



New Guidance on Federal COVID-19 Stimulus Package

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Quick recap of where we are

- New stimulus package signed into law on December 27th
- Nearly 5600 pages long, \$1.4 trillion in spending, plus \$908 billion in COVID-19 relief
- First guidance from the SBA came out last week
- Most of the guidance that came out was regarding the Payroll Protection Program (PPP)
- This webinar focuses on businesses that have received or will receive loans of less than \$150,000
- Available for questions during and after webinar
 - Email initttogether@ppa.com

What did we learn last week?

- Clarifications regarding eligibility for second draw PPP loans
- New methods to calculate a 25% reduction in gross receipts
- Definition of “gross receipts”
- New rules for submitting documentation
- Clarification for seasonal employers

What did we learn last week?

- Who is allowed to amend their initial PPP loan application
- New applications for first and second round PPP loans
- Dates when PPP will re-open to lenders
- Denial of loan eligibility for those in bankruptcy
- No new guidance on the Employee Retention Tax Credit

Who can receive a 2nd Round PPP loan?

- Most important clarification –
 - In order to qualify for a second draw PPP loan, a borrower *must have received a PPP loan during the first round*
 - Also, you must have used, or will use, the full amount of the First Draw PPP Loan on or before you receive the Second Draw PPP Loan.
- If you did NOT receive a PPP loan in the first round –
 - You can now apply for a first round loan
 - You qualify under the original rules
 - No 25% reduction in revenues required
 - You can use 2019 OR 2020 net income/W-2 wages to determine your loan amount

How to calculate 25% reduction in gross revenues

- According to the initial stimulus package law -
 - a 25% reduction in gross receipts during one quarter in calendar year 2020 when compared to the corresponding quarter in calendar year 2019.
- New way included in recent guidance –
 - For those of you who were in business for the entire year in 2019, you can compare **total** 2020 gross revenues to **total** 2019 gross revenues
- Doesn't help someone qualify but simplifies the process

Definition of “Gross Receipts” (Revenues)

- “All revenue in whatever form received or accrued (in accordance with the entity's accounting method) from whatever source, including from the sales of products or services, interest, dividends, rents, royalties, fees, or commissions, reduced by returns and allowances.”
- Does not include sales taxes collected
- Cannot reduce by any expenses, including sub-contractor costs
- Does not include any PPP or EIDL funds received

New rules for submitting documentation

- "The documentation required to substantiate an applicant's payroll cost calculations is **generally the same** as documentation required for First Draw PPP Loans.
- However, **no additional documentation** to substantiate payroll costs will be required if the applicant:
 - used calendar year 2019 figures to determine its First Draw PPP Loan amount,
 - used calendar year 2019 figures to determine its Second Draw PPP Loan amount, and
 - the lender for the applicant's Second Draw PPP Loan is the same as the lender that made the applicant's First Draw PPP Loan.

New rules for submitting documentation

- For Second Draw PPP Loans of \$150,000 or Less, Revenue Reduction Documentation is Not Required to be Submitted at the Time the Borrower Submits an Application for a Loan.
- Must be submitted when the borrower applies for loan forgiveness
- The new guidance reinforced that the *necessity certification* for a borrower's loan would not be questioned for either the first or second round of loans, *provided the amount of each loan was less than \$150,000*. However, other agencies such as the IRS, the Justice Department, or even whistleblowers, may question your certification

Clarification for seasonal employers

- To determine the maximum amount of a new PPP loan, you can use
- Either –
 - a 12 week period selected by the borrower that begins February 15, 2019 or March 1, 2019 and ends June 30, 2019.
 - any consecutive 12 week (any 96 consecutive days) period beginning after February 14, 2020 and ending before January 1, 2021)

Who is allowed to amend their initial PPP loan application

- Most of you on this webinar will not be able to amend your initial PPP loan
- If you had employees in 2019 and paid for their life, dental, and vision insurance, you could amend (most likely will not be enough to warrant the effort)
- One major clarification –
 - A borrower will not be permitted to apply for a loan increase simply because they made a mistake in calculating their maximum loan amount.

New applications for first and second round PPP loans

- **IMPORTANT REMINDER** – You cannot use these forms to apply for PPP loans. You must apply through your lender
- [First Round PPP loan application](#)
- [Second Round PPP loan application](#)
- [List of PPP lenders](#)

Dates when PPP will re-open to lenders

- January 11th
 - Community financial institutions exclusively for those making first-draw PPP loans.
- January 13th.
 - Community financial institutions for those making second-draw PPP loans.
- Unspecified date –
 - Open to all participating lenders

Reminders from last webinar

- 2020 expenses paid for with PPP funds NOW DEDUCTIBLE
- Still waiting for revised PPP forgiveness application
 - New payroll costs and non-payroll costs eligible
- EIDL advances are still non-taxable AND will NOT reduce PPP forgiveness
- Business meals will be 100% deductible in 2021 and 2022 instead of 50%
- Stimulus checks of \$600 per taxpayer (\$1,200 for taxpayers married filing jointly) and an additional \$600 per qualifying child.
 - The payment phases out beginning at \$75,000 (\$150,000 MFJ) of AGI
 - Based on your 2019 tax return

What can you do now?

- For most of you, you should make sure you have your 2019 schedule C or 2019 W-2 ready and available again to submit to your bank.
- Most of you who received a first round PPP loan should be eligible for the 2nd. You should look at your financial records to make sure you qualify –
 - If you have accounting records for 2019 and 2020, compare corresponding quarters (**or now the full years**) to determine if revenue drop is 25%
 - If you have an accountant, have them help you with this!
- If you worked with a specific bank, start talking to them about their plans to make the new application available
- If you worked with an online lender, look at their website for updates and announcements, or contact their customer service department
- If you are applying for a first round PPP loan, start with your lender. If they are not ready or responsive, try finding a local community financial institution or online lender

Moving forward

- Two organizations that can help you
 - Your local SBDC (Small Business Development Center)
 - SCORE (score.org)
- PPA will continue to monitor program updates and provide guidance through our website and webinars
- www.PPA.com/inittogether
- Available for questions and discussion
 - Email inittogether@ppa.com



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