

MAKING CENT\$\$ OF STIMULUS MONEY

Paycheck Protection Program

April 6, 2021

American Rescue Plan Act of 2021

- \$1.9 trillion stimulus package signed into law March 11, 2021
- Additional \$7.25 billion for PPP
- President Biden signs PPP Extension Act of 2021 on March 30th, 2021
 - Extends deadline to apply to May 31st
 - Extends SBA processing time to June 30th

PPP Stats – data as of March 28

- 8,728,494 loans issued since inception of program approximately one year ago totaling over \$734 billion
- 3,584,826 loans issued in 2021 totaling almost \$212 billion
- Approximately \$72 billion remains available
- Possible that funding may run out before May 31st



PPP Updates

- Due to application extension, PPP2 first draw applicants may be able to apply for PPP2 second draw
- Expanded eligibility for not-for-profits
 - Now includes all not for profits listed in Sec. 501c of the Internal Revenue Code
 - Subject to lobbying activity thresholds
 - Organization does not receive more than 15% of receipts from lobbying activities
 - Lobbying activities do not comprise more than 15% of activities
 - Cost of lobbying activities did not exceed more than \$1 million during the most recent tax year ended prior to February 15, 2020
- Internet-only news publishers are now eligible
- Updated loan calculation for Schedule C filers

PPP Loan Calculation for Schedule C

Schedule C with NO employees

- Use 2019 or 2020 gross income
 - Line 7 of Schedule C
- Gross income capped at \$100,000
- Maximum loan \$20,833
- Can be used on any eligible covered expenses including ‘proprietor expense,’ also known as owner compensation replacement

Schedule C with employees

- Eligible payroll costs for employees
- Owner compensation replacement
 - Use 2019 or 2020 gross income
 - Subtract the following expenses:
 - Line 14 – Employer benefit programs expense
 - Line 19 – Pension and profit-sharing plans
 - Line 26 – Wages (less employment credits)

Owner-Employee Reminders

- Owner-employee compensation rules
 - S Corporation and C Corporation owner-employees that own 5% or more of the business can use PPP funds to cover their wages up to a maximum of the greater of their 2019 wages or \$100,000
 - If using a covered period that is 8-10 weeks, additionally capped at a prorated amount of 2019 wages
 - If using a covered period that is 11 weeks or greater, cap is 2.5/12 months worth of 2019 wages not to exceed \$20,833

FTE Reminders

- 1 FTE = employee that works an average of 40 hours per week or more
- Safe Harbors for 2020
 - If your organization was unable to return to the same level of business activity prior to February 15, 2020 due to compliance with government mandates related to COVID
 - Borrower reduced FTE levels between February 15 and April 26, 2020 but restored FTE count by December 31, 2020 to levels as of February 15

FTE Reminders

- Reduction Exceptions
 - Borrower made good-faith, written offer to rehire an employee but the employee rejected
 - Fired for cause
 - Voluntarily resigned
 - Voluntarily requested reduction in hours
 - Borrower made good faith, written offer to restore reduction in hours but the employee rejected
 - Borrower unable to hire similarly qualified employee for unfilled position by December 31, 2020

Tips When Applying for Forgiveness

- Be over-prepared!
- Documentation is key
- Ensure that back-up source documents match amounts reported on forgiveness application
- Read through all certifications before signing/initialing
- Evaluate applicability of ERC before submitting PPP application
- Be available to answer your lender's questions – chances are they will have some!
- Know which Loan Forgiveness Application you qualify for
 - Form 3508S for loans of \$150,000 or less
 - Form 3508EZ for loans over \$150,000 that meet specific eligibility
 - Form 3508 for loans over \$150,000 who do not qualify to file Form 3508EZ

**Paycheck Protection Program
Loan Forgiveness Application Form 3508 Revised January 19, 2021**

PPP Loan Forgiveness Calculation Form

Resources

- COVID-19 Resource Center

<https://www.wegnercpas.com/wegner-resources/covid-19/>

- SBA

<https://www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program>

Thank You!

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