



Information as of April 21, 2020

What is the PPP Loan?

Paycheck Protection Program “PPP” authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis.

What expenses does the PPP Loan Cover?

The loan proceeds are to be used to cover payroll costs, mortgage interest, rent, and utility costs over the 8 week period after the loan is made, and employee and compensation levels are to be maintained.

Below is a breakdown of the costs that are covered through the PPP Loan (Please see breakdown below table as forgiveness on certain expenses are subject to certain stipulations).

Expense	PPP Eligible Expense	PPP Forgiveness – If Paid In 8 Weeks from Loan Funds Receipt
Gross Payroll (A) – Including Bonuses	Yes	Yes
State and Local Employer Taxes	Yes	Yes
Vacation and Paid Leave	Yes	Yes
Paid Leave Under FFCRA (B)	No	No
Group Health	Yes	Yes
2020 Retirement	Yes	Yes
2019 Retirement	To Be Determined	No
Rent (C)	Yes	Yes
Utilities (C) – Gas/Electric/Water/Telephone/Internet	Yes	Yes
Mortgage Interest (C)	Yes	Yes

(A)– Not to exceed \$100,000 annualized for each employee (\$15,385 over 8 weeks / \$1,923 per week / \$3,846 bi-weekly)

a. For Forgiveness purposes, you must pay employees at least 75% of their prior payroll level to avoid reduction in forgiveness.

(B)– FFCRA stands for Families First Coronavirus Response Act

(C)– Must be in service or in place prior to February 15, 2020 to qualify.

a. For Forgiveness purposes, these expenses cannot exceed 25% of forgiveness total.

b. 75% of your PPP funding must be spent on payroll to receive full forgiveness for PPP funding.

*** Please note- misuse of funds can result in fraud charges. It is critical that you track use of funds carefully, and use only for prescribed purposes. ***

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Steps After Approval of PPP Loan

1. Review Loan Terms

- a. Current Terms:
 - i. 1% Interest Rate
 - ii. 2 Year Term
 - iii. 6 Month Deferred Payment
 - iv. No Prepayment Penalty
- b. Please note – although payments are deferred for 6 months, interest begins accruing on the date funds are received.
- c. Be sure you carefully review terms and are aware of all terms offered by your bank prior to proceeding!

2. Decide Whether to Move Forward with Receipt of Funds

- a. Option 1: Decline and Reapply
 - i. Considerations:
 1. There is a risk the funds may run out prior to reapplication.
 2. As time passes, the conditions of the PPP Loans may change.
 3. If you cannot receive PPP funding, you can consider eligibility for other programs including the Employee Retention Tax Credit
- b. Option 2: Receive Funding

Please see Step 3 for considerations and recommendations on what to do after you have received funding.

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Steps to Take After Receiving PPP Funds

1. Set Up System to Track Use of PPP Funds
 - a. **We suggest opening a separate bank account** specifically for the receipt of funds from the PPP loan, and the spending of those funds. This account should be used solely for the PPP Loan activity and expenses listed in STEP 1. (Please refer to our attachment “Step 1- PPP Loan and Covered Expenses”).
 - b. We are suggesting to open a separate account, as this will facilitate your application for loan forgiveness at a later date.
 - i. As you are all aware, this situation has been complicated and difficult. Our hope, through the use of a single account, you will mitigate risk in issues upon filing for loan forgiveness.
 - c. Contact your payroll company to see if they are offering any tools to track payroll expenses.
 - d. Retain invoices and bills for qualifying expenses (Rent, mortgage interest, and utilities).
 - e. Retain proof of payment of all qualifying expenses.

2. **CRITICAL DECISION - Decide between the following options:**
 - a. 1) Go for Maximum Loan Forgiveness
 - b. 2) Use loan for working capital with the intent to pay back the loan at 1% interest over 2 years and potentially receive partial forgiveness.

TABLE REGARDING CONSIDERATIONS AFTER RECEIVING PPP FUNDS

Considerations	*Maximize Loan Forgiveness*	Use Loan as Working Capital
Payment for Owner	Start Upon Receipt of Funds	Start Upon Receipt of Funds
Payment for Staff	Consider paying your team now with PPP funds, even if office closed. (A)	Leave employees on unemployment until office opens; use funds to pay employees when office opens. (B)
Payment for Rent	Start upon receipt of funds	Start upon receipt of funds
Payment for Utilities	Start upon receipt of funds	Start upon receipt of funds
Payment for Mortgage Interest	Start upon receipt of funds	Start upon receipt of funds

*** See Step 4 for additional guidance regarding loan forgiveness ***

(A) Consider assigning tasks for staff such as CE courses, projects to assist the practice from a managerial perspective (advertising, organization, etc.)

(B) Continue to pay employees that are currently working.

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Steps to Loan Forgiveness

1. Use funds during the 8 week period following receipt of funds on the following expenses:

Expense	PPP Eligible Expense	PPP Forgiveness – If Paid In 8 Weeks from Loan Funds Receipt
Gross Payroll (A) – Including Bonuses	Yes	Yes
State and Local Employer Taxes	Yes	Yes
Vacation and Paid Leave	Yes	Yes
Paid Leave Under FFCRA (B)	No	No
Group Health	Yes	Yes
2020 Retirement	Yes	Yes
2019 Retirement	To Be Determined	No
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(A)– Not to exceed \$100,000 annualized for each employee (\$15,385 over 8 weeks / \$1,923 per week / \$3,846 bi-weekly)

(B) -- FFCRA stands for Families First Coronavirus Response Act

(C)– Must be in service or in place prior to February 15, 2020 to qualify.

2. 75/25 Rule

- a. 75% of your loan funds must be spent on payroll costs. Payments to independent contractors are not included.
- b. 25% can be used for rent, utilities, and mortgage interest.

3. Number of Staff and Level of Payroll

- a. Loan forgiveness is reduced if you decrease your full-time employee headcount
 - i. You will need to determine the average number of full-time equivalent employees you had for:
 1. The 8 week period following your initial loan disbursement (X)
 2. February 15, 2019 to June 30, 2019 (X1)
 3. And January 1, 2020 to February 29, 2020 (X2)
 4. Tax X and divide that by X1. Do the same with X2. Take the largest number you obtain.
 5. If you get a number equal to or larger than 1, you successfully maintained your headcount and meet this requirement.
 6. If you get a number smaller than 1, you did not maintain the headcount and your forgivable expenses will be reduced proportionately.

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- b. Loan forgiveness will be reduced if salaries and wages are decreased by more than 25% for any employee that made less than \$100,000 annualized in 2019.
4. Re-Hiring
 - a. You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.
 - i. You can re-hire staff that were laid off or put on furlough and reinstate any pay that was decreased by more than 25% to meet the requirements for forgiveness. June 30, 2020 is the deadline to do so.

How to Request Loan Forgiveness

- You can submit a request to the lender that is servicing the loan.
- We suggest contacting your lender to determine their process for forgiveness.
- The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease and utility obligations.
- You must certify the documents are accurate and that you used the forgiveness amount to keep employees and make eligible expenses. The lender must make a decision on forgiveness within 60 days.

Again, we recommend utilizing a new, separate account to track your PPP funds and disbursement of funds specific to the PPP funding. The goal with using this system, is to reduce any potential issues when requesting loan forgiveness.

Frequently Asked Questions

- S-Corporation Owners – we are still awaiting confirmation, but you are included in the headcount of employees for the time being.
- Automatic link of account to utilities – upon receipt of PPP funding, we suggest re-directing payment of utilities to a new bank account. If you are unable to do so, you may reimburse yourself from the PPP account, but please do not round the payments, reimburse yourself for the exact amount of the invoice.
- Please contact your payroll company to see if they have a tool to assist in the use of the PPP funds for payroll expenses

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Important Considerations for EIDL Loan and PPP Loan

1. To participate with both programs, you should have applied for the EIDL Loan prior to applying for the PPP Loan.
 - a. We are diligently working to obtain guidance on potential possibilities to refinance the EIDL loan into the PPP Loan. If you use the EIDL loan for payroll costs, you will need to refinance the EIDL Loan into the PPP Loan.
2. Proceeds from each loan cannot be used for the same purpose (Please see breakdown below)

Expense	EIDL Loan Eligible	PPP Loan Eligible
Payroll Expenses including state unemployment and retirement 2020	PPP Funds should be used for this expense*	YES
Retirement 2019	Yes (A)	To be determined
Rent, mortgage interest, and utilities	PPP Funds*	YES
Supply costs	Yes (A)	No
Other loan payments (Credit Cards- equipment loans)	Yes (A)	No
Other operational costs	Yes (A)	No
Payments to independent contractors	Yes (A)	No

* This is our recommendation. Our recommendation is based upon decisions to optimize loan forgiveness of the PPP Loan*

(A) The proceeds from the EIDL Loan should be used for expenses that would have been paid, had the disaster not occurred.

It is important to remember that the intention of both the EIDL Loan and the PPP Loan is to cover expenses that would otherwise not be paid as a result of the negative impact of COVID-19. The funds are not intended to replace lost revenue or provide for expansion.

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