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**Business Development & Strategy** 

### **Preparing for the Next Round of PPP**

**PRESENTED BY** 

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### **Disclaimer**

All information provided in this session is intended to be informative in nature and should not be considered legal or financial advice. All information presented is based on our current interpretation of the information provided by The SBA, The Republicans Small Business Committee, and current text of the COVID relief bill. Information and rules regarding this program are subject to change at any time and it is up to everyone to complete their own due diligence to ensure they understand the financial and legal requirements and consequences of participation in this program.

### **For Today's Discussion**

Recap of Existing PPP1 Rules

Updates Under New Legislation

Recap of Important Takeaways

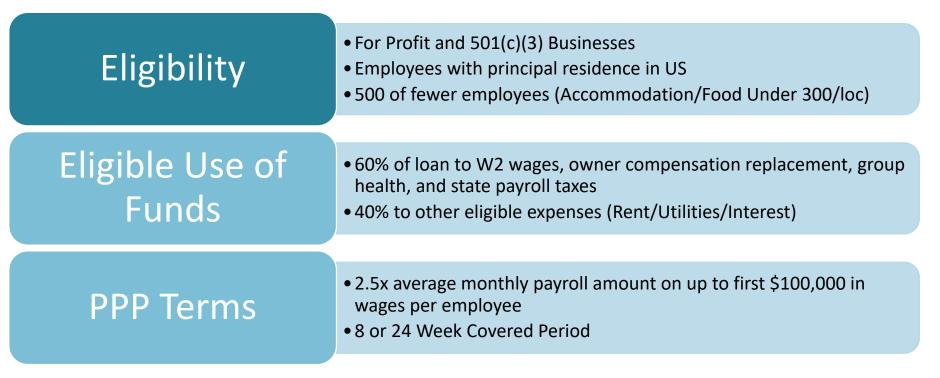
Recap of Existing PPP1 Rules

Other Stimulus Provisions

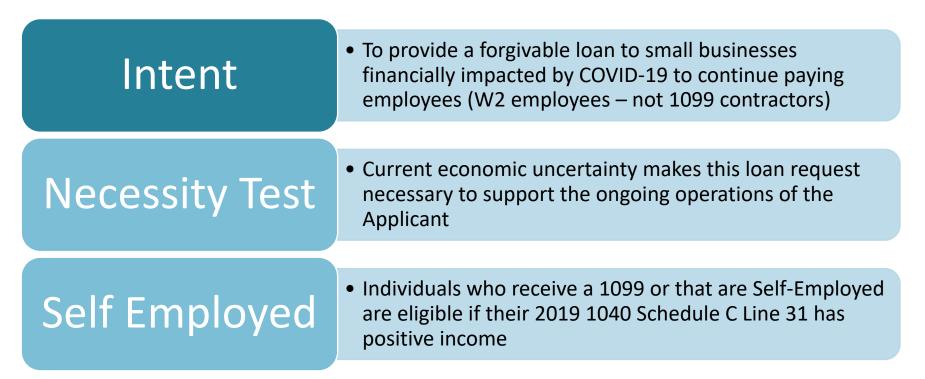




### **Recap of PPP Round 1 Rules**



### **Recap of PPP Round 1 Rules**



### Importance of "Necessity"

### The Necessity Requirement

 If the business has been profitable or at least broke even and fully expects to survive without assistance, until when the virus clears, then the loan may not be sufficiently "necessary" to justify taking it.

### Consequences

- While the SBA will not question loans under \$2MM:
  - All PPP Loans are Public Knowledge
  - Competitors or Employees can Report You

### **The Burning Questions**

Can I Get a 2 <sup>nd</sup> PPP Loan?	<ul> <li>Borrowers who received a previous PPP loan <u>ARE</u> eligible for a 2<sup>nd</sup> PPP loan if they meet certain conditions and forgiveness on the 1<sup>st</sup> PPP is <u>NOT</u> required before applying for a 2<sup>nd</sup> PPP loan</li> </ul>
Can I Get a 1 <sup>st</sup> PPP Loan?	<ul> <li>Businesses that <u>did not</u> receive a PPP during a previous round <u>will be</u> eligible to receive a PPP for the first time</li> </ul>
When/How Can I Apply?	<ul> <li>Apply Now!</li> <li>You will be able to apply on our website or with your participating lender <u>www.prestamosloans.org/ppp</u></li> </ul>

### **Updates Under New Legislation**

# Additional Eligible Expenses

#### **Operations Expenditures:**

Software, cloud computing, human resource, and accounting needs

#### **Property Damage Costs:**

Costs related to property damage during 2020 public disturbances not covered by insurance

#### **Worker Protection:**

PPE and adaptive instruments necessary for health compliance

### **Updates Under New Legislation**

## **Unexpected Supports**

#### **EIDL Advance**

Borrowers are no longer required to reduce forgiveness by EIDL advance amount

#### **Accommodations & Food Services**

Industries with an NAICS code 72XX (Accommodations and Food Service) can now receive 3.5X their avg payroll

#### **IRS Deductions**

Expenditures covered by the PPP are now eligible for deduction on tax returns

#### **Group Insurance**

Clarifies that group life, disability, vision, and dental insurance are eligible payroll costs

### **Eligibility Requirements for "Second Draw" Loan**

#### Business Start Date Must have been in OPERATION on February 15, 2020

#### Number of Employees No more than 300

#### **25% Reduction in GROSS RECEIPTS**

Borrower can demonstrate a 25% decrease in at least one quarter of 2020 compared to the same quarter of 2019

#### **Safe Harbor Rules**

Extends safe harbor rules if businesses were unable to operate at full capacity and saw a reduction in business

### **PPP Loan Terms**

#### Loan Amount

Up to 2.5x average monthly payroll costs in the one year prior to the loan OR the calendar year (72XX NAICS = 3.5x)

#### **Seasonal Businesses**

Can calculate based on any 12-week period between February 15, 2019 and February 15, 2020

#### **New Recipients**

Churches and 501(c)(6) are eligible to apply\*\*

#### **Use of Funds Requirements**

60% for payroll costs and 40% for other eligible costs

### **Determining Eligible Amount**

You can use 2019 OR 2020 documentation – but only ONE year

#### Schedule C, No Employees

IRS 1040 Schedule C – Line 31 (Must have positive net income)

#### Schedule C, W2 Employees

- IRS 1040 Schedule C Line 31
- Payroll Documentation IRS 940 FUTA, IRS 941 Q1-Q4, AZ UC-018 Q1-Q4, Payroll Summary

#### **1065 Partnership**

- IRS Form K1/Partner Line 14
- Payroll Documentation IRS 940
   FUTA, IRS 941 Q1-Q4, AZ UC-018
   Q1-Q4, Payroll Summary

#### **1120/1120s Corporations/Non Profits**

 Payroll Documentation – IRS 940 FUTA, IRS 941 Q1-Q4, AZ UC-018 Q1-Q4, Payroll Summary

### **Other Documentation**

#### You can use 2019 OR 2020 documentation – but only ONE year

#### **Ownership**

- Articles of Organization/Inc
- Owners with 20%+ Need ID/Personal Info

#### **Verification**

- February 2020 Bank Statement
- 1099-MISC/Book of Business

#### **Payroll Documents**

- IRS 940 FUTA Annual
- IRS Quarterly 941 Q1-Q4
- AZ Unemployment UC-018 Q1-Q4
- Payroll Summary Report By Employee

#### **Banking**

• Voided Check

### **Loan Forgiveness**

#### **Full Forgiveness**

Borrowers are eligible for full forgiveness if 60%/40% cost allocation is met during the 8-week or 24-week covered period

#### **Non-Forgiven Amounts**

10-month deferral on a 5-year repayment term with 1% interest

#### **Simplified Process**

Borrowers with loans under \$150,000 will utilize a one-page forgiveness application and certify proper use & eligibility

#### **Timeline**

Borrower can apply once funds are used if it has been at least 8-weeks. Borrowers should apply within 10-months of end of covered period for full forgiveness

### **Term Clarification**

#### **Seasonal Employer**

Employer that operates for no more than 7 months in a year, or, earned no more than 1/3 of its receipts in any 6-month period

#### **Covered Period**

The 8-week or 24-week covered period begins once PPP funds are deposited into your account. Funds must be utilized during this period of time.

#### 72XX NAICS Code

The Accommodation and Food Services sector comprises establishments providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption.

Hotels/Inns, RV Parks, Campground, Mobile Food Services/Food Trucks, Caterers, Bars, Restaurants, Snack Bars, Cafeterias

### **Recap of Takeaways**

### Application Process

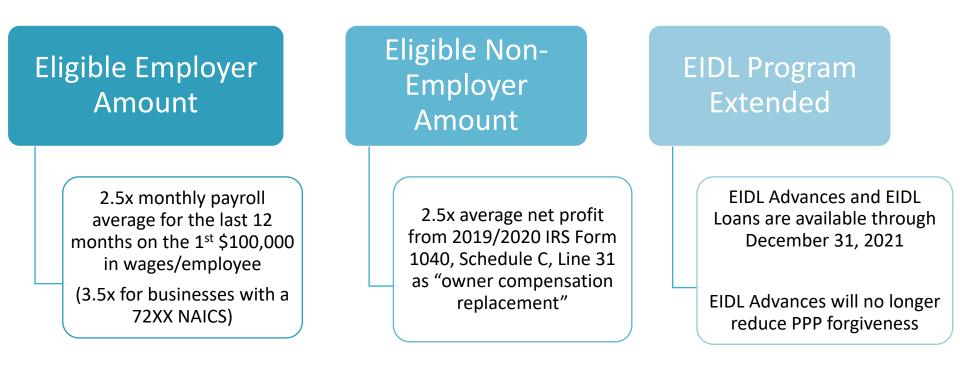
### Application Requirements

### Forgiveness

You can apply online through your eligible lender or our website www.prestamosloans.org/ppp -Payroll Documents -Proof of 25% Reduction -2019 Business Tax Return -Business Info/Articles of Org -2020 Profit & Loss Statements -Copies of 1099's -Owner Information/ID

Loan if fully forgivable if used for at least 60% payroll costs and no more than 40% other covered expenses (Rent, Utilities, Interest, PPE, Property Damage, Supply Costs, Operating Expenses)

### **Recap of Takeaways**



### **Next Steps to Prepare**

# Gather Required Documentation

- Pull January December 2019 and 2020 Bank Statements
- Gather 2019 and 2020 Payroll Documents (941, Payroll Summary)
- 2019 and 2020 Profit & Loss Statement by Month

### Compare 2019 vs 2020 Gross Revenue

• Input monthly sales/income/revenue data into 25% Reduction Spreadsheet in "Handouts"

### When/How Can I Apply?

- Apply Now!
- You can apply on our website or with your authorized <u>www.prestamosloans.org/ppp</u>

### **25% Gross Revenue Reduction Spreadsheet**



#### Enter the gross receipts/gross revenue received each month of the year. Only fill in the colored fields.

	January	February	March	April	Мау	June	July	Augu st	September	October	November	December
2019	\$ 1,500.00	\$ 1,600.00	\$ 1,550.00	\$ 1,800.00	\$ 1,600.00	\$ 1,550.00	\$ 1,580.00	\$ 2,000.00	\$ 1,950.00	\$ 1,800.00	\$ 1,875.00	\$ 2,100.00
2020	\$ 1,550.00	\$ 1,580.00	\$ 1,420.00	\$ 1,300.00	\$ 1,250.00	\$ 900.00	\$ 925.00	\$ 955.00	\$ 1,200.00	\$ 1,350.00	\$ 1,800.00	\$ 1,750.00
	Q1 2019	\$ 4,650.00		Q2 2019	\$ 4,950.00		Q3 2019	\$ 5,530.00		Q4 2019	\$ 5,775.00	
	Q1 2020	\$ 4,550.00		Q2 2020	\$ 3,450.00		Q3 2020	\$ 3,080.00		Q4 2020	\$ 4,900.00	
	Difference	-2%		Difference	-30%		Difference	-44%		Difference	-15%	

Qualitying Quarters						
Q1	FALSE					
Q2	Eligible					
Q3	Eligible					
Q4	FALSE					

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