Paycheck Protection Program Loan Update

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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



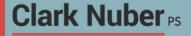
Paycheck Protection Program Loans

- 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?
 - https://www.aicpa.org/content/dam/aicpa/interestareas/frc/downloadabledocuments/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 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 easer 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 you bank





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