

## SBA Loan Relief for Small Businesses

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## Ellen M. Sas CPA Managing Partner



Ellen is the managing partner at Hauser Jones & Sas and one of its founders.

A recognized Banking expert. Ellen has served as the CEO of two independent community banks, as the VP of Internal Audit of a \$5 billion commercial bank, and as a special consultant to more than a dozen community banks and investment bankers.

Ellen is a member of the AICPA and a member of the Institute of Internal Auditors, serves on the Board and Finance/Audit Committee Chair of Whistler Twin Peaks, and has been a member of the governing board of many different nonprofit organizations in varying capacities for many years.

A Puget Sound native, Ellen graduated from the University of Washington with a Bachelor's degree in Accounting.

Ellen is married and the mother of six kids, the oldest of eleven siblings and enjoys nine grandkids.

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## Roger A Jones, CPA Founding Partner



Roger is one of the founding partners of Hauser Jones & Sas and emphasizes strategy, business owner succession, mergers and acquisitions, complex audits, and transactional tax strategies.

Roger is instrumental in providing the firm's Business Owner Succession Services and leads the firm's small business outreach efforts.

Roger is a member of the AICPA, the WSCPA and a member of the Institute of Internal Auditors.

A Puget Sound native, Roger graduated from the University of Washington with a Bachelor's degree in Accounting.

He is married and the father of six kids, the youngest of 7 siblings and enjoys nine grandkids.

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## ABOUT HAUSER JONES AND SAS, PLLC

Team of 27 FTE with 2 offices  
[Bellevue & Puyallup]  
*Serving Clients primarily in WA,  
OR, AK, ID*



*We Serve Individuals, Small  
Business, and Not-for-Profits*

- ▣ Ownership succession services
- ▣ Tax Compliance
- ▣ Tax Strategy [Planning]
- ▣ Audits & Reviews
- ▣ Consulting & Forecasting
- ▣ Internal Audit & Compliance
- ▣ Client Acctg. Services (CAS)
- ▣ Strategic Planning
- ▣ Executive Services

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## Three Major SBA Loan Relief Programs

**SBA's Emergency Injury Disaster Relief Loan (EIDL)**

**SBA's Loan Payment Deferral Program**

**SBA's Payroll Protection Program (PPP)**

**Federal Reserve New \$600 Billion Loan Program**  
*[the "Main Street Lending Program or MSLP"]*



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## The Main Street Lending Program (Fed)

- 48-Month Loans
- Companies with up to 10,000 workers or Revenues less than \$2.5 Billion.
- P&I payments deferred for 1 year.
- Apply through your Bank.
- **Banks sell 95% of the loan to the Fed and keep 5%**



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## The Main Street Lending Program (Fed)

- Companies must make “reasonable efforts” to maintain payroll and retain workers.
- Restrictions on exec. compensation, stock buybacks, dividends.
- You can have BOTH the PPP loans AND the Mainstreet Loan.
- This will roll out in late April.



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## EIDL –ECONOMIC INJURY DISASTER LOAN

[Health](#) | [Local News](#) | [Local Politics](#)

### Trump declares ‘major disaster’ in Washington state, says he’d activate National Guard; here’s what that does and doesn’t mean

March 22, 2020 at 1:13 pm | Updated March 23, 2020 at 8:54 am



By [Mike Carter](#) and [Brendan Kiley](#)  
*Seattle Times staff reporters*



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## EIDL –ECONOMIC INJURY DISASTER LOAN

### YES - WE ARE IN A DISASTER “LOAN” ZONE



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## EIDL -(the Benefits)

### What Are the Benefits?

- 30-year term for repayment, no prepayment penalty
- Low interest rate (3.75% or 2.5% for non-profits)
- Larger Loans up to \$2,000,000
- 1-year deferral of any payments.



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## EIDL -(the Benefits)

### What Are the Benefits?

- Provides Time to Reestablish Your Business
- \$10,000 available for forgiveness if 10 or more employees of \$1,000 per employee.
- Instant stability - long-time to repay.
- Program is extended to September 30, 2020.



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## EIDL -(the Payments)

### What Are the EIDL Payments?

\$2,000,000 loan = \$9,262/monthly payment (after 1 year):

\$1,000,000 loan = \$4,631/monthly payment (after 1 year):

\$500,000 loan = \$2,316/monthly payment (after 1 year):



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## EIDL - What Is It Good for?

### Who Is This Good For?

- Any business who is now closed due to Covid but will eventually re-open down the road.

*“When temporary re-open is not a viable option”*

“non-essential businesses”

- Restaurants (with no take-out option)
- Residential construction
- Dentists, hairstylists, therapists, etc.
- Developers



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## EIDL -(the Drawbacks)

### What Are the Drawbacks?

- More traditional underwriting
- NO FORGIVENESS.
- 3.75% interest rate.
- Loans limited to \$2,000,000
- Need to cash flow payments after the first 12 months.
- Uncertain how to document “need” or size of loan
- Must Apply through SBA [*But SBA is distracted with PPP*]



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# EIDL – Program Underwriting

## □ **Qualification criteria**

- Primary measure for approval will be based on credit checks
  - Not based on current ability to pay
  - Prior loan rejection will not impact
- Personal information will be required for new businesses less than 1-year old
- Existing LOC does not impact qualification
- Estimated time to complete application 2 hours 10 minutes

## **Information needed:**

2018 tax returns  
2019 tax returns not required, will be reviewed if filed  
Prior year financials by month (2/1/19-1/31/20)

- Gross revenue
- COGS
- Combined operating expenses
- Lost rents due to disaster
- Compensation of other sources received as a result of disaster
- Number of employees

*File with what information you can access now, don't let missing items hold up application.*



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# (EIDL)

## □ **Need to prove economic injury:**

- Self-certification required
- Should be easy to prove under the circumstances
- Prior year revenue compared to current year
- Projected revenue may come into play

## □ **What is forgiven?**

- Loan advance of up to \$10,000 will not have to be repaid

## **Collateral**

Real estate collateral not required  
Personal guarantee not required  
Loans over \$25k will require general security interest (inventory, fixed assets)

**SBA number for questions about application process:  
1-800-659-2955**



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## Small Business Debt Relief & Subsidy



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## Small Business Debt Relief & Subsidy

Immediate relief [with non-disaster SBA Loans]  
7(a) loan, [not PPP] 504 loans, Microloans

**Benefit:**

SBA will cover principal, interest and waive fees for 6mos.

**Also available to new borrowers** for **NEW** loans funded  
by September 28, 2020



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## PPP Loans (from the “CARES Act”)

### What is the SBA’s Payroll Protection Program (PPP)?

- \$349 billion in forgivable loans – April 3 thru 6/30
- (Congress working on adding \$600 Billion)
- Based on Average Monthly Payroll Costs
- Loan amount = 2.5 X monthly Ave. payroll cost
  - capped at \$100K per employee
- No personal guarantee, no collateral, no credit score

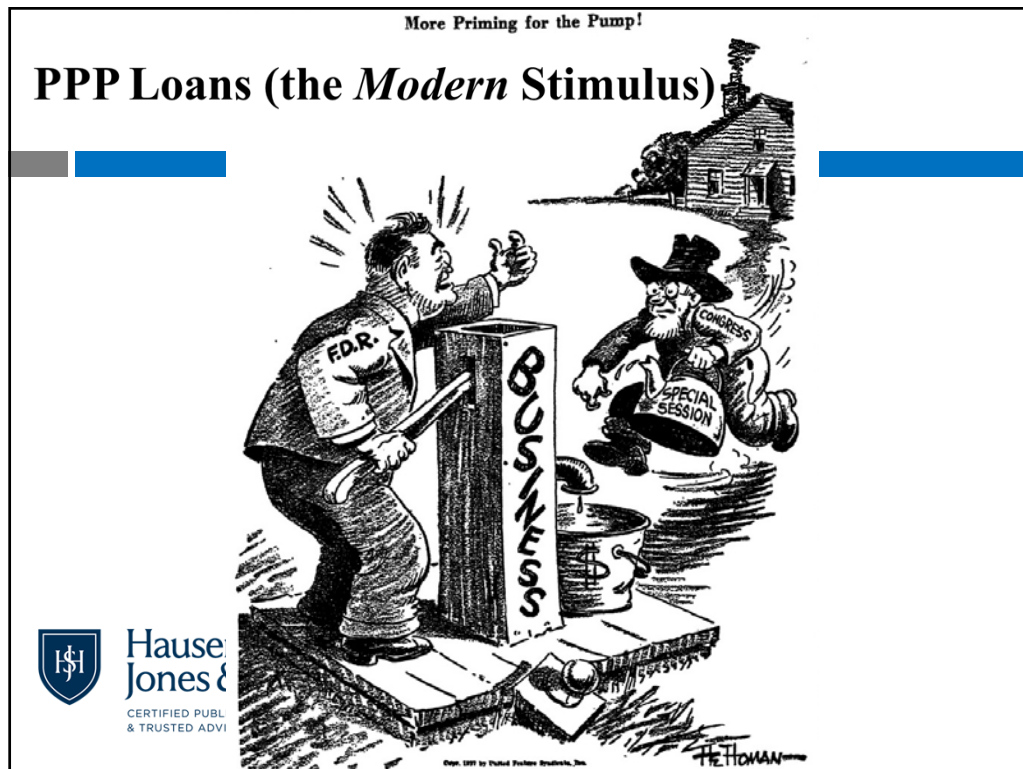


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**100% Guaranty by SBA**

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## PPP Loans (the *Modern Stimulus*)

### What Are the Benefits?

- IT'S GOOD GOVERNMENT STIMULUS!!
- Easy Application.
- No personal guarantee, no collateral, no credit score.
- 100% forgivable.
- 2-year term, payments deferred for 6 months on unforgiven amounts.
- 1% interest rate if not paid back or forgiven.
- NOT TAXABLE WHEN FORGIVEN!!!



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## PPP - What Is It Good for?

### Who Is This Good For?

- Any business who is keeping staff working – “on anything at all”

“Essential businesses”

- Hospitals, Dr.s, Nurses, etc.
- Pharmacy,
- Grocers,
- Not-for-Profits
- Contractors
- Lenders
- Lawyers
- Daycare
- Veterinarians
- Road Maintenance
- Utilities
- Transportation
- Appraisers
- Accountants

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## PPP Loan - Eligibility

### What Entities are Eligible?

- Small business < 500 employees full/part time and any other status.
- 501(c)(3) < 500 employees 501(c)(19) Veterans Org
- Self Employed [*Sole prop. Independent contractor etc*]
- SPECIAL RULE - Accommodation & Food service = 500 employees *per location*



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## PPP Loans (the Drawbacks)

### What Are the Drawbacks?

- ITS A GOVERNMENT BAILOUT!! – *Remember TARP??*
- Must USE IT ON PAYROLL to get forgiveness (75% rule).
- The loan amount is limited to 2.5x ave. monthly payroll
- Must pay back in two years (if not forgiven).
- Hard to Find a Banker
- Many lenders have stopped extending these loans already.
- Time is of the essence.

*Expect Higher Taxes Because of This After the Next Election...*

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## PPP Loan - Most Important Documentation

### Small Businesses – Use Your Payroll Records

See [Details](#) & [Example](#) next two slides

### Independent Contractors –

[Form 1099](#)

### Sole proprietor – (no employees)

[2018 Form 1040 \[Use Schedule C\]](#)

### Partnerships

[Partnerships – Form 1065 \[Use Form K-1\]](#)

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## PPP Loan - Includable Costs

### How to Define – “payroll cost”

- Gross Wages, commissions, bonuses & tips
- Healthcare benefits
- Vacation and sick leaves not covered by Family First Act
- Retirement contribution
- State and local taxes assessed on compensation
- [See Example Next Slide](#)



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**Sample HJ&S Client  
Paycheck Protection Program (PPP) Calculation**

|  | Payroll for<br>2019 from W-2<br>and W-3 | Ave. monthly<br>payroll for<br>12.31.19 |
|--|---|---|
| Gross Salaries from Payroll Records          | \$ 1,200,000                            | \$ 100,000                              |
| <b>Less</b> employees greater than \$100,000 |   |   |
| Primary Stockholder                          | (180,000)                               | (15,000)                                |
| Add back employees and owners at \$100,000   | 100,000                                 | 8,333                                   |
| <b>Adjusted Gross Payroll</b>                | <b>1,120,000</b>                        | <b>93,333</b>                           |
|  |   | -                                       |
| <b>Employer Payroll Payments</b>             |   |   |
| Medical and Dental insurance                 | 18,960                                  | 1,580                                   |
| Disability Insurance                         | 4,000                                   | 333                                     |
| H.S.A.                                       | 22,000                                  | 1,833                                   |
| Union dues                                   | -                                       | -                                       |
| 401k   | 50,000                                  | 4,167                                   |
| Washington Unemployment, L&I , PFML          | 17,000                                  | 1,417                                   |
| <b>Total eligible compensation for 2019</b>  | <b>\$ 1,231,960</b>                     | <b>\$ 102,663</b>                       |
|  |   | 2.5                                     |
| PPP Multiplier                               |   |   |
| <b>Loan Amount</b>                           |   | <b>\$ 256,658</b>                       |

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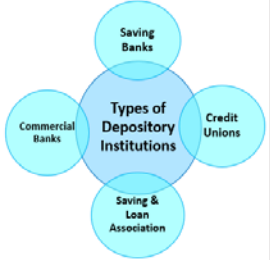
## *Find a Banker If you Can!!*

**FINANCIAL INSTITUTION:**



**The Challenge:**

You need to use your business bank in order to apply!



**Types of Depository Institutions**

- Saving Banks
- Commercial Banks
- Credit Unions
- Saving & Loan Association





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## PPP Loan Application [Process]

Each Bank is Different

The Process is *mostly* the same – Contact your Lender!

Submit Payroll Data and Supporting Documentation

Wait for Confirmation



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## What If My PPP Loan is Funded?



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## NOW WHAT?



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## PPP Loan Forgiveness Requirements

The amount of the **PPP Loan** eligible for **forgiveness** is the amount expended by the business during the eight-week period after the start date of the PPP

**Loan** on:

- (i) payroll costs (75%) and
- (ii) mortgage interest payments, lease payments and utility payments (25%). *[to the extent the arrangements were in place prior to February 15, 2020]*

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## PPP Loan Forgiveness Requirements

The amount eligible for forgiveness is **subject to reduction** if during the eight-week period the business:

- 1) employs fewer full-time employees per month on average than it did during the prior year or
- 2) Reduces salary or wages by more than 25% for any employee earning less than \$100,000 annually compared to their compensation in the most recent full quarter *[unless such reduction is eliminated no later than June 30, 2020].*

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## PPP Loan Forgiveness Means “Keep Working”

### **Proceeds can be spent on**

75% Bucket -

- Gross Payroll,
- Health care cost,
- Salaries,
- commissions, similar comp,
- union dues,
- etc.

25% Bucket –

- Interest on mortgage,
- Rent & utilities [incurred or in force before 2/15/2020]

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## PPP Loan Forgiveness Requirements

**Loan Forgiveness = Not Taxable= (tax free)**

Consider re-hiring **furloughed** or laid-off employees.

Don't forget the 25% Bucket = 2 Months of mortgage interest, rent & utilities...

**TIP: KEEP GOOD RECORDS**

**TIP: MAKE IT EASY ON YOUR BANKER**

**TIP: CONSIDER USING A DESIGNATED Payroll Acct.**

**TIP: LET US HELP WITH YOUR FORGIVENESS REQUEST**

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## PPP Loan FAQ's

Q: Do PPP loans cover paid sick leave?

A: **Yes:** -it covers vacation, parental, family, medical and sick leave [but excluding leave for which a tax credit is allowed]

Q: What time period should I use to estimate my average PR cost?

A: In **general:** Use data from the prior 12 months – *OR* – for calendar year 2019. [seasonal business rules are different]



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## PPP Loan FAQ's

Q: Does the \$100,000 exclusion apply to all employee benefits?

A: **No.** The exclusion applies only to cash compensation, not to *non-cash benefits* – including:

- Retirement plan contributions
- Group health care coverage, including premiums
- State & local taxes assessed on employee compensation

**TIP: REFER TO OUR PAYROLL COST EXAMPLE**



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## PPP Loan FAQ's

Q: I'm taxed as a partnership and I *take a draw* and don't pay myself wages. Can I include my \$\$ draws in the PR calculation?

A: **Yes** – up to \$100,000 + benefits

Q: *Can I get Both the PPP loan and the EIDL Loan?*

A: **No.** *But you can add \$10,000 of EIDL to PPP.*



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## PPP Loan FAQ's

Q: I own multiple businesses – can I apply to PPP for each business?

A: **No.** Affiliate rules limit this.

Q: Can I apply at any SBA Lender or just my own Bank.

A: **Unlikely:** Lenders only accepting apps. from current customers.



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## PPP Loan FAQ's

Q: Do I include payments made to my “independent contractor” employees?

A: **No.** An independent contractor will be eligible for their own loan.

Q: Do I adjust gross wages for payroll taxes paid by employees?

A: **No.** PR costs are not reduced by taxes imposed on an employee.

A2: [But *employer share of FICA taxes are excluded*]



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Attendee Questions



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## We Have Answers -

- **Feel free to contact any of us at HJ&S. Also feel free to schedule an appointment for individual consultation. 425-889-1778.**
- **More information at our website:**  
[www.hauserjonesandsas.com](http://www.hauserjonesandsas.com)
- **Ellen @ 253-370-7524 or [esas@hauserjonesandsas.com](mailto:esas@hauserjonesandsas.com)**
- **Roger @ 425-890-4932 or [rjones@hauserjonesandsas.com](mailto:rjones@hauserjonesandsas.com)**



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## The HJ&S Team is Here to Help!



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## Thank You!!

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