



BEYOND PPP – ALTERNATIVE FINANCIAL RELIEF OPTIONS & PPP UPDATE

GNYADA DEALER WEBINARS



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WITH US TODAY

Edward McWilliams, CPA

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Welcome to our Webinar

- ▶ Copies of this presentation and other resources can be found at <https://ceriniandassociates.com/coronavirus-updates/>
- ▶ Our presentation is based on all information and is current as of April 22, 2020. Any key changes that have occurred may not be reflected in this presentation.
- ▶ The information provided is based on our interpretation of the CARES Act after reviewing the law and consulting with other sources.
- ▶ This webinar & information is for educational purposes only and cannot be used to contest any IRS, SBA or other penalties or assessments. We make no guarantees regarding your eligibility for these programs or any related benefits.
- ▶ We will make every effort to answer questions at the end of the webinar, time permitting.
- ▶ Thank you for your attendance!

Employee Retention Tax Credit (ERTC)

New for 2020 and only available through December 31, 2020.

Open to Eligible Employers who pay Qualified Wages.

Up to \$5,000 per employee for \$10,000 of wages.

Cannot claim both a PPP and an ERTC!

Employee Retention Tax Credit



Step 1 - Determine if Eligible Employer



Step 2 - Calculate Qualified Wages



Step 3 - Claim Credit

Employee Retention Tax Credit

Eligible Employer for Employee Retention Tax Credit

Fully or Partially Suspended Operations in any calendar quarter due to a "governmental authority" limiting commerce, travel or meeting due to COVID-19

OR

Experienced a "significant decline" in gross receipts versus the same calendar quarter in the prior year. Significant decline is as 50% less than in prior year calendar quarter



Qualified Wages

Qualified Wages Based on Employer Size	
Employer Size	Qualified Wages
Less than 100 Employees	All wages paid to any employee by an Eligible Employer when either hardship criteria are met.
More than 100 Employees	Only wages paid to any employee not providing services under either economic hardship criteria.

Qualified Wages Paid
Between March 12, 2020
and December 31, 2020

First Claim can be
happening now! Do not
claim on 1st Q 2020
returns

Claiming The Employee Retention Tax Credit

Claiming ERTC	
1	Calculate the appropriate credit for ERTC
2	Reduce your upcoming payroll tax deposit by any credits in the following order <ol style="list-style-type: none">1 Employer Social Security (a)2 Employer Medicare Tax3 Employee Withholdings
3	If the above does not cover the full credit, request a payment on Form 7200

(a) If an employer wishes to defer payroll taxes, the order can be first a deferral and then claiming ERTC against deposits.

The Credit Is Fully Refundable, meaning any amount above your payroll tax deposit will be eligible for a payment from the IRS.

ERTC - Significant Decline Example

	1st Q	2nd Q	3rd Q	4th Q	Total
2019	2,500,000	2,500,000	2,500,000	2,500,000	10,000,000
2020	1,000,000	500,000	1,900,000	2,300,000	5,700,000
%age decline	-60%	-80%	-24%	-8%	
%age of prior quarter	40%	20%	76%	92%	
"Significant Decline"	Yes	Yes	Yes	Yes	

	1st Q	2nd Q	3rd Q	4th Q	Total
2019	2,500,000	2,500,000	2,500,000	2,500,000	10,000,000
2020	2,200,000	1,100,000	2,300,000	2,100,000	7,700,000
%age decline	-12%	-56%	-8%	-16%	
%age of prior quarter	88%	44%	92%	84%	
	No	Yes	Yes	No	

ERTC Examples

A state has issued a PAUSE or safer-at-home order; as a result, a non-essential business is closed.

	Position	Able to Telework	Work Available	Payroll Date			Total Wages	Qualifying Wage Max	Provide Services
				4/3/2020	4/10/2020	4/17/2020			
Employee A	Sales	No	No	1,442	1,442	1,442	4,327	4,327	No
Employee B	Service	No	No	865	865	865	2,596	2,596	No
Employee C	Administration	Yes	No	1,000	1,000	1,000	3,000	3,000	No
Employee D	President	Yes	Yes	3,500	3,500	3,500	10,500	10,000	Yes
				6,808	6,808	6,808	20,423	19,923	

	Qualifying Wages	Rate Per Employee	ERTC
Less Than 100 Employees	19,923	50%	9,962
More Than 100 Employees	9,923	50%	4,962

ERTC Examples

Payroll Tax Deposit Due 4/20/2020

	Less Than 100 Employees	More Than 100 Employees
Employee Federal Income Tax	2,500	2,500
Employee Social Security	1,266	1,266
Employee Medicare	296	296
Employer Social Security	1,266	1,266
Employer Medicare	296	296
Total Tax Due	5,625	5,625
ERTC	(9,962)	(4,962)
Taxes Retained	5,625	4,962
Advance Credit Payment	4,337	-
Tax Payment	-	663

Employee Retention Tax Credit Documentation




ERTC Documentation Recommendations	
Organization Level Documents	
1	Background of the organization, including information on key revenue or support streams, how they are earned, and a breakout of departments and functions on a high level.
2	Identification and background of full or partial government shutdown.
3	Analysis of how shutdown impacts organization.
4	Information related to employees unable to provide services, including Name Title Annual Pay Services provided to organization Why services are unable to be provided and alternatives considered
5	Calculation of 2019 vs 2020 receipts per calendar quarter.
6	Summary Calculation of any ERTC.
7	Documentation of any retained employer tax deposits or Form 7200.
Employee Level Documents	
1	Calculation of Wages.
2	Calculation of Qualified Health Plan Expenses.
3	Sum of 1+2 for Qualified Wages.
4	Copies of Payroll Journals & Health Invoices as evidence of charges.

Payroll Tax Deferral

- ▶ Defer (but not eliminate) employer share of Social Security
 - ▶ 6.2% of wages up to \$137,700
- ▶ 50% of deferred amount is due by December 31, 2021.
- ▶ 50% of deferred amount is due by December 31, 2022.
- ▶ Eligible for deferment starting from March 27, 2020 to December 31, 2020.
- ▶ Provides short-term interest free liquidity.
- ▶ Cannot be done while on a PPP BUT can be done while waiting for a PPP.
- ▶ Request from your payroll processor

Payroll Tax Deferral


COVID-19 Employer Social Security Tax Deferral


 Welcome, Edward McWilliams  

COVID-19 Employer Social Security Tax Deferral (First Time Requests Only)

Contact Information

User Information



Service Center:  *

CLIF - 0020: East 

Select one company code or multiple by holding your control key and clicking all that apply: *

Select All - Or Press Control + Click to select multiple Company Codes.

Selected Company Code(s) *

OPE		
6ML		
YM1		
72Y		

ADP Procedure will be to debit full amount and refund within 5 business days

Economic Injury Disaster Loans (EIDL)

- ▶ “Traditional” SBA Loan often used around times of disasters.
- ▶ Separate program from PPP
 - ▶ No Federal Guarantee
 - ▶ Underwriting Process
 - ▶ Collateral and Guarantees
- ▶ CARES Act Key Changes
 - ▶ EIDL Grants
 - ▶ Alternative Approval Procedures
 - ▶ Suspension of “Credit Elsewhere” Analysis

Economic Injury Disaster Loan - Current Status

- ▶ Per SBA, all current appropriations have been exhausted for the loans; no new applicants.
- ▶ Act passed by Senate Tuesday and working through legislative process has additional \$10,000,000,000 in appropriations for grants and \$50,000,000,000 for EIDL Loans.
- ▶ EIDL Grant Terms “Changed”
 - ▶ Original CARES Act had a \$10,000 grant for all applicants to be paid within 3 days.
 - ▶ SBA has changed terms to now \$1,000 per employee (including owners), up to \$10,000. Paid without regard to underwriting.
- ▶ SBA says usually a 21-45 day turn around under typical EIDL conditions - anticipate potentially longer.

Economic Injury Disaster Loan Terms & Uses



Loan Terms

Up to 30 Year Maturity

3.75% Interest Rate

Under \$25,000 no collateral required

Under \$200,000 no personal guarantee

1st Payment currently deferred for 12 Months

No cost to apply or obligation to take loan



Loan Uses

Accounts Payable

Payroll

Current Portion of Fixed Debts

INELIGIBLE USES

Owner Distributions

Refinancing Debt

Expansion



Economic Injury Disaster Loan - Loan Guidelines

Primary Criteria for Approval

Acceptable “credit history” of applicant (D&B or similar).
May include a hard pull on 20% Owner Credit Reports as well.
Ability to Repay Loan as determined on Case-By-Case basis

Loan Sizing

SBA guidelines say up to \$2,000,000.
Practically speaking, most loans are being underwritten for 2-6 months of SBA determined “working capital”.
SBA will want to see if loan can be repaid, based on current debts.

Economic Injury Disaster Loans - Estimating Loan Terms

Key Indicators	
Sales	Monthly Net Income
Cost of Goods Sold (COGS)	Maximum Acceptable Fixed Debt %age (MAFD)
Gross Margin (Sales - COGS)	Monthly Fixed Debt (MFD)
Gross Margin % (Gross Margin/Sales)	

Economic Injury	$(\text{Normal Annual Sales} \times \text{Gross Margin \%age}) / 12 \times 4$
Working Capital	Monthly Gross Margin $(\text{Gross Margin} / 12) \times \# \text{ of months (typically two)}$
Ability to repay	Monthly Net Income $\times 40\%$ (MAFD %age) = MAFD
	MAFD - MFD = Cash Available for Debt Service

The above come from older SBA SOPs and SBA presentations, actual may differ

Economic Injury Disaster Loan - Application Process



Step 1 - Fill out initial SBA “Streamlined” Data Application



Step 2 - Provide additional SBA requests as required by loan processor



Step 3 - Loan will be approved, denied or request for additional documentations.



Step 4 - Accept or Decline Loan

Economic Injury Disaster Loan Application Guidance

Initial EIDL Application Information	
1	Entity Eligibility Verification
2	Gross Revenues for 2019 and Last Twelve Months
3	Cost of Goods Sold for 2018 and Last Twelve Months
4	Any insurance or other reimbursements
5	Number of Employees
6	Bank Information

Additional EIDL Documentation	
1	SBA Form 5 (Application)
2	SBA Form P-019 (COVID-19 addendum)
3	SBA Form 413 (Personal Financial for each 20% owner)
4	SBA Form 2202 (Schedule of Liabilities)
5	SBA Form 1368 (Financial Information)
6	Last 2 years filed Business Tax Returns
7	Last 2 years filed Personal Tax Returns - 20% Owner
8	2019 Balance Sheet & Profit and Loss
9	YTD Balance Sheet & Profit and Loss

“Streamlined” Application & CARES changes may eliminate some of these, but be prepared

Main Street Lending Facility

New Lending Facility announced by Federal Reserve on April 9, 2020

- Main Street New Loan Facility (Small)
- Main Street Expanded Loan Facility (Big)

Will be originated by current lenders

- 95% Participation from the Federal Reserve
- 5% Participation from Bank

Broad Eligibility Requirements

- Organized in the US
- Up to 10,000 employees or \$2,500,000,000 of Revenue.



Main Street Lending Facility

	Main Street Lending Facilities	
	Main Street New Loan Facility (MSNLF)	Main Street Expanded Loan Facility (MSELF)
Loan Term	4 Year Maturity	4 Year Maturity
Deferment Period	1 year principal & interest	1 year principal & interest
Rate	SOFR (.01%) + 2.50 - 4.00%	SOFR (.01%) + 2.50 - 4.00%
Minimum Loan	\$1,000,000	\$1,000,000
Maximum Loan	\$25,000,000 or up to 4x EBITDA	\$150,000,000, 30% of existing but undrawn debt, 6x EBITDA
Origination Fees	1.00%	1.00%
Loan Period	Through September 30, 2020	Through September 30, 2020
Prepayment	No Prepayment Penalty	No Prepayment Penalty

Main Street Lending Facility

Main Street Lending Facilities

Attestations & Restrictions

New Loan will not be used to refinance or repay existing lines of credit.

New Loan will "refrain" from repaying other debts, with the exception of mandatory principal payments

Lender must not cancel or reduce existing lines of credit of borrower.

Requires financing due to "exigent circumstances" presented by COVID-19 and will make reasonable efforts retain employees.

Borrower must attest to meeting EBITDA Restriction.

Borrower will follow CARES Act rules related to compensation & capital transactions.

Compensation - no increases for any employee making more than \$425,000 per year; compensation above \$3,000,000 to be restricted

Capital Transactions - no dividends, share repurchases or capital distributions

PPP Program Updates

- ▶ Many of our clients and contacts have received funding!
- ▶ Nearly every major bank has a system online, but some are working more efficient than others.
- ▶ Most banks are still not accepting new customers for these loans.
- ▶ Additional non-bank lenders have been approved
 - ▶ Square
 - ▶ Paypal
 - ▶ Intuit (Quickbooks)
- ▶ Additional \$310,000,000,000 approved for the program.
- ▶ No new regulations on use or forgiveness yet.
- ▶ Hope for use for Floor Plan interest as a forgivable use.

Questions?