

CORONAVIRUS RESPONSE AND RELIEF:

1. PPP “Second Draw Loans”
2. Expanded Employee Retention Credits
3. Other Tax Changes



WEBINAR

January 7, 2021

CORONAVIRUS RESPONSE AND RELIEF:

Andrea P. Sardone
Today's Moderator



Meet Our Panelists



Kasey M. Pittman
CPA, MSA Tax

Senior Manager



Sean R. O'Connell
CPA/PFS, CGMA

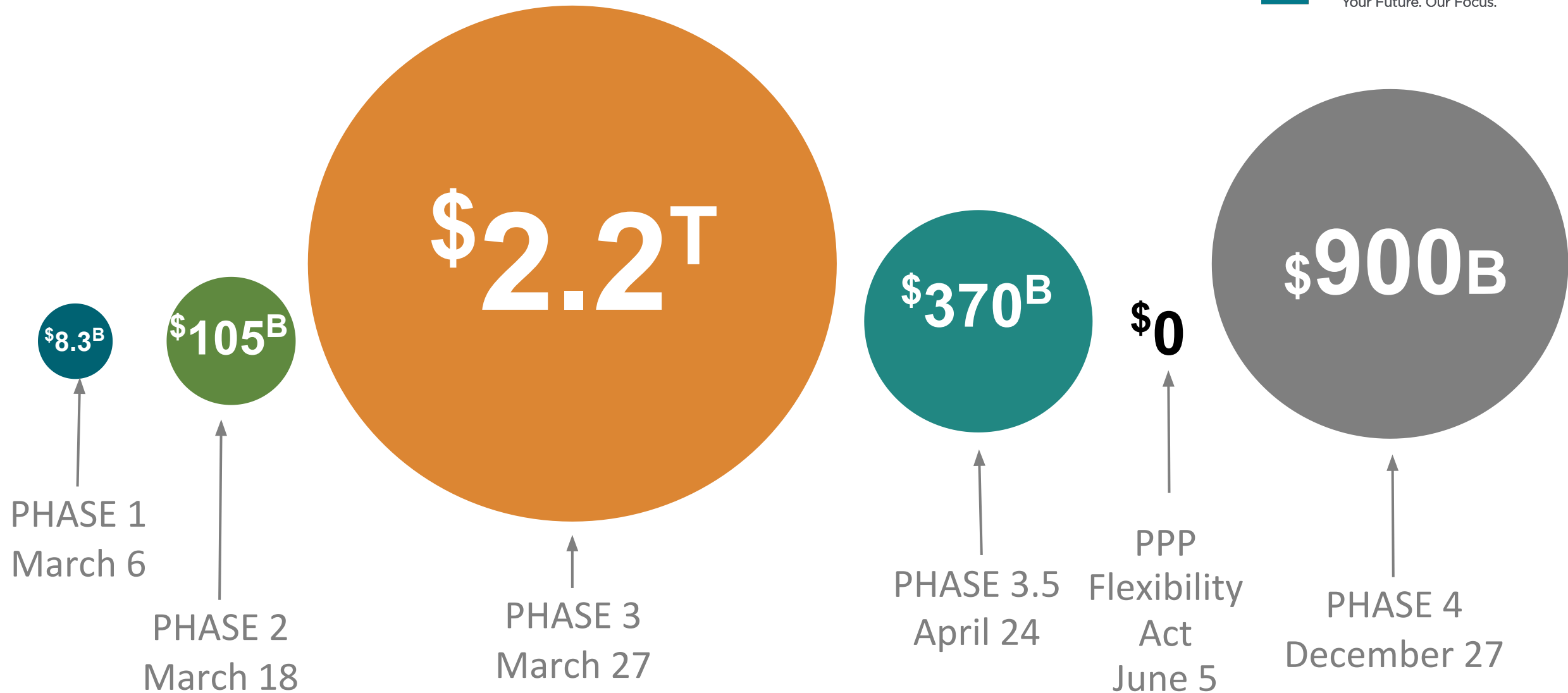
Partner



Martin N. Morris
CPA

Manager

2020 Tax Legislation



Clarification of Tax Treatment of PPP Loans



New Eligible Expenses for PPP Funds Include:



- **Operations** – software, tracking payroll, supplies, inventory
- **Property Damage** – from 2020 looting not covered by insurance
- **Supplier Costs** – order in effect before Covered Period, essential to operations
- **Worker Protection** – drive through window, physical barriers, PPE
- **Employee Group Benefits**

PPP “Second Draw” Loans – Eligible Businesses:

- **Has 300 or fewer employees, or is a “Small business concern”**
- and*
- **Gross receipts in a 2020 calendar quarter** demonstrate a reduction of **25%** or more from that same quarter in 2019,
- and*
- **Used all of first round PPP money to date**



Eight Really Important Numbers

Quarter Ended:	Gross Income, 2019	Gross Income, 2020	\$ Change	% Change
March 31, ____	\$ 35,000	\$ 30,000	\$ (5,000)	-14%
June 30, ____	30,000	14,000	(16,000)	-53%
September 30, ____	25,000	19,750	(3,000)	-21%
December 31, ____	40,000	45,000	5,000	+13%
Totals	<u>\$ 130,000</u>	<u>\$ 108,750</u>	<u>\$ (19,000)</u>	<u>-16%</u>

PPP Second Draw Loans - Amount Allowed



Example

\$440,000	Average Monthly Payroll	{ Based on either 2019 or most recent twelve months
X 2.5*	(Months)	
<hr/>		
= \$1,100,000	(Maximum \$2 Million)	

** If NAICS Code 72 (restaurants and hospitality), then multiply by 3.5.*

Now Eligible for PPP Loans



- A food service or hotel business (NAICS code 72) with an average of fewer than 500 employees per location

or

- A 501(c)(6) organization with 300 or fewer employees

PBMares Forgiveness Deliverable



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September 4, 2020

Company A
PO Box 123
Anywhere, VA 22401

PPP Loan Forgiveness Computation Letter

Dear :

Based on the data that you have provided for the 12-week covered period through July 6, 2020, we estimate that your business may be eligible for PPP to **\$211,925**. Your \$10,000 EIDL grant does not need to be repaid. However, whether any amount of your PPP loan will be approved for forgiveness. Y PBMares harmless from any and all claims arising from or related to the approval of the PPP Loan Forgiveness Application and the ultimate forgiveness of the SBA loan you received due to PBMares' good faith completion of service.

Our computations supporting the above amount are attached. Should you please call me.

As a follow-up, please let us know if your lender makes any revisions to the

In addition, when the Small Business Administration provides you

Company A Forgiveness Amount Calculation

Total PPP Loan	\$ 211,925
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Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):	\$ 280,481
Line 2. Business Mortgage Interest Payments:	\$ -
Line 3. Business Rent or Lease Payments:	\$ 14,400
Line 4. Business Utility Payments:	\$ 3,005

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):	\$ -
Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:	\$ 297,886
Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):	100.00%

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):	\$ 297,886
Line 9. PPP Loan Amount:	\$ 211,925
Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60):	\$ 467,469

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):	\$ 211,925
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Remaining Loan Balance

\$	-
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PPP Loan Forgiveness Applications

SBA Form	Length	When Used
3508S	2 pages	< \$50,000 \$150,000 loan
3508EZ	3 pages	<u>Either:</u> <ul style="list-style-type: none">• Self-employed with no employees, or• No FTE or pay rate reductions, or• Reduced FTEs (but not pay rates) due to COVID-19
3508	5 pages	All others

Grants for Shuttered Venue Operators



Source of funds:	How amount is determined	Example
Initial grant	45% of 2019 Gross Receipts	\$ 4,500,000
Supplemental grant	50% of Initial Grant	2,250,000
PPP Loan	2.5 or 3.5 times average monthly payroll	<u>3,000,000</u>
Total	Note: cannot exceed \$10 million	\$ <u>9,750,000</u>

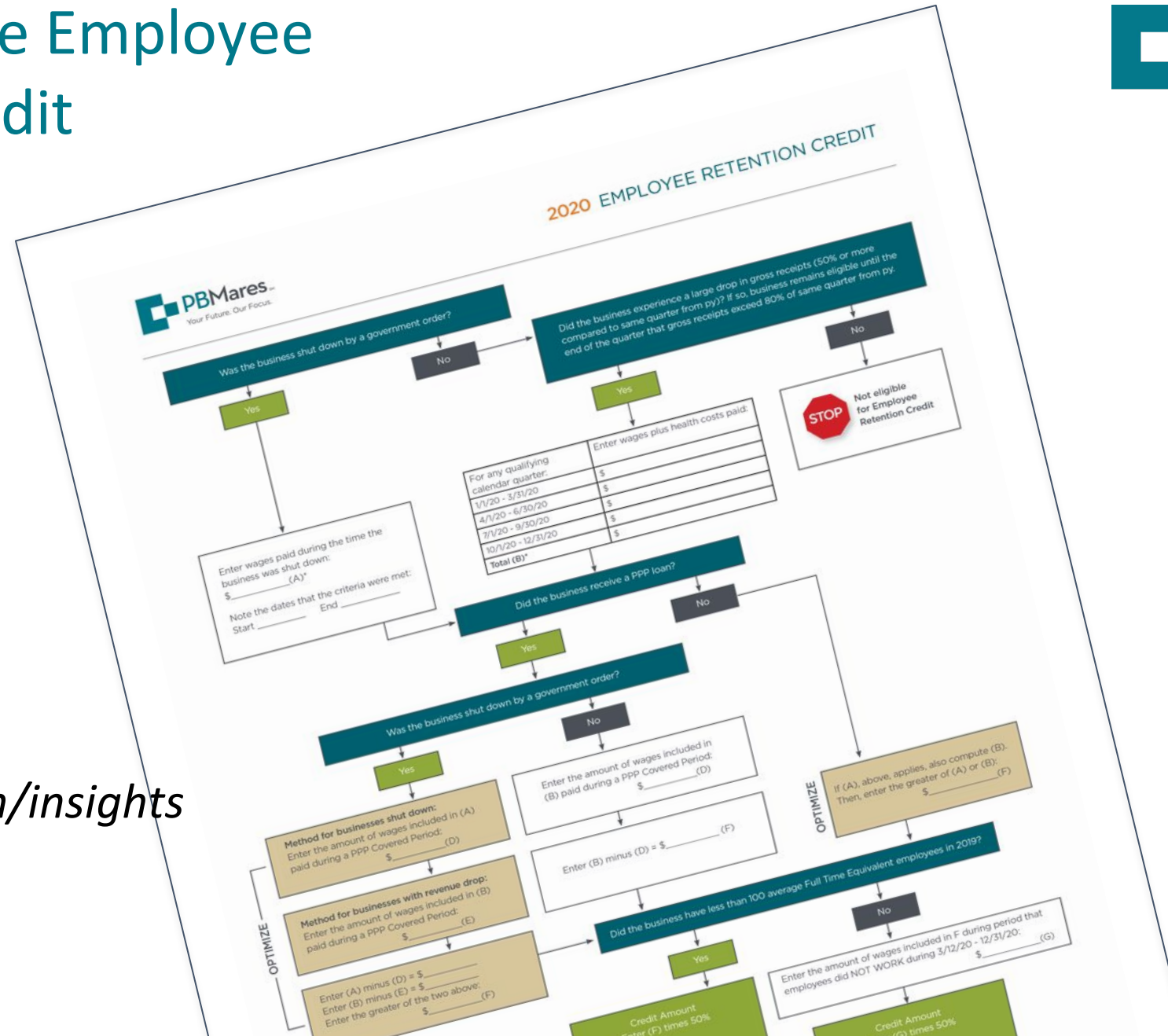
While funds last: Grant Period	Must show year-over-year revenue loss of:
Initial 14 days	90%
Next 14 days	70%
After the initial 28 days	25%

Polling Question #1

What are your current thoughts about obtaining a PPP “Second Draw”?

- a) Our business had neither a shut down, nor a significant revenue drop – our business does not qualify.
- b) Our business could qualify, but we are not planning to go for a second draw.
- c) We are crunching the numbers and may qualify. We will soon decide whether we are going to apply.
- d) Absolutely! All day long! Let’s go!

Computing the Employee Retention Credit



Visit our blog at www.pbmares.com/insights

What Does “Shut Down” Mean?

Fully or partially suspended operations due to COVID-19 related governmental authority orders which limited commerce in various ways, such as:

- Employee travel restrictions
- Supply chain disruption
- Remote employee operational changes

Consider the various segments of a business.



Eight Really Important Numbers (Again)



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**Once eligible, each quarter is a qualifying quarter until the end of the quarter during which receipts equal or exceed 80% of the corresponding quarter in 2019.*


Employee Retention Credit Kit



Navigation: About Careers Request for Proposal Client Portal Payments Insights COVID-19 SOLUTIONS f t in @

Services: SERVICES INDUSTRIES PEOPLE RESOURCES LOCATIONS CONTACT Q

Employee Retention Credit: Do You Qualify?



Do you qualify for the Employee Retention Credit (ERC)? Are you using QuickBooks and need some step-by-step guidance on how to calculate the ERC? We have developed an ERC Kit and we can help you. Complete the short form below and we will follow up with you!

CONNECT WITH US:

First Name* Last Name* *Required

Phone Number

E-mail*

How can we help you?*

Visit our blog at www.pbmares.com/insights

Click on image to access this page.

Employee Retention Credit: Big Changes to 2021



Families First Coronavirus Response Act



EXTENDED TO MARCH 31, 2021



Polling Question #2

By June 30, 2021, I expect that our business will qualify for the Employee Retention Credit in ___ calendar quarters.

- A) 0
- B) 1
- C) 2
- D) 3 or more

Economic Impact Payments (EIC) 2.0



- Second round of “advance credit” checks to taxpayers, again up to \$600 per individual taxpayer and qualifying child
- Income phase-out range is based on 2019 AGI
 - Single: \$75,000 - \$87,000
 - Married: \$150,000 - \$174,000
- If your 2019 AGI was too high, you’re in luck!
 - You’ll receive the balance (up to \$1,200 per qualifying individual) with the filing of your 2020 1040.
 - Some may receive checks now; while others may have to wait to claim their credit when they file their 2020 return.

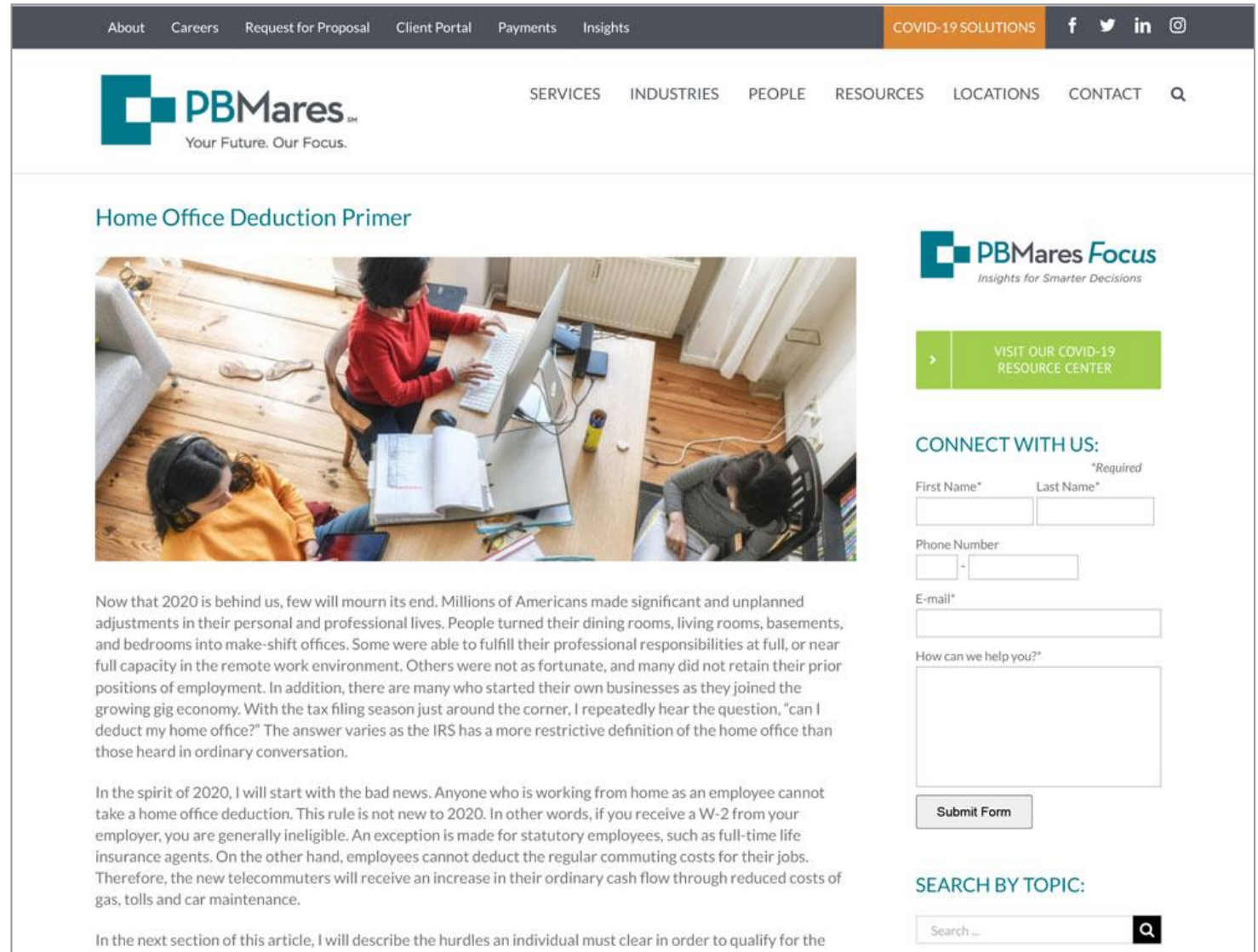
Other Business Tax Provisions

- Home Office
- Storage/Inventory
- Employee's state of residence

Visit our blog at

www.pbmares.com/insights

Click on image to read this article.



The screenshot shows the PBMares website interface. At the top, there is a navigation bar with links for About, Careers, Request for Proposal, Client Portal, Payments, and Insights. A prominent orange banner for 'COVID-19 SOLUTIONS' is on the right, along with social media icons for Facebook, Twitter, LinkedIn, and Instagram. Below the navigation is the PBMares logo and a secondary menu with links for SERVICES, INDUSTRIES, PEOPLE, RESOURCES, LOCATIONS, and CONTACT. The main content area features the article title 'Home Office Deduction Primer' and a photograph of a woman working at a desk in a home office. To the right of the article is a 'PBMares Focus' sidebar with a green button that says 'VISIT OUR COVID-19 RESOURCE CENTER'. Below the sidebar is a 'CONNECT WITH US' section with a contact form including fields for First Name, Last Name, Phone Number, and E-mail, and a 'Submit Form' button. At the bottom of the sidebar is a 'SEARCH BY TOPIC' section with a search input field and a magnifying glass icon.

Meals and Entertainment Deductions – a History



Years	Meals	Entertainment
Prior to 1993	100%	100%
1993 - 2017	50%	50%
2018 - 2020	50%	No deduction
2021 - 2022	100%	No deduction
Thereafter	50%?	No deduction?

Other Individual Tax Provisions

Charitable

- \$300 above-the-line deduction continued through 2021, and expanded to \$600 for those who file jointly
- Higher charitable contribution limitations extended through 2021

Medical

- Deductible once they exceed 7.5% AGI (permanent change)

Education

- Lifetime Learning Credit changes - elimination of tuition and fees



Legislative Update



Questions



Visit our COVID-19 Resource Center

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

The screenshot shows the PB Mares website's COVID-19 Resource Center. The navigation bar includes links for SERVICES, INDUSTRIES, PEOPLE, RESOURCES, LOCATIONS, and CONTACT. The main heading is "Coronavirus (COVID-19) Resource Center".

Transitioning from Survival to Recovery

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.

Visit our **COVID-19 SOLUTIONS** section for a list of services to help address common business challenges you may be facing.

Please view our **RECORDED WEBCASTS** and visit this section often for regular updates on news and information.

PBMares COVID-19 Insights

- Employee Retention Credit: Do You Qualify?** (January 7, 2021)
- Home Office Deduction Primer** (January 7, 2021)
- Webinar: COVID-19 Response and Relief** (December 28, 2020)
- Accounting Elective for Rent Concessions During COVID-19** (December 28, 2020)
- Coronavirus Response and Relief – What it Means for You** (December 22, 2020)
- COVID-19 Reopening Guidance for Virginia Nonprofit Organizations** (December 21, 2020)
- M&A Due Diligence in the Era of Covid-19: PPP Loans Considerations** (December 9, 2020)
- The Changing Value of Commercial Real Estate: How COVID-19 Is Impacting Cap Rates** (December 1, 2020)
- Navigating a Troubled Hotel Market** (November 24, 2020)

CORONAVIRUS (COVID-19) RESOURCE LINKS

- PBMARES COVID-19 INSIGHTS
- FEDERAL & STATE UPDATES
- COVID-19 WEBINAR SERIES
- RESOURCES FOR BUSINESSES
- WORKING WITH US
- SUBSCRIBE TO OUR NEWSLETTER

CONTACT OUR QUICK RESPONSE TEAM.

CONNECT WITH US:

First Name* Last Name*

Phone Number -

E-mail*

How can we help you?*

INSIGHTS

QuickResponseTeam@PBMares.com



Rob Klingensmith
*Partner,
Consulting Line Leader*



Bradley C. Wilks, LACP
Wealth Advisor



Daniel H. Yoo, CFP®, CEPA®
Wealth Advisor



Addison Pock, CFP®
Wealth Advisor



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



Derek Hess
Associate Wealth Advisor



www.pbmares.com
QuickResponseTeam@PBMares.com

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