



# FLICKINGER & CO., LLC

## CERTIFIED PUBLIC ACCOUNTANTS

2501 Catherine Street, Suite 1, York, PA 17408

Phone 717.843.2716 Fax 717.846.2496

[www.flickingercpa.com](http://www.flickingercpa.com)

### Resources for Small Businesses Regarding COVID-19

(last updated May 4, 2020 9:30am)

#### The following loans are available at this time to aid small business owners

- **Paycheck Protection Program (PPP) – Enacted with the Cares Act signed on 3/27/2020**
  - You must apply through a bank. Most banks will only process applications for existing business clients. The first step in applying is to determine what your bank's requirements are for supporting documentation. Every bank is different in what they are requesting, including the time period of payroll reports and if they are using the federal application or creating their own.
  - Most banks are requiring some variation of the following information:
    - 2019 IRS Quarterly 940, 941 or 944 payroll tax reports
    - Last 12 months of Payroll Reports beginning with your last payroll date and going backwards 12 months (e.g. gross wages for each employee, paid time off for each employee, vacation pay for each employee).
    - or -
    - Calendar year 2019 Payroll Reports
    - 1099s for 2019 for independent contractors that would otherwise be an employee of your business
    - Documentation showing total of all health insurance premiums paid by the Company Owner under a group health plan
    - Documentation of all retirement plan funding that was paid by the Company Owner (do not include funding that came from the employee's out of their paycheck deferrals)
    - To calculate your monthly payroll, use the required 12 months of gross pay (an employee earning over \$100,000 needs to be capped at \$100,000) + cost of group health + company paid retirement funding + employer paid state unemployment. Divide the total by 12.
  - Applications for small businesses with less than 500 employees were able to start applying around April 3<sup>rd</sup>. Sole Proprietors and independent contractors were able to start applying April 10<sup>th</sup>.
  - A sample application will be available on our website [www.flickingercpa.com](http://www.flickingercpa.com).
  - A list of bank contact information is available on our website [www.flickingercpa.com](http://www.flickingercpa.com).
  - Funded by the SBA 7(a) loan program, guaranteed by the federal government
  - Small business with 500 or less employees, non-profits, self-employed and independent contractors
  - Loan up to \$10 million, determined by 2.5 times the average monthly payroll over the last 12 months from the date of application
  - Can cover employees making up to \$100,000 a year
  - Low interest rate 1%, 2 year repayment with a 6 month deferral of all non-forgiven funds

- Waves the borrower requirement of personal guarantees or collateral
  - Employers utilizing the PPP are not eligible for any other relief outlined in the CARES Act, including delayed payroll deposits
  - Any employees being paid under the EPSLA or EMFLEA and credits applying in 941 deposits are not eligible as forgivable wages
  - Employers may apply for both the PPP and the Economic Injury Disaster Loan (EIDL), but both loans may not be used for the same purposes. Any advance given on the EIDL will reduce the forgiveness portion of the PPP.
  - **FORGIVENESS OF THE LOAN**
    - Forgiveness needs to be applied for 8 weeks after you are given the PPP funding. This will be done with your lender and must include certified documentation including payroll filings, proof of payments for mortgage obligations, utilities
    - Forgiveness may be given for the total amount borrowers spend on the following items paid during the covered 8 week period following the date the loan originates, provided that head count and payroll is maintained comparative to one of the optional base periods (Feb 15 – June 30, 2019 or Jan 1 – Feb 29, 2020 for year round businesses):
      - Payroll
      - Mortgage interest (mortgage must be entered into before February 15, 2020)
      - Rent (must be in place by February 15, 2020)
      - Group Health Care
      - Utilities (service must have started prior to February 15, 2020: electric, gas, water, transportation, telephone and internet)
    - Forgiveness amount will not be included in borrower's taxable income
    - Payroll costs and expenses that are forgiven will not be allowable expenses on the 2020 tax return
    - Forgiveness cannot exceed the loan principal
    - Forgiveness will be reduced proportionally by any reduction in employees compared to the base period AND reduced by the reduction in pay of any employee beyond 25% of their compensation the base period
      - Head Count Analysis: Calculate the Full Time Equivalent (FTE) head count in the base period compared to the FTE head count during the 8 week period following receipt of the PPP. Forgiveness will be reduced by a ratio defined as:
        - The average number of FTEs during the covered period divided by the average number of FTEs during the base period
      - Wage Analysis: Calculate the wages paid for all employees not exceeding \$100,000 per year in the 8 week period and compare the wages paid to the quarter preceding receipt of the PPP.
        - This compares a 8 week period to a 13 week period. Additional clarification is expected.
        - A reduction of the PPP forgiveness will be made for employees making 25% or more less than the most recent quarter.
      - There can be exception to the reduction if the business re-hires employees and/or eliminates the reduction in salaries by June 30, 2020. This is still unclear.
- **Small Business Administration (SBA) Economic Injury Disaster Loan**
    - Visit the Website: [disasterloan.sba.gov](https://disasterloan.sba.gov) for more information
    - Customer Service: 800-659-2955
    - Available for small business or private non-profits

- Must have a physical presence in the US or US territories
- Up to a \$2 million loan, 30 years, simple interest installment, 1 year deferment, no prepayment penalty
- An advance may be applied for up to \$10,000, which may be received even if loan is denied. No repayment is required. The amount of the advance is \$1000 per employee, up to 10 employees.
- 3.75% interest for small businesses, 2.75% for private non-profits
- Collateral is required for any loan greater than \$25,000. Real estate will be used first if available, or other assets can be pledged if no real estate is available. Personal guarantee is always required
- Funds come from the SBA from the US Treasury, not a bank
- No cost to apply, no obligation to take the offer if accepted. Offer stands for 6 months if accepted.
- Can have other current SBA loans and still apply for this one, but loans may not be consolidated
- The SBA will request your most recent business tax return and personal tax return including all schedules, financial statement and schedule of liabilities -or- year end profit & loss, balance sheet, and year to date profit & loss
- Loan application requests monthly sales figures and projection if COVID disaster had not occurred
- If loan is denied, additional information may be submitted for reconsideration
- **NO LONGER AVAILABLE – OUT OF FUNDS**
  - **Pennsylvania Industrial Development Authority (PIDA): COVID-19 Working Capital Assistance fund (CWCA)**