





This presentation is based on relevant government guidance available as of June 15, 2021. There are a few areas of the CARES Act, related guidance and the SBA's Loan Forgiveness Application that are unclear and additional clarification from the government is needed. In addition, there may be future legislation that modifies the program rules. This presentation includes our best interpretation of the guidance.

We recommend you consult with your CPA for questions regarding your specific business situation.

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3508S: Who is Eligible?
Eligibility to file Form 3508S:
• PPP loan amount is \$150,000 or less
Exception: If a borrower, together with its affiliates, received PPP loans totaling \$2M or more, they are not eligible for the 3508S. Example: Co A = \$35,000; Co B = \$500,000; Co C = \$1,840,000. Total is \$2,375,000. Co A cannot use 3508S.
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Determine your "Covered Period", which starts with receipt of your PPP loan proceeds
The Consolidated Appropriations Act (CAA) signed in December 2020 added a provision that allows companies to pick the length of their covered period.
It can be any number of weeks between 8 and 24. All of the compensation limits must be prorated to the number of weeks selected.

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Wait.... Why would I pick the Option with the smaller number?

The average FTEs for the covered period (the 8 weeks) is compared to the chosen base period (option 1 or 2).

If the average FTEs during the covered period is SMALLER than the average FTEs for the chosen base period, there is a REDUCTION to forgiveness.

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FTEs \$80,000 * 6 months (equivalent of 24 weeks) = \$480,000 \$480,000 payroll costs * 80% (to reflect the FTE reduction) ======= \$384,000 allowable payroll costs Compared to the \$250,000 Loan amount, the company gets 100% forgiveness (assuming no EIDL grant). Even without including any nonpayroll costs. BeochFleischman

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		PPP	Schedule A Workshee	<u>:t</u>		
201	eived compensation from the 9 or were not employed by th	Employee	ny point in 2019.	-	Salary / Hourly Wage	
ŀ	imployee's Name	Identifier	Cash Compensation	Average FTE	Reduction	
FIEI	FTE Reduction Exceptions: Totals:					
			Box 1	Box 2	Box 3	



FTE Reduction Safe Harbor 2:
Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter:
Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1:
Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, FTE Reduction Safe Harbor 2 is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
Step 4. Enter the borrower's total FTE as of the earlier of December 31, 2020, and the date this application is submitted.
Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor 2 has been satisfied. Otherwise, FTE Reduction Safe Harbor 2 does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
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Wage Rates
• The Wage Rate Safe Harbor is at the employee level.
the period of January 1, 2020 through March 31, 2020. For each employee listed in Table 1, complete the following (using salary for salaried employees and hourly wage for hourly employees):
 Step 2. Determine if the Salary/Hourly Wage Reduction Safe Harbor is met. a. Enter the annual salary or hourly wage as of February 15, 2020: b. Enter the average annual salary or hourly wage between February 15, 2020 and April 26, 2020: <u>If 2.b.</u> is equal to or greater than 2.a., skip to Step 3. Otherwise, proceed to 2.c. c. Enter the average annual salary or hourly wage as of the earlier of December 31, 2020 and the date this application is submitted: If 2.c. is equal to or greater than 2.a., the Salary/Hourly Wage Reduction Safe Harbor has been met – enter zero in the column above box 3 for that employee. Otherwise proceed to Step 3.
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Wait.... What if an employee doesn't come back or was fired for cause?

There is no requirement for you to pay the exact same people during the covered period as were employed prior to the covered period. You are free to hire new employees.

If you have any concerns about the re-hire process, we recommend you consult an attorney specializing in employment law.

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	Covered Costs – Payroll Costs
	Retirement plan contributions - Example 2:
	Company accrues a profit-sharing at year-end and deposits the funds into the plan sometime during the following year.
	During 2019, \$25,000 was contributed for the Owner. <i>This was technically the 2018 contribution.</i>
	During the 2020 covered period, the accrued 2019 contribution is deposited into the plan. The maximum that can be included for the owner is: \$25,000/12*2.5= \$5,208
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Documentation
What happens if I don't provide the necessary documentation to my lender?
The SBA is clear on this point... No documentation = No forgiveness
What happens if I don't follow the rules for use of proceeds?
The SBA can charge you with fraud in addition to making you repay the misused amounts.

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Documentation	
Document Retention Period:	
All records relating to the Borrower's PPP loan, including documentation submitted with its PPP loan application, documentation supporting the Borrower's certifications as to the necessity of the loan request and its eligibility for a PPP loan, documentation necessary to support the Borrower's loan forgiveness application, and documentation demonstrating the Borrower's material compliance with PPP requirements. The Borrower must retain all such documentation in its files for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request.	
If a business does not receive 100% forgiveness, it makes sense to repay the loan as quickly as possible, to start the clock on the document retention period.	
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