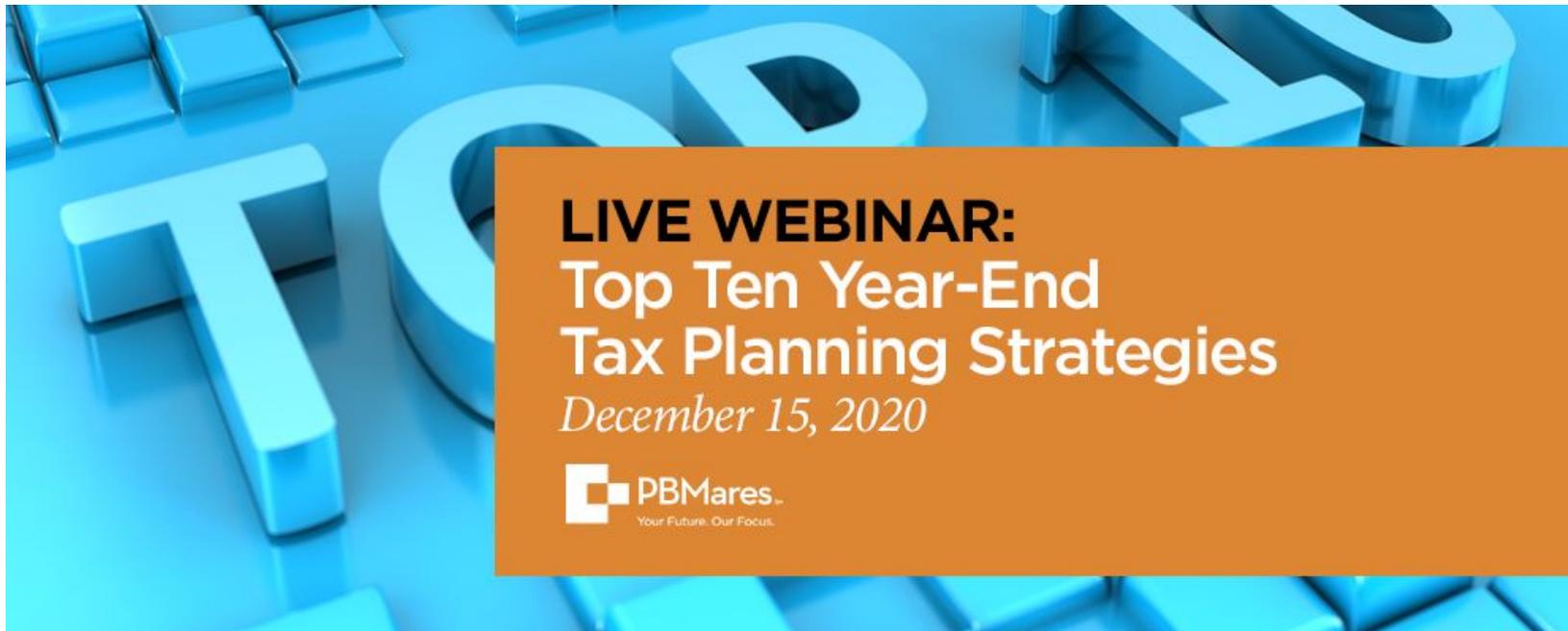
Questions



Top Ten Strategies to Save You Money



Join us on Tuesday, December 15th from 1PM – 2PM. PB Mares' tax experts have selected the ten most practical strategies for 2020 to save you money – **if you implement by December 31**. Visit www.pbmares.com to register.



QuickResponseTeam@PBMares.com



Rob Klingensmith
*Partner,
Consulting Line Leader*



Bradley C. Wilks, LACP
Wealth Advisor



Daniel H. Yoo, CFP®, CEPA®
Wealth Advisor



Addison Pock, CFP®
Wealth Advisor



Alex Crawford, CFP®, CIMA®
*Portfolio Manager,
Wealth Advisor*



Derek Hess
Associate Wealth Advisor

Visit our COVID-19 Resource Center

www.pbmares.com/
covid-19-resource-center

Transitioning from Survival to Recovery

Given the rapidly changing news ranging from the federal, state and local government agencies, we have created this resource center to make it easy to find the information most relevant to your family and business. The information is from a variety of sources including insights from our trusted team of tax and business professionals. We understand this is a difficult time and we're here to help navigate these uncertain times.

Visit our **COVID-19 SOLUTIONS** section for a list of services to help address common business challenges you may be facing.

Please view our **RECORDED WEBCASTS** and visit this section often for regular updates on news and information.

PBMares COVID-19 Insights



DCAA Audit Protocol during the COVID-19 Pandemic

November 10, 2020



SBA Publishes Loan Necessity Questionnaire for PPP Borrowers

November 4, 2020



Maryland Strong: Economic Recovery Initiative

New \$250 Million "Maryland Strong: Economic Recovery Initiative"

October 29, 2020



REBUILD VA GRANT FUND

Rebuild VA Grant Opens to More Businesses

October 29, 2020



Final Guidance on Business Interest Expense Deduction Limitation Under Section 163(j) in the CARES Act

October 15, 2020



How Businesses Should Be Preparing for Changes in State Tax Laws in 2020 and Beyond

October 14, 2020



Municipal Fixed Income in a Post-COVID-19 World

October 7, 2020



Congress: What We're Watching

September 9, 2020



How the Payroll Tax Deferral Works for Employers

September 1, 2020

CORONAVIRUS (COVID-19) RESOURCE LINKS

- > [PBMARES COVID-19 INSIGHTS](#)
- > [FEDERAL & STATE UPDATES](#)
- > [COVID-19 WEBINAR SERIES](#)
- > [RESOURCES FOR BUSINESSES](#)
- > [WORKING WITH US](#)
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Submit Form



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