

# COVID-19 Business Round Table

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Capocore Professional Advisors



# Welcome Everyone!!!

Thank you for attending this Round Table Discussion, this is designed to be informative and interactive, so please feel free to ask questions as we go or share information you feel is important to the discussion.

## Housekeeping

- Please mute your chat (option should be lower left in Zoom) DON'T FORGET TO UNMUTE WHEN TALKING!
- If you have a questions, please use the raise your hand feature if available (those on the phone will not have this option)
- Please feel free to post your comments in the Chat thread, we will try and respond to those as we go

# The Capocore Team

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# Disclaimer

The information contained in this presentation is new and ever changing. I have done my best to base it on the most recent information. The information we have discussed today, could and may be different tomorrow!!

While I have done my best to provide complete and accurate information, it is highly recommended you consult with your own tax and other business advisors. If you don't have one, I am available!!

# Federal Assistance to Businesses

- SBA - Economic Injury Disaster Loan (EIDL)
  - Michigan was approved as a federal disaster on March 28, 2020
- Families First Coronavirus Response Act (FFCRA) - Effective April 1, 2020
  - Expanded Family Medical Leave Act
  - Emergency Sick Leave
- Coronavirus Aid, Relief, and Economic Security Act (CARES)

## Individual Benefits

- Tax Rebates (\$1,200/\$2,400)
- 10% Waiver on early withdrawal
- Waiver of Required Minimum Distributions

## Business Benefits

- Employee retention credit for employers
- Delayed payment for employer payroll taxes
- SBA PPP Loan programs & debt forgiveness
- Expansion of unemployment benefits

# Unemployment

## For Employees:

- Additional \$600 per week for up to 4 months beyond previous calculation
- Extended benefit period to 39 weeks (from 26)
- Extended to self-employed, independent contractors, low-wage earners, and “gig” workers who are unable to work
- Includes those who quit or stop working because of COVID-19 concerns

## For Employers:

- Three options for unemployment:
  - Termination of employment
  - Temporary leave - expect to return within 120 days (waiver no longer needed)
  - Work Share Program - Can reduce hours in lieu of laying off workers and the worker receives percentage of unemployment benefits equal to percentage of wage reduction
- COVID-19 change: employer account not required to have positive reserve.

# Unemployment

## For Independent contractors:

- According to the Michigan Unemployment Insurance Agency (UIA) website they have not issued guidance regarding eligibility and the application process. Expect it in the “coming days”
- If you have already filed - Do not need to reapply at this time.

# Michigan Assistance

## Oakland County Stabilization Fund For Small Business

- Must be submitted by **April 6th at Noon**
- Must have experienced significant financial hardship as a result of COVID-19 outbreak or related state executive orders

### Small Business Grant

- 50 employees or fewer
- Working capital to support payroll expenses, rent, mortgage, utility, or similar expenses.
- Able to demonstrate an income loss as a result of the COVID-19 outbreak or related state EO
- You can apply up to \$10,000

### Small Business Loan

- 100 employees or fewer
- Working capital to support payroll, rent, mortgage, utility, or other similar expenses
- Able to demonstrate that the company is unable to access credit through alternative sources.
- Able to demonstrate an income loss as a result of the COVID-19 outbreak or related state EO
- Loans range from \$50K to \$100K



# Michigan Assistance (continued)

Michigan Economic Development Corporation

<https://www.michiganbusiness.org/about-medc/covid19/small-business-relief-program/>

## Macomb County

- Applications close April 3, 2020
- 2 Grants offers at 2 levels
- \$5,000 and \$10,000
- <https://business.macombgov.org/Business-macomb-small-business-relief>

## For more information

<https://www.michiganbusiness.org/covid19>

# SBA Loan Programs

# Economic Injury Disaster Loan (EIDL)

- Applied Directly to SBA
- Who is eligible
  - Business not more than 500 employees
  - An individual who operates under a sole proprietorship, with or without employees, or as an independent contractor
- Maximum loan amount
  - \$2 Million
  - Applicants can request an advance up to \$10,000 to be distributed within 3 days. Applicants are not required to repay this advance
- Loan Terms:
  - Up to 30 years
  - 3.75% / 2.75% for business/non-profits
  - No payments for one year (interest does accrue)
- Use of funds:
  - Financial obligations and operating expense that could have been met had the disaster not occurred
- Loan forgiveness
  - None, with the possibility of the \$10,000 advance

# Payroll Protection Plan (PPP) Loan

- Application dates:
  - April 3 (Today) - Businesses
  - April 10 - Self employed and Independent contractors)
- Apply directly to any Bank that does SBA 7(a) Loans
- Underwritten by the SBA
- No personal guarantee required
- Who can apply:
  - Business and entities that were in operation on February 15, 2020
  - 503(c)(3) non profit organizations
  - 501(c)(19)veterans organizations
  - Sole proprietorships or independent contractors and eligible self-employed individuals
- Maximum Loan Amount
  - \$10 Million
  - 2.5 Times average monthly payroll
  - Outstanding amount of EIDL
- Use of funds
  - Payroll costs
  - Interest on mortgages and other debt in place prior to Feb 15 (not allowed to prepay)
  - Rent and Utilities (in place by Feb 15)
- Loan Terms
  - 2 Year term
  - **1% fixed rate (*changed yet again!!*)**
- Loan forgiveness
  - Yes, if used for qualified expenses within 8 weeks of loan date

# Payroll Protection Plan (PPP) Loan - continued

## Payroll Costs:

- Salary, wages, commissions, or tips, vacation, parental, family, medical, or sick leave
  - Capped at \$100,000 per employee
  - Principal residence of employees is the United States
- Group health insurance premiums paid by the employer
- Retirement plans paid by the employer
- State and local taxes assessed on compensation (State unemployment)

# Payroll Protection Plan (PPP) Loan - continued

## Payroll Costs (continued):

- For sole proprietor or independent contractors
  - Wages, commissions, income or net earnings from self employment
  - Capped at \$100,000 on an annualized basis for each employee
- What is NOT payroll costs
  - Any compensation for an employee whose principal place of residence is outside the United States
  - Federal Employment taxes (FUTA and FICA)
  - Qualified sick and family leave wages in which a credit was taken under FFCRA
  - Payments to independent contractors (1099's)

# Payroll Protection Plan (PPP) Loan - continued

## Average monthly payroll calculation:

- Most employers will use 2019 numbers
- Seasonal employers
  - May elect to use average monthly payroll between February 15, 2019 and June 30, 2019
  - Exclude amounts over \$100,000 on an annualized basis
- New businesses (In Existence before February 15, 2020)
  - May be calculated from January 1, 2020 to February 29, 2020
  - Exclude amounts over \$100,000 on an annualized basis

# Payroll Protection Plan (PPP) Loan - continued

## Loan forgiveness:

- Qualified expenses paid in 8 weeks after loan origination
  - Payroll costs (as defined earlier)
  - Interest, Rent and Utilities - can not exceed 25% of costs incurred
- Reduction of amount forgiven
  - Reduction of full-time employee headcount
  - More than 25% decrease in salaries and wages for any employee who made less than \$100,000 in 2019

*Have until June 30, 2020 to restore full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020*



# Payroll Protection Plan (PPP) Loan - continued

## Information needed

- Each lender is going to be different
- Expected common information needed
  - Form 940, 941, State Unemployment tax returns
  - Wage support for 2019 and YTD 2020 (including support for time off pay etc)
  - Documentation for Health Insurance Premiums paid
  - Documentation for Retirement Plan Contributions (401K, SIMPLES, SEP, etc)
- Self-Employed/Independent Contractors
  - Copies of 1099's
  - Profit and Loss Statements for 2019 and 2020
  - Partners - Form K-1, showing self employment income

# SBA - EIDL vs PPP

EIDL	PPP
Who is the lender	
The SBA	A Bank that does SBA 7(a) Loans, underwritten by the SBA
Who can apply?	
<ul style="list-style-type: none"><li>• A Business with not more than 500 employees</li><li>• An individual who operates under a sole proprietorship, with or without employees, or as an independent contractor</li><li>• Cooperative with not more than 500 employees</li></ul>	<ul style="list-style-type: none"><li>• Business and entities that were in operation on February 15, 2020</li><li>• Small businesses</li><li>• 501(c)(3) nonprofit organizations</li><li>• 501(c)(19)veterans organizations</li><li>• Sole proprietorships or independent contractors and eligible self-employed individuals</li></ul>

# SBA - EIDL vs PPP

EIDL	PPP
What is the maximum amount of the loan?	
<ul style="list-style-type: none"><li>• \$2 Million</li><li>• Applicants can request an advance up to \$10,000 to be distributed within 3 days. Applicants are not required to repay this advance</li></ul>	<ul style="list-style-type: none"><li>• Maximum loan is \$10 Million</li><li>• Based upon payroll*<ul style="list-style-type: none"><li>○ 2.5 times average monthly payroll</li><li>○ Most business will use 2019</li><li>○ Startups - Jan 1 to Feb 29</li></ul></li><li>•</li></ul>

*\* Payroll includes - Compensation (salary, wages, commissions, tips, etc), vacation, family, sick or medical leave. Group health insurance, retirement benefits (paid by employer), and state and local tax assessed on compensation (i.e. UIA).*

*\* Payroll does not include - compensation over \$100,000, federal taxes, non US compensation and Qualified sick and family leave under the FFCRA*

# SBA - EIDL vs PPP

EIDL	PPP
What is the annual interest rate	
<ul style="list-style-type: none"><li>• 3.75% for businesses</li><li>• 2.75% for non-profits</li></ul>	<ul style="list-style-type: none"><li>• Not to exceed 4%</li><li>• (final regs = 1%)</li></ul>
What is the term of the loan	
<ul style="list-style-type: none"><li>• Up to 30 years</li></ul>	<ul style="list-style-type: none"><li>• 10 years</li><li>• (final regs = 2 years)</li></ul>
When is the first payment due?	
<ul style="list-style-type: none"><li>• One year after the loan origination date</li><li>• Interest is accrued during deferment</li></ul>	<ul style="list-style-type: none"><li>• At least six months after the loan origination date</li><li>• Interest is accrued during deferment</li></ul>

# SBA - EIDL vs PPP

EIDL	PPP
What can the loan be used for?	
<ul style="list-style-type: none"><li>• Financial obligations and operating expense that could have been met had the disaster not occurred</li></ul>	<ul style="list-style-type: none"><li>• Payroll costs:<ul style="list-style-type: none"><li>◦ Wages, salaries, etc</li><li>◦ Health insurance</li></ul></li><li>• Interest on mortgages (prepayment not allowed)</li><li>• Rent</li><li>• Utilities</li><li>• Interest on other debt obligations in existence before covered period</li></ul>
Is there a loan forgiveness program	
<ul style="list-style-type: none"><li>• No</li></ul>	<ul style="list-style-type: none"><li>• Yes</li><li>• Calculated as the amount spent on permitted costs during the first 8 weeks after origination date of loan</li></ul>

# SBA - EIDL vs PPP

EIDL	PPP
Who is the lender	
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