



Robert R. Roback, Sr. CPA, CFS, CFA In Memory of (1956-2011)  
Daniel R. Kumlander, CPA  
Jeffrey D. Donofrio, MBA, CPA  
Kenneth E. Hay, CPA, CVA  
Timothy W. Pehl, CPA, CFP®

OBJECTIVE ADVICE ON THE ROAD OF LIFE

Dear Clients,

April 1, 2020

The U.S. Department of the Treasury released the Paycheck Protection Program application last evening. We have attached the application to this e-mail. It can also be found at the following website:  
<https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>

There is also a tab on the same link labelled "If you're a borrower, more information can be found HERE". We recommend that you read through this information prior to filling out the application.

It is our understanding that banks or SBA lending institutions will start accepting these loan applications on or around Friday, April 3, 2020. **In speaking to many banking relationships today, it is our understanding that the application and guidance has created additional questions that need answers to tighten up the application process. The U.S. Small Business Administration Syracuse District Office released communication to their lenders this morning stating: We have been advised SBA will be providing more guidance soon. Only at that time will the full details of the Payroll Protection Plan and its implementation by lenders be available to us and for distribution.** We take this to mean that there will be additional details released based on the flurry of questions being asked on this current release and the possibility for amendments to the application provided by the U.S. Department of the Treasury.

We recommend that you do the following steps in anticipation of the opening of the application process if you intend to apply for the loan/grant:

1. Contact your banking relationship and ask to be included on any communications relating to the loan if you are not receiving e-mails from your bank at this time. Most if not all qualified SBA lenders are e-mailing their client base the information to gather for submission on Friday. Each bank has different requests at this time. Please make sure you get the request list from the bank you will be applying through.

NOTE: All banks that we have been in communication with will be taking submission of applications and supplementary information electronically.

2. Please fill out the attached application prior to Friday. If you fill it out on line, you can populate the fields via your computer. Please be sure to save the application if using this approach. We have been told that the application will only be accepted if typed. It cannot be handwritten.

NOTE: Some lending institutions are developing an electronic version of the application that you will fill out on their website. We still recommend that you go through process of filling out the application prior so you only have to transfer information to the online application if applicable.

3. It is our opinion based on multiple conversations with lending institutions that there is a chance that there will be changes to the average payroll formula as mentioned in the instructions to the application used to determine the loan amount. We recommend that you develop a report (Excel preferred) summarizing payroll for 2019 and 2020 by month by employee including each employees health insurance premiums (paid by your Business net of any employee withholding related to their premium payment) and employer matching pension contributions for 2019 and 2020.

NOTE: This is cumbersome but necessary as we have seen different lending institutions requesting calendar year 2019 payroll by employee and others requesting payroll by month beginning April 2019 and ending March 2020. Having this information readily available will expedite you having your application in the hands of the lender as early as possible.

4. We recommend that you develop a same report (Excel preferred) summarizing self-employment income for 2019 for any non-payroll owner (by owner) including any health insurance premiums and any pension contributions for 2019. If an individual non-payroll owner has over \$100,000 in self-employment earnings, please use \$100,000 for ease of process.
5. Please compile all other information that your lending institution requested **which may** include:
  - a. Articles of Incorporation/Organization
  - b. By Laws/Operating Agreement
  - c. Owners Driver's Licenses
  - d. Payroll Expense verification documents to include:
    - i. IRS Form 940 as of December 31, 2019
    - ii. IRS Forms 941 for all 4 quarters of 2019 and 1<sup>st</sup> quarter of 2020
    - iii. Payroll Summary Report with corresponding bank statement for the pay period covering February 15, 2020, to include Employee Name, last 4 Social Security Number, Address, Gross Pay, Deductions, Net Pay and Employer Cost.

*If a Payroll Summary Report is not available, Employee Pay Stubs as of February 15, 2020 with corresponding bank statement*

- e. Trailing twelve-month profit and loss statement (as of the date of application). We are asking to have this be year-ended December 31, 2019 report. At this time some banks are approving of this request.
- f. Most recent Mortgage Statement or Rent Statement (Lease)
- g. Most recent Utility Bills (Electric, Gas, Telephone, Internet, Water)
- h. Most recent three years of business and personal income tax returns.

In summary, as reported in our prior communications, funding from this program can be used for:

- a. Employee salaries including health insurance and employer funded pension up to \$100,000 per employee.
- b. Partner, sole proprietor or independent contractor self-employment earnings (including guaranteed payments for LLC and LLP Members) capped at \$100,000 per individual.
- c. Rent
- d. Utilities
- e. Mortgage payments

Please know that portions of this loan will **not** be for forgiven if used for expenses other than payroll costs (capped at \$100,000 per individual), mortgage interest, rent and utilities over an 8 week period after you receive the loan proceeds. The intent of the program is to keep full employment during the 8 week period. We mention this because, if you participate in the loan program and intend on utilizing the forgiveness provisions you must be at full employment. This would include pulling employees off unemployment if you recently placed employees on unemployment. Even if your business is closed due to State mandates you must still rehire the employees who are at home unable to report to work because your Business is temporary shuttered. Please know that some or all of your employees may not be performing actual work while receiving wages under this program.

NOTE: In exercises we have performed based on the criteria for awarded funds and use of funds, there is the potential that some of the funds will not be forgiven as you may receive more funds under the formula than may be needed to cover the 8 weeks of costs identified as forgivable. Any loan proceeds not used for forgivable purposes will be charged an annual interest rate of half a percent. Current instructions call for repayment of the non-forgivable portion of the loan within 2 years. There are no prepayment penalties on early payoff of the loan and there are no fees to apply for the loan.

NOTE: SBA lending institutions have communicated to us that you are still eligible to apply for this loan even if you have applied for and received Emergency Economic Injury Grant and Economic Injury Disaster Loan (EIDL) loan proceeds. This is an advance loan of up to \$10,000 that can be applied for at <https://www.sba.gov/page/disaster-loan-applications>. Funds will be made available within three days of a successful application, and this loan advance will not have to be repaid. The loan cannot duplicate use of funds obtained under the Paycheck Protection Program loan and must be disclosed on the Paycheck Protection Program loan application.

The above information is presented in abbreviated fashion in order to get the information to you in a timely manner. If more information is needed on this subject please contact us or your payroll provider.

Very truly yours,

*Kumlander, Donofrio, Hay & Pehl CPAs, LLP*