



GLENN BURDETTE

COVID-19 RESOURCE UPDATE

MAY 15, 2020



Summary:

Necessity has been defined and your loan probably qualifies.

Moving forward into Stage 2 of reopening - where to find additional info.

Stay safe and well everyone.

Glenn Burdette is here for you.

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GOOD NEWS



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Federal Stimulus: Necessity = Less Than \$2 Million

- This week, one big question was answered regarding the PPP loans.
 - If the original principal amount of your PPP loan was less than \$2M, **you are deemed to have met the "necessity" certification on the loan.**
 - Loans over \$2M will be reviewed. Currently, there are close to 34,000 loans over \$2M. That's a big "to-do" for the SBA.
 - If you still need to repay your PPP Loan because you did not need it, the Safe Harbor date for doing so has been moved to **May 18.**
 - If you do repay before May 18, it is deemed that you never took the loan out (and thus can qualify for the Employee Retention Payroll Tax Credit).
 - My wife has been telling me that a new couch is a "necessity", and now apparently the SBA's definition gives her more ammunition. Thanks SBA.
- Some banks have not been including Schedule C Self-Employment income when determining the loan amount for PPP loans, and rather just including payroll costs.
 - Make sure you discuss this with your bank before the application is finalized so that you get your max loan amount.
 - It's a bit of a head-scratcher why this is happening.
 - Guidance was released on May 13 that **partnerships** that were funded without consideration of partner compensation can submit a request for more funding.
 - You'll have to work through your lender to achieve this.
 - If you are not a partnership, but had this happen to you, check with your bank to see if the loan amount can be increased. The guidance only addressed partnerships, but it's worth an ask.
 - Similar guidance was released for **seasonal employers** who received a loan based on payroll costs for one of the lookback periods from the original CARES Act, vs the alternative lookback period adopted by the Treasury Department (which was "any consecutive 12-week period between May 1, 2019 and September 15, 2019).
 - No additional funding is allowed if the lender has already listed the loan on Form SBA 1502 filed with the SBA.
- Still no definitive guidance on a generally accepted forgiveness calculator, expenses paid vs. incurred, utilities clarification, etc. Fingers crossed it happens soon.

Regulatory Updates 5/15/20

Federal Stimulus: Are We Done With Stimulus Bills?

- Probably not.
- There are numerous proposals being discussed.
- The House Democrats are pushing forward what they call the **HEROES Act**. Early indications lean towards this bill not passing the Senate, as Republicans are already calling it **dead-on-arrival**.
- It's a \$3 Trillion bill. Highlights include:
 - \$500B to States.
 - A second round of stimulus payments to individuals and families.
 - Expanded unemployment, food stamps and emergency grants.
 - Hazard pay for essential workers.
 - Increased funding for testing and contract tracing.
 - COBRA subsidies.
- Many legislators want to first see the results of the current stimulus before approving another bill.
 - And maybe perhaps making the current rules less confusing and more flexible?
- The President seems to be very insistent that any new bill include some sort of payroll tax relief and capital gains tax relief, so we will see what happens.

Doctor Feelgood?

- Round 1 of Health and Human Services relief gave medical practices 6.19% of their 2019 Medicare revenues.
 - Practices receiving those payments **can now apply for Round 2**.
 - Documentation will be required (Gross Receipts, tax return, other info).
 - They must attest that they received Round 1 funding.
 - The application is done through a portal and because doctors are good at math, they made the calculation simple: It is based upon total practice revenues for 2018 divided by 2.5 trillion. The result is multiplied by \$50 billion, then the 6.19% payment from Round 1 is subtracted from that to arrive at what the practice receives in Round 2.
 - For more info, go to **<https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/index.html>**

Other Updates 5/15/20

Tax Reform

- Don't forget that part of the CARES Act included new opportunities to use **Net Operating Losses**. They can be carried back 5 years.
 - This is a **BIG opportunity for potential tax refunds**.
 - Ask your tax professional if you could benefit from this rule change.
 - **Seriously, just ask.** With the tax deadlines extended and many folks using that as a reason not to get their tax work into their CPA's, you may find that your CPA has more time to talk to you these days (shameless plug, I know).

Restrictions Easing

- There has been a lot of news this week around **lifting stay-at-home orders**.
 - California is officially in "Stage 2". The SLO Chamber of Commerce has a webpage explaining what this means at <https://slochamber.org/phases-stages-and-lots-of-pages/>
 - California also has a "Resilience Roadmap" that will guide businesses in creating safe environments. It can be found at <https://covid19.ca.gov/roadmap/>.
 - The CDC also has a website containing a number of tools for business owners to use if they have questions on if and how they should reopen.
 - <https://www.cdc.gov/coronavirus/2019-ncov/community/organizations/businesses-employers.html>
 - With the virus still out there, let's all stay safe and act responsibly.

Good News

- And just to end on a good note:
 - There have been no recorded pedestrian deaths in New York as a result of road accidents in 58 days, the longest stretch since 1983.
 - A rare bee thought to be extinct was rediscovered in Florida.
 - And an Australian Eco-Toursim company has been spending their down time planting coral along the Great Barrier Reef.

So we have that to look forward to. Which is nice.

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>

A good link to American Riviera Bank's blog on PPP loan updates

- <https://www.americanrivierabank.com/20200507/update-paycheck-protection-program-ppp>

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>

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>