

# Paycheck Protection Program Loan Update

Presentation to ABC of Western Washington

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## COVID-19

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- Coronavirus, Aid, Relief and Economic Security Act (CARES)
  - Paycheck Protection Program loans
  - Loan application deadline extended to June 30
  - Still approximately \$150 Billion available in the fund
- Other resources
  - IRS website
  - SBA website
  - State of WA
  - American Institute of CPAs (search for “AICPA PPP loan”)
  - Payroll providers are enabling “calculators”
  - [clarknuber.com](http://clarknuber.com)

# Paycheck Protection Program Loans

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- What can you spend it on?
  - Payroll costs
  - Interest on mortgage that was in place as of 15-Feb-2020
  - Rent on lease that was in place as of 15-Feb-2020
  - Utility payments
- How should you account for it?
  - Debt?
  - Government grant?
  - <https://www.aicpa.org/content/dam/aicpa/interestareas/frc/downloadabledocuments/tqa-sections/tqa-section-3200-18.pdf>

## Recent Developments - Paycheck Protection Program Flexibility Act

- Loan term extended from two years to five years. Interest rate remains 1% for PPP loans issued after June 5, 2020. Banks and borrowers can renegotiate prior loans to longer term.
- Loan forgiveness period extended from 8 weeks to 24 weeks. Borrowers can keep 8 week period for loans issued prior to June 5, 2020. Forgiveness applications due no later than 10 months after the covered period ends.
- Maximum forgivable compensation for owner/employee, self-employed or general partner increased from \$15,385 to \$20,833.
- Up to 40% of PPP loan may be spent on non-payroll items. If over 40% cap then a pro-rated portion of the loan will still be forgiven.
- Loan deferral extended to time when SBA pays lender banks the forgiveness amounts.

## Paycheck Protection Program Flexibility Act

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- Considerations for choosing 8-week covered period:
  - Forgiveness will happen sooner
  - FTE test may be easier to meet for 8 versus 24 weeks
  - Use SBA rules as they stand now; may change to applicant's detriment later
- Considerations for choosing 24-week covered period:
  - Longer covered period means more expenses potentially eligible for forgiveness.
  - More guidance/clarity with regard to what is allowed for loan forgiveness; more time to plan

## PPP Loans – advice going forward

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- Congressional intent v. rules from US Treasury
  - Accrual or cash basis?
  - Deductibility of expenses
- PPP loan proceeds
  - Document why you needed it
  - Document how you are spending it
  - Keep funds in a separate bank account and transfer only the specific amount needed when you spend it
- SBA FAQs are getting updated, keep checking back
- Make a few hours a week to understand how things are moving and what you need to do (or make sure someone does)
- Talk to your CPA
- Talk to you bank

ANY  
QUESTIONS  
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