



GLENN BURDETTE

COVID-19 RESOURCE UPDATE

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Summary:

The rare Monday Newsletter - save this one, might be a collector's item someday.

New PPP loan forgiveness clarifications are out, as are new forms. The same old math headaches still exist though.

Stay safe and well everyone.

Glenn Burdette is here for you.

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Paycheck Protection Loans: Good News/ Bad News

- I'll start with the Good News:
 - All that math and fraction homework that you've been helping your kid with recently is about to come in handy. Yep, that's the good news, sorry.
- The Bad News is that if you're self-employed or an owner-employee, you now have some limits on what may be forgivable.
 - There are now 2 loan forgiveness applications available:
 - The EZ Application (Form 3508EZ)
 - And the standard Form 3508 Forgiveness Application
 - Use the EZ if you are:
 - Self-employed, sole proprietor with no employees, OR
 - You did not reduce annual salary/hourly wages by more than 25% and did not reduce the average number of employees between 1/1/2020 and the end of the covered period (remember the 7 ways to avoid forgiveness reduction due to reduced FTEs - see the prior newsletter for the list of 7 ways).
 - The EZ form truly is easier to complete, so if you fit into either of the bullets above, it's the preferred choice.
 - For both forms, \$100,000 is still the cap on annual employee salary allowed to calculate forgiveness (so, \$15,385 per individual if you use the 8-week covered period, or \$46,154 if you use the 24-week covered period).
 - EXCEPT (get your calculators out):
 - Forgiveness on cash compensation for ***owner-employees, self-employed, and general partners*** who use the 24-week covered period is \$20,833 ***or*** 20.83% (2.5/12) of their 2019 compensation, ***whichever is lower***.
 - If you use the 8-week period, the amount is still capped at 8/52 of 2019 compensation.
 - ALSO -
 - You cannot include ***employer-paid health insurance*** as "Payroll Costs" for owner-employees of S-corps, self-employed, or general partners, since such payments are already included in their compensation.

Regulatory Updates 6/29/20

Paycheck Protection Loans continued

- *Retirement plan contributions* for owner-employees are limited to 2.5 months of the **2019 contribution amount**.
- If you are an independent contractor, you still cannot include health insurance or retirement plan expenses as an added "Payroll Cost", which still seems unfair.
- I keep waiting for the day when I can tell you all that the rules finally and truly have been simplified, but that day is unfortunately not today.
- Here are some thoughts:
 - Use as many weeks as you need up to the 24 weeks to get as much loan forgiveness as you can. Your brain has been programmed to the 8-weeks, so take a breath and reset.
 - Try to forecast your forgivable expenses vs your loan amount. If you see yourself getting full forgiveness, you'll sleep better.
 - If you don't forecast full forgiveness, let's talk about a plan to get there. Temporary raises? Bonuses? Timing of retirement plan contributions? I know all these things sound crazy at a time when cash flow has fallen off a cliff. But a good plan can also help you sleep better.
 - Get help. Your CPA can help. Judy Mahan's team at the SBDC can help. A good banker can help. You don't have to go it alone.
 - Things will most likely change again. Additional rule clarifications, potentially more funding (especially if more bars/restaurants have to stop letting people in the door again), and more flexibility are all on the table.
 - If you still need capital, EIDL loans are open again for the borrowing. You get these directly through the SBA. 30 year term, 3.75%, no personal guarantees for loans up to \$25K.

By The Way - Tax Day Is Still July 15

Just sayin'.

Helpful Links

SBA Loan Forgiveness Forms and Instructions- EZ:

- <https://www.sba.gov/document/sba-form-paycheck-protection-program-ez-loan-forgiveness-application-6-16-2020>
- <https://www.sba.gov/document/sba-form-paycheck-protection-program-ez-loan-forgiveness-application-instructions-borrowers-6-16-2020>

SBA Loan Forgiveness Forms and Instructions - Regular

- <https://www.sba.gov/document/sba-form-paycheck-protection-program-loan-forgiveness-application-revised-6-16-2020>
- <https://www.sba.gov/document/sba-form-paycheck-protection-program-loan-forgiveness-application-instructions-borrowers-6-16-2020>

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:

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

IRS Coronavirus Website:

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

SBA Loan Assistance FAQ's:

- <https://www.sba.gov/document/support-faq-lenders-borrowers>

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>