

PAYCHECK PROTECTION
PROGRAM

SBA Loans Under the CARES Act

Understanding what these mean for you

PRESENTED BY:

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Lindsey Pierce, CPA - Antares Group, Inc. (*Discussing changes to QIP*)

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Coronavirus Aid, Relief and Economic Security (CARES) Act: Paycheck Protection Program

Heidi Pearson, CPA, CVA – Antares Group, Inc.

Emmitt White, CPA – Antares Group, Inc.



Highlights of Paycheck Protection Program

- \$349 billion
- 100% federally guaranteed loans
- No collateral or personal guarantee
- No “Credit Elsewhere Test”
- Loan forgiveness



Who is Eligible?

- Small businesses with fewer than 500 employees
- Restaurant and hospitality businesses with few than 500 employees per location
- Sole proprietorships, self-employed individuals and independent contractors
- 501(c)(3) organizations with fewer than 500 employees



How Much Can I Borrow?

- Loans up to 2.5 times the borrower's average monthly payroll costs
- Average for 1-year period before the date the loan is made
- Not to exceed \$10 million



How Do I Calculate Average Monthly Payroll Costs?

- Salary, wages or commissions
- Cash tips or equivalent
- Payment of vacation, parental, family, medical or sick leave
- Allowance for dismissal or separation
- Group health care benefits, including insurance premiums
- Retirement benefits
- State or local tax assessed on the compensation of employees



If Not In Business

If you were not in business during the period beginning February 15, 2019, and ending June 30, 2019, the average monthly payroll cost is computed as costs

- Beginning January 1, 2020 **AND**
- Ending February 29, 2020



Excluded Payroll Costs

- Compensation in excess of \$100,000
- Payroll taxes, railroad retirement taxes
- Compensation of any employee whose principal residence is outside the U.S.
- Qualified sick leave and family leave wages for which credit is allowed under the Families First Coronavirus Response Act



How Must the Loan Proceeds be Used?

- Payroll costs
- Costs related to the continuation of group health care benefits during periods of paid sick, medical or family leave and insurance premiums
- Payment of interest on any mortgage obligation
- Rent (including under a lease agreement)
- Utilities
- Interest on any other debt obligation incurred before the covered period



Eligibility

- In operation on February 15, 2020
- Had employees for whom the borrower paid salaries and payroll taxes
- Paid independent contractors as reported on a Form 1099-MISC





Paycheck Protection Program Application Form

OMB Control No.: 3245-0407
Expiration Date: 09/30/2020

Non-Profit <input type="checkbox"/> Vet Org <input type="checkbox"/> Tribal <input type="checkbox"/> Ind. Cont. <input type="checkbox"/> Self Employed <input type="checkbox"/>		DBA or Tradename if applicable	
Business Legal Name			
Business Primary Address		Business TIN (EIN,SSN)	Business Phone
		() -	
		Primary Contact	Email Address
Average Monthly Payroll:	\$	X 2.5 equals Loan Amount:	\$
Purpose of the loan (select more than one):	<input type="checkbox"/> Payroll <input type="checkbox"/> Rent / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain):		

Applicant Ownership

List all owners of Applicant with greater than 20% ownership stakes. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN,SSN)	Address

If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Business or any owner presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Business, any of its owners, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Business or any owner an owner of any other business or have common management with any other business? If yes, attach a listing of all Affiliates and describe the relationship as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Business received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

Applicants who are individuals and all 20% or greater owners of the business must answer the following questions. If questions (5) or (6) are answered "Yes" or question (7) is answered "No", the loan will not be approved.

Question	Yes	No
5. Are you presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, on probation or parole?	<input type="checkbox"/>	<input type="checkbox"/>
Initial here to confirm your response to question 5 →		
6. Within the last 7 years, for any felony or misdemeanor for a crime against a minor, have you: 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)?	<input type="checkbox"/>	<input type="checkbox"/>
Initial here to confirm your response to question 6 →		
7. <input type="checkbox"/> I am a U.S. Citizen <u>OR</u> <input type="checkbox"/> I have Lawful Permanent Resident status <input type="checkbox"/> No		
Initial here to confirm your response to question 7 →		





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By Signing Below, You Make the Following Representations, Authorizations, and Certifications

REPRESENTATIONS AND AUTHORIZATIONS

I represent that:

- I have read the Statements Required by Law and Executive Order included in this form, and I understand them.
- I will comply, whenever applicable, with the civil rights and other limitations in this form.
- All SBA loan proceeds will be used only for business related purposes as specified in the loan application.
- To the extent feasible, I will purchase only American-made equipment and products.
- The Applicant is not engaged in any activity that is illegal under federal, state or local law.

For Applicants who are individuals and all Associates: I authorize the SBA to request criminal record information about me from criminal justice agencies for the purpose of determining my eligibility for programs authorized by the Small Business Act, as amended.

CERTIFICATIONS

The Business and each 20% or greater owner must certify in good faith to all of the below by **initialing** next to each one:

- ☐ Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.
- ☐ The funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments; I understand that if the funds are used for unauthorized purposes, the federal government may pursue criminal fraud charges.
- ☐ Documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight week period following this loan will be provided to the lender.
- ☐ Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than twenty-five percent (25%) of the forgiven amount may be for non-payroll costs.
- ☐ During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under this program.
- ☐ I further certify that the information provided in this application and the information that I have provided in all supporting documents and forms is true and accurate. I realize that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- ☐ I acknowledge that the lender will calculate the eligible loan amount using tax documents I have submitted. I affirm that these tax documents are identical to those I submitted to the IRS. I also understand, acknowledge and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

Signature of Authorized Representative of Business

Date

Print Name

Title

Signature of Owner of Applicant Business

Date

Print Name

Title



Will This Loan Be Forgiven?

- Loan must be spent on payroll, mortgage interest, rent, utilities over the 8 weeks after getting the loan
- It is likely that not more than 25% can be for non-payroll costs
- Maintain staffing levels
- Salaries and wages are not decreased by more than 25%



Documenting the use of loan proceeds

- If feasible, deposit proceeds into a separate bank account
- Transfer funds to cover eligible expenses
- Keep documentation on all payments and expenses – this will be needed in the forgiveness request



Paycheck Protection Program: A Lender's Perspective

Troy Ahrens – Executive Director Franchise Finance



The Application Process

- Which bank will help process my PPP request(s)?
- How do I apply?
- Standard application or customized per bank?
- Certification/Attestation
- What will be required at time of application?



The Documentation/ Funding Process

- What should be expected regarding loan documentation?
- Funds to be deposited directly into your existing operating account(s)



The Forgiveness Process

Still to be determined!



Qualified Improvement Property

Lindsey Pierce, CPA – Antares Group, Inc.



What Happened?

- Legislative glitch in TCJA that omitted QIP as eligible for 100% bonus depreciation
- CARES Act includes that fix retroactive to 2018 and 2019
- QIP now eligible for bonus depreciation



What is QIP?

- Interior improvement
- Non-structural
- Existing building
- **NO** enlargement of building
- **NO** elevator or escalator
- **NO** internal structural component



What Did Not Change?

- Interior and exterior structural improvement
- 39-year recovery period
- Not eligible for 100% bonus depreciation or Section 179 direct write-off

Except:

- ✓ Roof
- ✓ HVAC
- ✓ Fire Protection
- ✓ Alarm
- ✓ Security Systems



What Does This Mean for You?

You may be eligible for additional depreciation deductions on 2018 and 2019 projects if you did not already take the maximum depreciation via Section 179

If you did NOT already maximize depreciation...



Consider amending your tax returns



Contact Us



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