



## Two major small business loan provisions

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- ▶ Paycheck Protection Program Loans (PPP loans)
- ▶ Economic Injury Disaster Loans (EIDL)
- ▶ Both are intended to assist businesses in maintaining payroll and operating costs, and businesses can apply for both of these loans.
- ▶ The loan proceeds are supposed to be used for different purposes.
- ▶ Premise: business must show economic need for either loan

Your budgeting process forecasting business operation activity and revenue decline will help solidify the loan application success



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## Question

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- ▶ Do BOTH the PPPL and EIDL require documentation of receipts to confirm they were used on 100% forgivable items or only the PPP loan requires that?
- ▶ Would Marsha clarify the idea of combining the two loans in one separate banking account?



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authorized representative of the Applicant must certify in good faith to all of the below by **initialing** next to each one:

The Applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC.

**Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.**

The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments as specified under the Paycheck Protection Program Rule; I understand that if the funds are knowingly used for unauthorized purposes the federal government may hold me legally liable, such as for charges of fraud.

The Applicant will provide to the Lender documentation verifying the number of full-time equivalent employees on the Applicant payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utility for the eight-week period following this loan.

I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the forgiven amount may be for non-payroll costs.

During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive any loan under the Paycheck Protection Program.

I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

I acknowledge that the lender will confirm the eligible loan amount using required documents submitted. I understand and agree that the Lender can share any tax information that I have provided with SBA's authorized representatives including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

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## Economic Injury Disaster Loans (EIDL)

- ▶ Waives personal guarantee on loans below \$200K
- ▶ Waives requirement to be in business a full year
- ▶ Waives requirement to show inability to obtain credit elsewhere without undue hardship
- ▶ Allows loans based on credit scores or "alternative appropriate method"
- ▶ Establishes emergency grant of up to \$10K as an advance on the loan when application is made.
- ▶ If EIDL loan is subsequently transferred into a PPP loan, any grant "advance" will reduce the amount of PPP loan forgiveness.

▶



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## EIDL After January 31, 2020

- ▶ And through April 3 ????
- ▶ Yet another point of confusion ☹️
- ▶ How SBA determines amount they will loan is unknown
- ▶ Apparently, when you apply for EIDL grant, you are put in the cue for a loan
  - ▶ <https://covid19relief.sba.gov/#/>
  - ▶ Gross revenue 12 months ending 1/31/2020
  - ▶ Cost of goods sold
  - ▶ Employee headcount
  - ▶ Don't know what additional documentation SBA will want
  - ▶ We don't think you need to accept the loan when it is offered



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## EIDL After January 31, 2020

- ▶ Grant up to \$10K
- ▶ New information suggests that will be limited to \$1,000 per employee
  - ▶ 8 employees = \$8,000
- ▶ Loan, if comes through and you choose to accept it, would be rolled into the PPP loan if you receive it
- ▶ Grant, if you receive it, will reduce the amount of the PPP loan that is forgiven.



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## Paycheck Protection Program Loans

- ▶ Offered through banks approved by the SBA
- ▶ Up to \$10 million loan amount to businesses with 500 or less employees.
- ▶ Application through June 30, but will funds run out sooner?
- ▶ Loan amount is based on specified calculation of employee compensation, including health care benefits paid by the employer.
- ▶ More clarification provided by Treasury/the SBA 4/8/2020
  - ▶ [https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf?j=270307&sfmc\\_sub=110106612&l=2398\\_HTML&u=8865422&mid=7306387&jb=184&utm\\_medium=email&SubscriberID=110106612&utm\\_source=NewsUp\\_A20Mar345&Site=aicpa&LinkID=8865422&utm\\_campaign=Newsupdate&cid=email:NewsUp\\_A20Mar345:Newsupdate:18-point+FAQ:aicpa&SendID=270307&utm\\_content=Special](https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf?j=270307&sfmc_sub=110106612&l=2398_HTML&u=8865422&mid=7306387&jb=184&utm_medium=email&SubscriberID=110106612&utm_source=NewsUp_A20Mar345&Site=aicpa&LinkID=8865422&utm_campaign=Newsupdate&cid=email:NewsUp_A20Mar345:Newsupdate:18-point+FAQ:aicpa&SendID=270307&utm_content=Special)



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## PPP Loan Forgiveness

- ▶ Section 1106 : A non-taxable forgiveness of loan principal may be allowed, the amount of which is determined from operational results, over the 8 weeks starting with the loan origination date.
- ▶ The amount that is forgiven can be limited, by several factors
- ▶ First, payroll cost must be >75% of proceed use
- ▶ Second, a calculation made to compare average workforce FTEs/month during the 8 weeks with a base period FTE calculation.
  - ▶ Only compute employees <\$100K in 2019
  - ▶ 2 base period options, at employer's choice
  - ▶ 2/15/2019 - 6/30/2019 OR 1/1/2020 – 2/29/2020
  - ▶ Not sure whether FTE = 40 hours or 30 hours or something else



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## PPP Loan Forgiveness

- ▶ Third, limited by any employee pay that decreases in the 8 week measurement period by more than 25% from prior full quarter of pay.
  - ▶ Doesn't make sense
  - ▶ A full quarter = ~12 weeks: comparing 8 weeks to 12 yields a 33% reduction in pay
  - ▶ Expect further guidance

### (3) REDUCTION RELATING TO SALARY AND WAGES.—

(A) IN GENERAL.—The amount of loan forgiveness under this section shall be reduced by the amount of any reduction in total salary or wages of any employee described in subparagraph (B) during the covered period that is in excess of 25 percent of the total salary or wages of the employee during the most recent full quarter during which the employee was employed before the covered period.

(B) EMPLOYEES DESCRIBED.—An employee described in this subparagraph is any employee who did not receive, during any single pay period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000.



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## PPP Loan Forgiveness PLANNING

- ▶ Use proceeds on specifically covered expenses
- ▶ Use at least 75% of proceeds on “Payroll costs”
- ▶ Understand both FTE and Payroll \$ per employee calculations which can reduce forgiveness
- ▶ Keep good documentation of fund use – you’ll need it when you apply
- ▶ Continue to look for new guidance interpreting this part of the CARES Act (Section 1106)
  - ▶ It is as confusing as the other sections we’ve experienced since March 27



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## Paycheck Protection Program Loans

- ▶ Strategically plan when the loan will best be taken to optimize forgiven portion – well, maybe not ?
  - ▶ Workforce near level it was in the base comparison period (pre economic injury)
  - ▶ Have the bank you will be using ready to make the loan at the point you wish to trigger it.
  - ▶ Will the need be after June 30, though?



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## Paycheck Protection Program Loans

- ▶ What to do now
  - ▶ Have/get paperwork in order
    - ▶ Tax returns, financial statements, solid reasoning for current or anticipated economic need
    - ▶ Proof of employee wage and compensation payment
  - ▶ Run calculations to estimate the amount of proceeds
    - ▶ Various calculators available, contact our office (mheinke@vpmp.net)
  - ▶ Banks are scrambling to determine what they need from applicants.
  - ▶ System will be overwhelmed; expect delays
  - ▶ Expect SBA/BANK websites to be down from traffic



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## Paycheck Protection Program Loans

- ▶ Loan proceeds can be used for certain defined expenses
- ▶ Specifically excludes using loans for some purposes
- ▶ Intended to support ongoing operations, specifically
  - ▶ Payroll – compensation and group health benefits
  - ▶ Rent
  - ▶ Utilities
  - ▶ Mortgage debt service
  - ▶ Interest portion of any debt obligations incurred before the covered period (2/15 through 6/30/2020)
- ▶ 2 year amortization, at rate of 1%; 6 month deferral of payments



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## Other fund sources

- ▶ Other law provisions for relief
  - ▶ NOL carrybacks /amended tax return options/tax refunds
  - ▶ Qualified Improvement Property depreciation correction to 15 years (from 40)
- ▶ Existing lines of credit – assure in good order
- ▶ Loan taken on whole life insurance policies
- ▶ Owner forgoing compensation temporarily
  - ▶ Tighten up personal spending habits, know personal cash flow needs
- ▶ Owner loans to practice
  - ▶ Obtain mutual agreement among principals
  - ▶ Document with promissory notes, interest rate, amortization schedule, corporate minutes
  - ▶ Be aware of existing bank loan covenants and ratio requirements
- ▶ Certificates of Deposits maturing?
  - ▶ Opt out of automatic renewal



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## Other fund sources

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- ▶ Retirement fund early distribution penalty of 10% waived and taxes payable over 3 years (up to \$100K); funds can be recontributed without regard that year's cap on contributions (new law)
- ▶ Flexibility for loans from certain retirement plans for coronavirus-related relief
- ▶ If your practice has business interruption insurance, contact the company to ascertain your coverage and claim options.



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## Clients and Operating Receipts

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- ▶ Evaluate viability of clients
- ▶ Not all clients are financially viable
  - ▶ Review accounts receivable
  - ▶ Shore up delinquent account
  - ▶ Reevaluate credit terms
  - ▶ Assess payment modalities – make it as easy as possible for client to pay you



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## Clients and Operating Receipts

Continue to bill clients as you always have.

- ▶ Act as if your practice is “business as usual”
- ▶ Reevaluate options for client service, including extending credit to platinum clients.
- ▶ If clients ask for fee or payment considerations, have a plan as to how to address them in a courteous way.
  - ▶ Have a well-trained point person that is adept at handling discussions.
  - ▶ Assure you staff knows what to say and how to say it.
- ▶ Employees must know and be able to articulate payment options and payment plans for clients.



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## Clients and Operating Receipts

- ▶ Assess treatment plans and ascertain what are the bare minimum offerings that can be made, so that clients in dire straits can afford something
- ▶ Review your budget for pro bono work and set a plan for how any good Samaritan funds can help the greatest number of needy and anxious clients during this time
- ▶ If you think back to the 2008 - 2009 mortgage crisis, recall the challenges it created for people losing their homes as the recession drug on: horses abandoned and a soaring rate of euthanasias. Consider how your practice may need to respond to a similar situation in the coming months.



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## Clients and Operating Receipts

- ▶ Keep up practice revenue streams
  - ▶ Tend the reminder system
  - ▶ Forward book appointments
  - ▶ Make phone calls ...do you remember the extreme delays in routine preventive health care that occurred during the Great Recession of 2009? Encourage clients to keep up, perhaps even just with the basics, such as rabies vaccinations.
  - ▶ Periodically, review the database for reminder delinquencies. Refresh and renew client contacts as the economy rebounds in the wake of the pandemic
- ▶ The Partners for Healthy Pets toolbox is a good resource for reactivating “Inactive” clients.
  - ▶ [https://www.partnersforhealthypets.org/inactive\\_client\\_program.aspx](https://www.partnersforhealthypets.org/inactive_client_program.aspx)



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## Capital expenditures

- ▶ Review all capital expenditure plans
- ▶ Put major outlays on hold until you can gauge the local impact of the emergency on your practice’s client activity.
  - ▶ Assume you will be affected, curtail spending
  - ▶ See if you can renegotiate and/or delay recently signed contracts
- ▶ Avoid taking on new equipment or vehicle leases until the full ramifications of the current situation are better understood.



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## Expense management

- ▶ **By now you should have curtailed all overtime**
  - ▶ Unless you have no other options due to staffing shortages
- ▶ **Decide what benefits curtailed or maintained**
- ▶ **Look for unwanted, unneeded subscriptions**
- ▶ **Supply chain management – very fluid situation**
- ▶ **Supplier engagement:**
  - ▶ Understand supplier capabilities considering changing economy
  - ▶ Evaluate supply needs and update protocols for order/quantity management
  - ▶ Determine possible alternative supplier resources
  - ▶ Evaluate new supplier/existing supplier qualifications
  - ▶ Negotiate favorable credit terms
- ▶ **Inventory management**
  - ▶ identify “at risk” inventory packaging/preventative procedures
  - ▶ Evaluate any rationing needs of specific items
  - ▶ Multiple location optimization



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## Expense management

- ▶ **By now you should have curtailed all overtime**
  - ▶ Unless you have no other options due to staffing shortages
- ▶ **Decide what benefits curtailed or maintained**
  - ▶ Also coordinate with partial furloughs, full furloughs, and layoffs
- ▶ **Look for unwanted, unneeded subscriptions**
- ▶ **Look for other discretionary spending that can be stalled**
- ▶ **Defer maintenance/repairs if reasonably safe to do so**
- ▶ **Supply chain management – very fluid situation**



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## Expense management

- ▶ **Supplier engagement:**
  - ▶ Understand supplier capabilities considering changing economy
  - ▶ Evaluate supply needs and update protocols for order/quantity management
  - ▶ Determine possible alternative supplier resources
  - ▶ Evaluate new supplier/existing supplier qualifications
  - ▶ Negotiate favorable credit terms
- ▶ **Inventory management**
  - ▶ identify “at risk” inventory packaging/preventative procedures
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  - ▶ Multiple location optimization



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## Expense management

- ▶ **Payroll budget in place**
- ▶ **Paid sick leave and medical leave effective April 1**
  - ▶ Post notification (DOL site)
  - ▶ 14 days of sick leave for coronavirus related reasons
  - ▶ 12 weeks, of which 10 weeks are paid of FML at 2/3 normal wages
  - ▶ Be up to speed on explicit eligibility reasons
- ▶ **Whatever you do in expense management, do NOT delay payroll tax (“trust fund”) remittance to governmental agencies**
  - ▶ Massive penalties and interest can be and will be assessed.
- ▶ **Lean heavily on your payroll company to keep you in good stead with complex new rules and taking advantage of credits your practice may be eligible for**
  - ▶ However, “Trust but verify”



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## Expense management

- ▶ Keep full accrual books in order
  - ▶ Know everything owed to outside parties
  - ▶ Your practice's general ledger should be an accurate detailed accounting of where credit is taken and money will need to be spent.
    - ▶ Credit card charges recorded and tracked
    - ▶ At least examine credit card activity detail regularly, perhaps by logging in and examining usage once weekly.
  - ▶ Every week, review the aging accounts payable listing and debt principal balances with the bookkeeper.
  - ▶ Prioritize what needs to be paid first, if there are cash shortages.
  - ▶ If the practice must pay late, examine interest rates and late payment penalties to help prioritize what gets paid first.
  - ▶ Stay in communication with vendors
- ▶ TIP: Organize all incoming vendor and service provider emails that provide guidance for payment deferrals so your bookkeeper can keep track of options all in a single easily referenced location.



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## Financial Statements

- ▶ Be prepared to issue financial statements as soon as needed.
- ▶ Applications for SBA loans or other credit facilities will require documentation.
- ▶ Keep checking, savings, and credit card accounts reconciled promptly.
- ▶ Work with your accountant to assure the balance sheet is “clean” and up to date.
- ▶ Owners should have their statements of personal financial position in good order and ready to go.
- ▶ The SBA has indicated relaxation of rules for tax return copies. Nevertheless, have the 2018 business and personal tax return copies at hand. Draft 2019 returns may be helpful if they have not been completed.



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## COVID-19 related expense accounting

- ▶ Payroll tracking must include accumulators to accurately track paid time related to ESPL and FMLE
  - ▶ April 1
  - ▶ check out DOL website for FAQs and evolving guidance <https://www.dol.gov/agencies/whd/pandemic>
- ▶ These amounts must be tracked so that small businesses can accurately apply for applicable tax credits.
- ▶ It appears that dollar for dollar credits will be swiftly applied against the social security taxes and Medicare taxes (“employment taxes”) owed by the employer
- ▶ Decent payroll company provider should be able to help you seamlessly mitigate cash flow issues that would otherwise be related to the ESPLA and the EFMLA  
<https://www.irs.gov/newsroom/treasury-irs-and-labor-announce-plan-to-implement-coronavirus-related-paid-leave-for-workers-and-tax-credits-for-small-and-midsize-businesses-to-swiftly-recover-the-cost-of-providing-coronavirus>



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## COVID-19 related expense accounting

- ▶ The payroll tax credits apply to **both** qualifying wages and to amounts paid to maintain health insurance coverage.
  - ▶ Figure out how to coordinate with Payroll Service
- ▶ **No** employer employment taxes are due on wages paid through the ESPLA or EFMLA
- ▶ If the tax credits exceed the amount of employment taxes you have paid in, the IRS will “send the refund as quickly as possible.”
- ▶ Employers subject to the relief leave wages (small businesses of the less than 500 employees) should experience a net zero cash effect.



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## Scammers are out in force

- ▶ Your practice and your employees will be solicited from every corner of the world: social media, targeted email, snail mail, texts, phone calls
  - ▶ Predatory lenders and other bad actors
- ▶ Warn your people. Be careful yourself.
- ▶ If ever a time: don't click on links
  - ▶ Type in the URL
  - ▶ Go to IRS.gov, DOL.gov, etc.
  - ▶ Be alert to the address in the URL bar: does it look funky.
- ▶ Don't act in haste. Go slow.
  - ▶ Yes, feels urgent to get money
  - ▶ Due diligence
  - ▶ Use trusted advisors
- ▶ Only send sensitive information such as loan apps, tax returns, and such through secure transmission means.
  - ▶ Be absolutely certain as to the recipient



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## End of Life Directives – Everyone!

- ▶ Living Wills
  - ▶ Health care wishes, religious wishes, end of life wishes
- ▶ Health Care Proxies/Medical Power of Attorney
  - ▶ Designated person (agent) to make medical or health care decisions for you
  - ▶ HIPAA Release – authorizes agent to talk with medical care provider
- ▶ DNRs
  - ▶ Do Not resuscitate
  - ▶ No heroic measures
  - ▶ Often prohibit intubation/use of ventilators.



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## Estate and End of Life Documents

- ▶ Update named agents to help in event of emergency
  - ▶ Additional designated persons
- ▶ Print out copies of signed documents
  - ▶ Have in order/readily at hand/envelope to carry with you to hospital
- ▶ Changes in documents to consider
  - ▶ Many in DNR – express provision of Do not intubate/or put on ventilator
    - ▶ Harsh provisions that may not make sense right now
      - ▶ Idea was “I don’t want to be kept artificially alive”
      - ▶ Read your Documents and understand what they say
  - ▶ WE are in different environment...our agents will likely NOT be in hospital and may be prohibited from doing so.
    - ▶ How does your agent communicate with the doctor
    - ▶ I Expressly authorize by agents to communicate in ANY way with my medical care providers to allow agents to be able talk



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## Final thoughts

- ▶ We are in a very fluid situation
  - ▶ Needs and requirements change daily
  - ▶ Be proactive
- ▶ Stay mindful of
  - ▶ Our many blessings
  - ▶ The fact we are all in this together...no one escapes this emergency’s impact on our practices and our lives
- ▶ Assure you
  - ▶ Exercise
  - ▶ Eat well
  - ▶ Get enough sleep
  - ▶ Find humor everyday and LAUGH



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