



GLENN BURDETTE

COVID-19 RESOURCE UPDATE

MAY 1, 2020



Summary:

To err is human, to forgive divine, as they say. But what if I err in my forgiveness? Hmm, we'll figure it out.

Good news - Stimulus checks are on their way! And you may not need to be alive to get one.

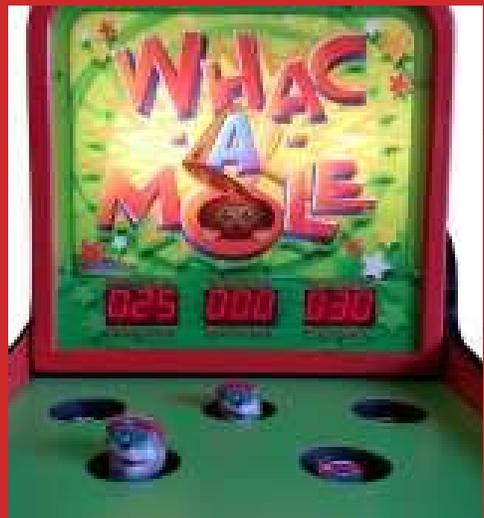
Stay safe and well everyone.

Glenn Burdette is here for you.

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Federal Stimulus - Forgive Me Father For I Know Not What Forgiveness Is

- With many **Paycheck Protection Program loans** funding recently, recipients are now focusing on how to best track and spend the money to be in compliance and achieve maximum **loan forgiveness**.
 - This process is much like playing Whack-A-Mole. Just when you get that satisfying feeling of pounding one mole on the top of his melon, 3 more pop up.
 - Let's whack a few moles, and then address the ones that have popped up:
 - **Tracking:**
 - It's OK to have a separate bank account for these funds, but not required (unless you went to a new bank and they require it).
 - If you do use a separate bank account, it's perfectly fine to disburse funds from that bank account into your main bank account that you use to fund payroll and other expenses. Just keep good records of the amounts transferred and the purpose.
 - QuickBooks users - consider using a separate "Class" to track these expenses.
 - Our old friend the spreadsheet is also a great way to go to keep track of your expenses. The world runs on Excel and Google Sheets.
 - Things to track in your 8-week period: payroll, health insurance costs, retirement contributions, rent expense, mortgage interest, utilities.
 - Keep payroll reports, bank statements, insurance and retirement plan statements, utility invoices, loan statements. More is better.
 - **The 8-week period** does officially start on the day of loan funding. The AICPA has provided recommendations to Congress to change this to either match your first payroll date or when your local economy officially re-opens, **but those are just recommendations, not official policy**.
 - **Further adding to confusion**, the IRS has stated that loan forgiveness amounts will not be taxable and the expenses related to that loan forgiveness will not be deductible. This prevents a double-benefit, but makes tracking that much more important.
 - Just because California likes to be different, they have stated that loan forgiveness amounts will be taxable, but the related expenses will be tax-deductible. You get to the same place mathematically as with the IRS rule, but it just makes it more fun for us CPA's.

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- **And just because times aren't scary enough**, the US Treasury and the SBA have emphasized that loan applicants must certify that the "current economic uncertainty" makes the loan for their business "necessary to support their ongoing operations". The SBA will also review all loans made over \$2M to ensure they are eligible.
 - You might have seen communications from your bank on this topic as well.
 - This is a good step to ward off fraud and those business that truly don't need the funds. Do make sure you have thought this through.
 - Be able to point to decreased sales/revenues compared to prior periods, lack of cash to pay bills, inventory spoilage, etc. The vast majority of business probably won't have any problems with this requirement.
 - If you have taken out a PPP loan and feel like you don't meet this requirement, the **SBA will allow you to repay the loan in full by May 7, 2020**, and will be deemed to have been done in good faith.
- **Now for those pesky moles:**
 - What exactly is the calculation?
 - We still have no agreed-upon forgiveness calculator, although we have seen at least one that makes sense to us. We had hoped the "bank and SBA approved" version would come out this week but it did not. Stay tuned.
 - The utilities definition includes "gas" and "transportation". What does that include?
 - Gas - natural gas and propane? (yes). Gasoline to power equipment used in operations? (probably?). Gas used to drive back and forth to work? (probably not).
 - Transportation - cost of transporting goods for inventory or sales? (probably?). Work-related travel? (probably not). Again, we need guidance here.
 - When is loan forgiveness given?
 - At the end of your 8-week period, your bank will ask you for all the supporting documentation to support the amount you are asking to be forgiven (hopefully calculated with a slick forgiveness calculator).
 - After that the banks have 60 days to approve the forgiveness.
 - Interest will continue to accrue until forgiveness is granted, then most likely the loan will be re-amortized based on the forgiveness.

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- How do you calculate Full-Time Employees (related to loan forgiveness reduction)?
 - Traditionally it's the number of hours an employee or group of employees work divided by 40 hours.
 - But the SBA has a standard dating back to 2014 that says the denominator (that's the number on the bottom of the fraction, I swear I didn't have to Google that) should be 30.
 - Which one should be used here? We're not sure, awaiting further guidance.
- There are also questions about loan forgiveness reduction related to employee wage reduction.
 - In a nutshell, if an employee who makes less than \$100K/year has a wage reduction greater than 25%, you have potential forgiveness reduction.
 - The problem is that you have to compare what you paid the employee over the 8-week period against what you paid them in the prior quarter. A quarter = 12 weeks. An 8-week period = 8 weeks. You don't need a CPA to know that math doesn't exactly work there.
- Enough of these moles, I'm calling an exterminator.
- **IRS**
 - **As previously reported**, you can check on the status of your stimulus check (aka Economic Impact Payment) through the IRS website (www.irs.gov).
 - The website has improved its performance and you can also input your banking info if you want your stimulus direct deposited.
 - It appears that manual checks will begin going out today (May 1). The lowest income filers will get their money first.
 - Some deceased filers have received checks and it's possible that their families may get to keep those checks. No final ruling on this yet, but it's being considered.
- **California**
 - Gavin Newsom's hair still hasn't moved dating back to his press conference Monday. Impressive.
- **EDD and Unemployment**
 - **You can now apply for** Pandemic Unemployment Assistance through the EDD.
 - This includes independent contractors, self-employed and gig workers.
 - Almost 4 million people in CA have applied for unemployment, so this is a big part of the overall stimulus package, and a strategic option for business owners.

Helpful Links

ReadySLO website - stay up to date in our community:

- <https://www.readyslo.org/en/index.aspx>

Judy Mahan and team at the Cal Poly SBDC are doing great things. Lots of great information here:

- <https://centralcasbdc.com/covid-19-resources-uc-merced-sbdc>

IRS Coronavirus Website:

- <https://www.irs.gov/coronavirus>

SBA Loan Assistance:

- <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>
- <https://disasterloan.sba.gov/ela>

Multi-State Filing Resource from the AICPA:

- <https://www.aicpa.org/search.html?source=AICPA&q=state+filing+relief>

EDD Corona Virus Updates:

- https://www.edd.ca.gov/about_edd/coronavirus-2019.htm

EDD Unemployment Claim Info:

- https://edd.ca.gov/Unemployment/Filing_a_Claim.htm

CDTFA (Sales Tax) Services:

- <https://www.cdtfa.ca.gov/services/covid19.htm>

State of California Business and Economic Development Website

- <https://business.ca.gov/coronavirus-2019/>

Department of Labor Information:

- <https://www.dol.gov/agencies/whd/pandemic/ffcra-questions>