

# Navigating Through Uncertainty



**A FOUR-PART WEBINAR SERIES ON COVID-19**



**WEBINAR #3**

*April 15, 2020*

# Business Continuity During Challenging Times



# Business Continuity During Challenging Times

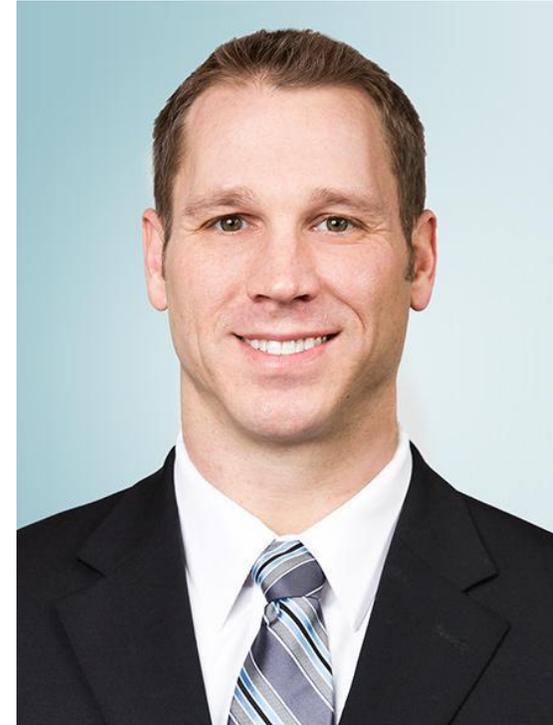
**Andrea P. Sardone**  
*Director*  
*Today's Moderator*



# Introduction

**Harvey Johnson, CPA, CGMA, CISA**  
*Partner*

**Consulting & Advisory**



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**Rob Klingensmith**  
*Partner,  
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*Wealth Advisor*



**Alex Crawford, CFP®, CIMA®**  
*Portfolio Manager,  
Wealth Advisor*



**Derek Hess**  
*Associate Wealth Advisor*

# What has changed since last week?

**Rob Klingensmith**  
*Partner*

**Consulting Line Leader**



# Planning

## How should I be planning for a longer economic downturn?

- Strategies to generate cash:
  - *Existing facilities*
  - *Federal programs*
  - *Furlough*
- Forecast and plan accordingly
  - *Multiple scenarios with worst case, best case and something in-between*
- Tax planning and immediate benefits available due to the CARES Act
- Analyze insurance portfolio and consider making changes
- Remote work strategies beyond the initial crisis

# PPP - More Clarification for Self Employed

- **Who qualifies under self-employed?**
  - In operation 2/15/20
  - You have self-employment Income
  - Live in the U.S.
- **How do I calculate the Maximum amount I can borrow?**
  - No employees – use 2019 Schedule C net profit amount (if you have not filed a 2019 return, fill it out and compute the value)
  - No more than \$100,000
  - Divide by 12, multiply by 2.5. (Then add EIDL if you want to refi)
  - Alternate calculation provided if you have employees as a Schedule C

# PPP - More Clarification for Self Employed

- **Which expenses are eligible for forgiveness?**
  - Payroll costs
  - Owner Compensation Replacement
  - Interest on mortgage obligations
  - Rent payments
  - Utility payments
- **What Documentation will I need to submit to my Lender?**
  - Certification required by section 1106
  - 941s for employees
  - Evidence of business rent, mortgage interest, utilities, etc.
  - 2019 Form 1040 Schedule C provided at time of loan application

# Main Street Lending Program

## Who is eligible?



- Businesses with up to 10,000 employees and no more than \$2.5 billion in 2019 revenues
- Businesses created or organized in the US, with significant operations in, and the majority of employees based in the US

# Main Street Lending Program

How will it work? (THIS COULD CHANGE!!)



Main Street  
**New Loan Facility**  
(MSNLF):



Main Street  
**Expanded Loan Facility**  
(MSELF)

# Main Street Lending Program

## How will it work? (THIS COULD CHANGE!!)

### 1. Main Street New Loan Facility (MSNLF):

- Unsecured term loan
- Originated on or after April 8, 2020
- 4 year maturity
- Principal and interest deferred for one year
- Adjustable rate
- Minimum loan size of \$1 million
- Maximum loan size that is the lesser of
  - *\$25 million OR*
  - *An amount that, when added to the Eligible Borrower's existing outstanding and committed but undrawn debt, does not exceed four times the Eligible Borrower's 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA")*
- Prepayment permitted without penalty

# Main Street Lending Program

## How will it work? (THIS COULD CHANGE!!)

### 2. Main Street Expanded Loan Facility (MSELF)

- Term loan
- Originated before April 8, 2020
- 4 year maturity
- Principal and interest deferred for one year
- Adjustable rate
- Minimum loan size of \$1 million
- Maximum loan size that is the lesser of:
  - *\$150 million OR*
  - *30% of the Eligible Borrower's existing outstanding and committed but undrawn bank debt OR*
  - *An amount that, when added to the Eligible Borrower's existing outstanding and committed but undrawn debt, does not exceed six times the Eligible Borrower's 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA")*
- Prepayment permitted without penalty.

# Frequently Asked Questions

**Alex Crawford, CFP<sup>®</sup>, CIMA<sup>®</sup>**

*Portfolio Manager, Wealth Advisor*



# 7 Frequently Asked Questions

## **1. When does the 8 week covered period start for the PPP Loan?**

- As soon as you receive the loan
- Open a separate bank account.

# 7 Frequently Asked Questions

## **2. My bank will not accept my application because I don't have a business account with them. How do I apply?**

- Are you a current business client?
- Talk to smaller banks.

# 7 Frequently Asked Questions

## 3. I've already laid off workers. Can I still have my loan forgiven?

- If you laid off workers before April 26th, you can rehire them.

# 7 Frequently Asked Questions

## 4. What is the process to have my loan forgiven?

- After the 8 weeks, you will apply at your bank.
- Keep documentation.

# 7 Frequently Asked Questions

## 5. I've already laid off workers. Should I apply for the maximum PPP loan or a reduced amount?

- In most cases, yes.
- Any amount not used can be stretched over 2 years.

# 7 Frequently Asked Questions

## 6. Can I take advantage of the Employer Retention Tax Credit?

- If you were forced to close from a governmental body
- Or, if you experienced significant revenue loss (50% or more)
- Cannot be used with PPP loan and if you are receiving a credit for family or medical leave it must be for separate wages.

# 7 Frequently Asked Questions

## **7. What happens if I get approved for the PPP Loan but I'm unable to open my business within the 8 weeks?**

- You can still use the funds.
- Forgiveness may be reduced.

# Tax Update

**Nick Preusch, CPA, J.D., LLM**

*Tax Manager*



# New Due Dates

- Old 4/15 due dates are now **7/15**
- Federally – No interest or penalties if paid by **7/15**
- First and second quarter estimated tax payments delayed until **7/15**
- Retirement plan contributions not due until **7/15**
- Can extend to **10/15 on 7/15**



# What is IRC Section 139?

## **Nontaxable –**

Qualified relief payment or  
qualified disaster mitigation  
payment



# Types of IRC 139 Payments

- **Reasonable and necessary expenses**  
(personal, family, living, or funeral) from the qualified disaster
- **Reasonable and necessary expenses**  
incurred for repair or rehabilitation of a personal residence or repair or replacement of its contents if the repairs were due to the disaster
- **Common carriers**
- **State and local government**



## Example

- **Can the company provide funeral costs to employee if the employee's wife passes away due to Coronavirus?**

*Yes. Tax free for employee and the company still gets a tax deduction.*

- **What is reasonable and necessary?**

*Hard to know with a pandemic. Some things that come to mind: hand sanitizer, medical bills, masks.*

- **What about telework equipment?**

*Yes, it could possibly include telework equipment.*

# Non-139 Payments

- Income Replacement
  - ✓ *Lost wages*
  - ✓ *Unemployment Compensation*
  - ✓ *Business Income Replacement*
- Example: Employee is working 50% of the time he normally works, the pay to get him 100% of usual pay does not fall under IRC 139.



# Accounting for 139 Payments

- No requirement to account for actual expenses
- Should still use some record keeping methods



# Emergency Paid Sick Leave Credit

- **Payroll Credits to Employers** to cover wages paid to employees under FMLA and Emergency Paid Sick Leave
- **FMLA** - \$200 per day per employee, with a max of \$10,000 per employee
- **Emergency Paid Sick Leave:**
  - ✓ *\$511 per day per employee while receiving sick leave to care for themselves*
  - ✓ *\$200 per day per employee if sick leave is for caring for family member, or child whose school is closed (max \$2,000 per employee)*
- **Applies to Self-employed Individuals** as well (lesser of daily average self-employment income or the \$511/\$200 limit).
- Credits apply for **all of 2020**

# Payroll Tax Deferral

- Doesn't apply if PPP taken
- Employer portion of Social Security taxes can be deferred  
*From March 27, 2020 to December 31, 2020*
- No election is required
- 50% amount deferred due by December 31, 2021
- All remaining taxes due December 31, 2022
- Applies to Self-Employed Individuals



# Employee Retention Credit

- Applies to people who suspend operations or have 50% or more reduction in gross receipts from the prior year
- Covers up to 50% of first \$10,000 of wages paid per employee during an affected quarter of 2020
- Claimed on quarterly payroll returns.



# Other Major Tax Provisions

- NOLs
- Excess business losses
- Qualified Improvement Property
- Corporate AMT
- Business interest limitations



# Cybersecurity Risks

**Ryan Davis**  
*IT Auditor*

***Cybersecurity Team***

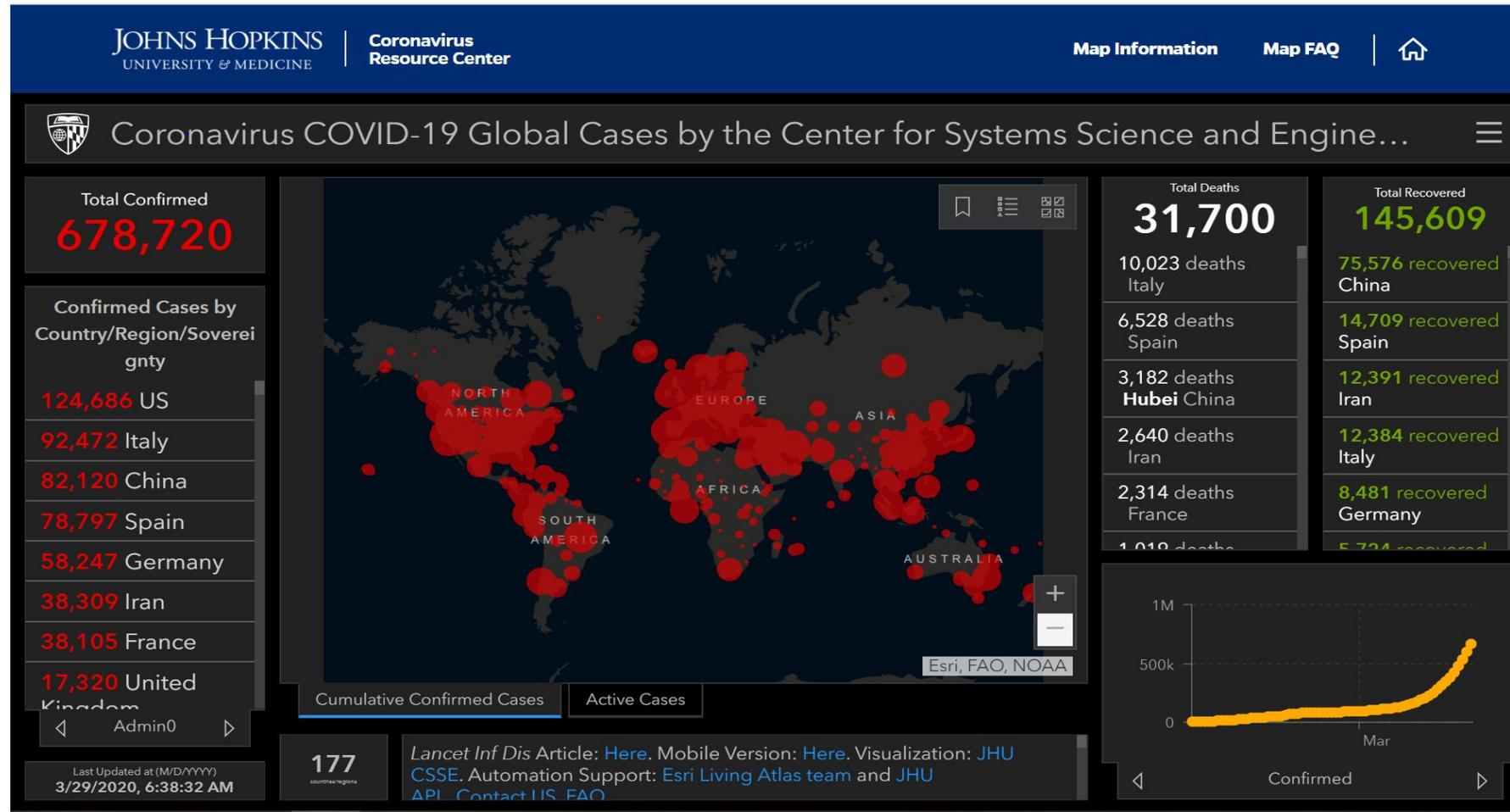


# Cybersecurity Risks

## Foreign Espionage Continues during COVID



# Cybersecurity Risks



# Cybersecurity Risks

Phishing Scams on the rise targeting at-home workforce



# Cybersecurity Risks

- **Service Disruptions**
  - ✓ *Cyber attack*
  - ✓ *Inability to continue operations*
- **Monetary Loss**
  - ✓ *Phishing Attacks*
  - ✓ *Ransomware*
- **Reputation Risks**
- **Loss of Supply Chain Partnerships**

# Top 6 Things to Improve Cybersecurity for a Remote Workforce

# 1

## Utilize a Virtual Private Network (VPN)

- Keep employees secure with your enterprise security suite
- Use always on VPN connections, if possible



# Top 6 Things to Improve Cybersecurity for a Remote Workforce

## 2 Enable Multi-Factor Authentication

Additional layer of protection for accessing your most important resources



# Top 6 Things to Improve Cybersecurity for a Remote Workforce

## 3

### Ensure Software is Current

- Operating Systems
- Third-party applications
- Anti-virus and anti-malware solutions

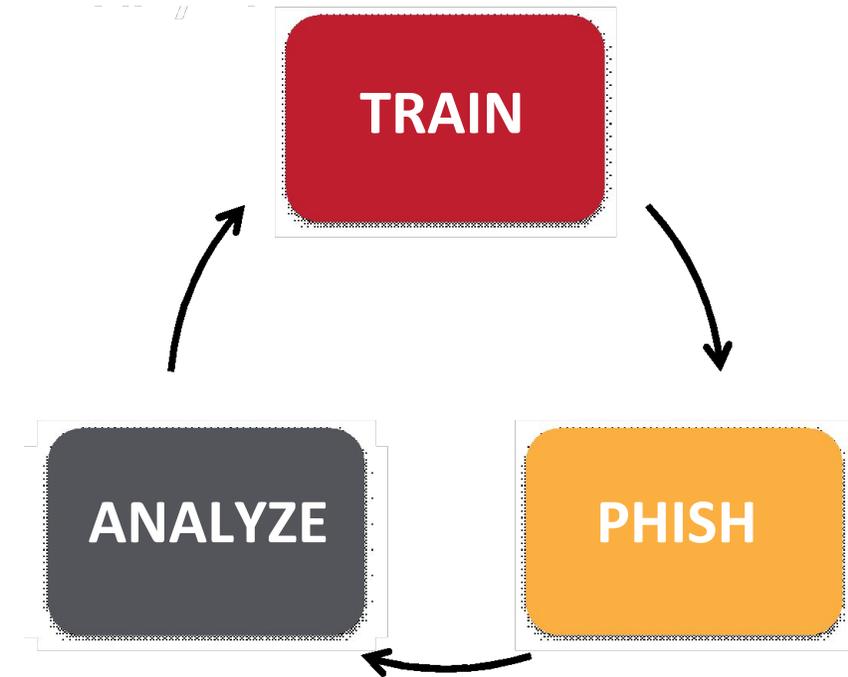


# Top 6 Things to Improve Cybersecurity for a Remote Workforce

# 4

## Security Awareness Training

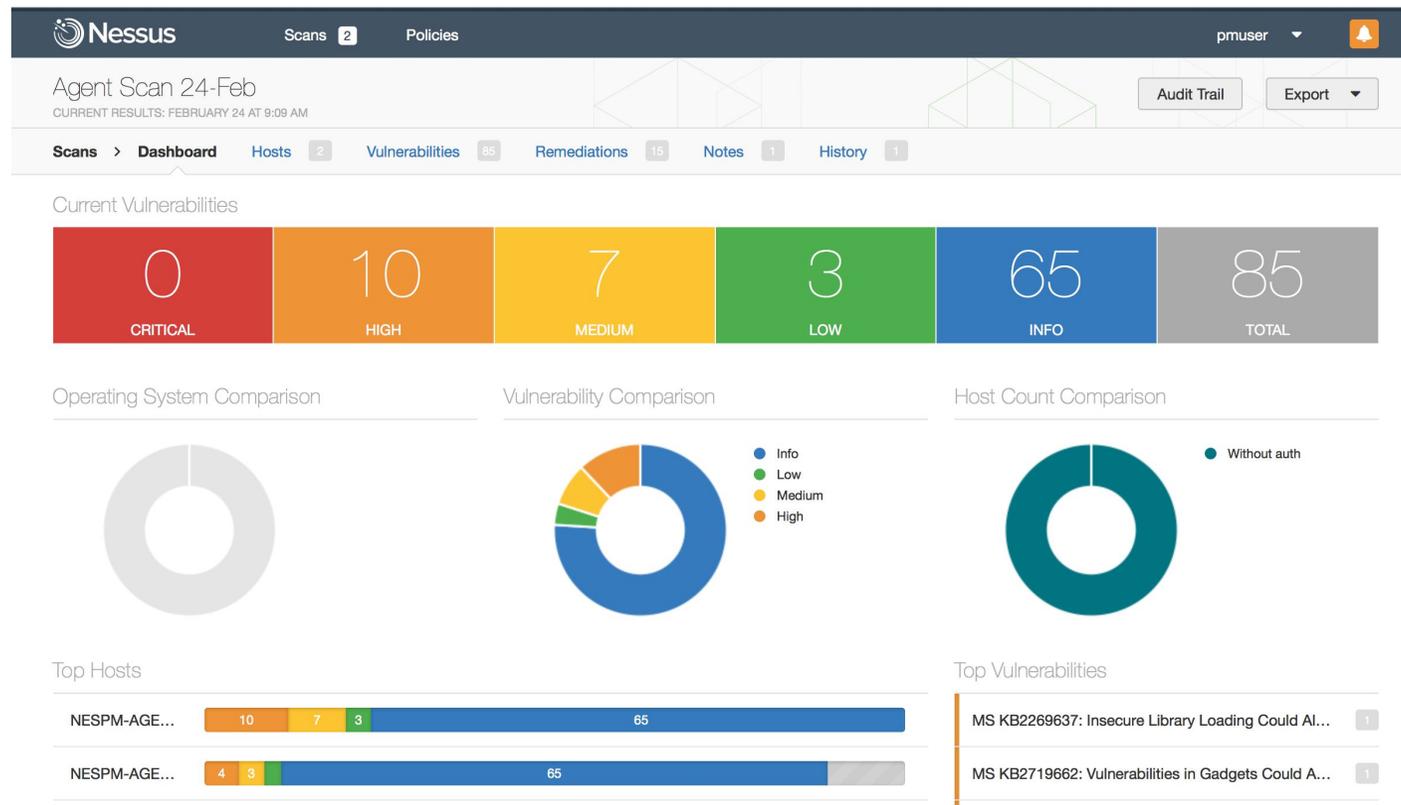
While your employees are your greatest asset... **95% of all cyberattacks are caused by human error...**



# Top 6 Things to Improve Cybersecurity for a Remote Workforce

## 5

### Vulnerability Scans



# Top 6 Things to Improve Cybersecurity for a Remote Workforce

## 6

### Incident Response

Ensure employees are educated on what to do when they suspect a security incident

- ✓ Disconnect the device from the internet
- ✓ Keep the computer on to preserve forensic evidence
- ✓ Report the incident immediately

# Business Continuity Planning

**“Plan for the worst, hope for the best”**

## Business Continuity & Disaster Recovery Timeline RPO, RTO & MTD



# In Closing

- PB Mares Webinar Series on COVID-19:  
*Wednesday, April 22nd – Noon to 1:15 PM*
- [QuickResponseTeam@PB Mares.com](mailto:QuickResponseTeam@PB Mares.com)



**Harvey Johnson, CPA, CGMA, CISA**  
*Partner*  
**Consulting & Advisory**

# Visit our COVID-19 Resource Center

www.pbmaries.com/covid-19-resource-center

## Coronavirus (COVID-19) Resource Center

Home / Coronavirus (COVID-19) Resource Center

### Helping You to Navigate Information

Given the rapidly changing news ranging from the federal, state and local government agencies, we have created this resource center to make it easy to find the information most relevant to your family and business. The information is from a variety of sources including insights from our trusted team of tax and business professionals. We understand this is a difficult time and we're here to help navigate these uncertain times.

Please visit this section often for regular updates on news and information.

### PBMares COVID-19 Insights



#### CARES Act Webinar – Insights for Your Business

March 30, 2020



#### How the CARES Act Helps Non-Profits

March 28, 2020



#### How the CARES Act Directly Helps Individuals

March 27, 2020



#### Business Benefits Available, Courtesy of the CARES Act

March 27, 2020



#### Forgivable Small Business Loans – How the \$2 Trillion Stimulus Bill Can Help You

March 27, 2020



#### Plan Options for COVID-19 Impacted Businesses

March 26, 2020

### CORONAVIRUS (COVID-19) RESOURCE LINKS

- > [PBMARES COVID-19 INSIGHTS](#)
- > [PBMARES COVID-19 NEWS](#)
- > [WORKING WITH US](#)
- > [FEDERAL & STATE UPDATES](#)
- > [RESOURCES FOR BUSINESSES](#)
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### GET IN TOUCH: \*Required

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