Paycheck Protection Program
Loan Update

Presentation to ABC of Western Washington
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COVID-19

• 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
Paycheck Protection Program Loans

• 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?
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 that 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

- 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

• 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 your bank
Any questions?