



2020 Nonprofit Update

PPP & EIDL Update

ED MCWILLIAMS, CPA
DIRECTOR, CERINI & ASSOCIATES, LLP





Notes

- ❖ Based on all updates as of June 26, 2020
- ❖ Presented for educational purposes only and cannot be used to contest any SBA, IRS or other penalties or assessments.
- ❖ Based on our interpretation of the CARES Act after reviewing the law, regulations and other professional guidance



PPP Loan Update

- ❖ Payroll Protection Program Flexibility Act (PPPFA) bought us a very valuable asset – TIME.
- ❖ New regulations issued and new forgiveness application are out.
- ❖ Still many unresolved points with the program and expenses – more guidance coming?
- ❖ The only thing we are 100% certain on is that NO ONE is 100% certain on anything with this program.



PPPFA

- ❖ Extended the covered period for loans from 8 – 24 weeks
- ❖ Lowered the mandatory payroll cost percentage from 75% to 60%
 - ❖ This does NOT mean you HAVE to spend 40% on eligible nonpayroll costs; it means you can spend on up to 40% on nonpayroll costs.
- ❖ Allows for PPP Borrowers to defer employer portion of Social Security tax as allowed under CARES Act



PPPFA

❖ Significant changes to the FTE rules

- ❖ Expansion of FTE “Safe Harbor” to *not-later-than* December 31, 2020

- ❖ New Safe Harbor if employers are unable to rehire employees AND were unable to hire similarly qualified individuals for unfilled positions on or before December 31, 2020.

- ❖ New Safe Harbor if employer cannot return to a similar level of “business activity” as of February 15, 2020 due to compliance with requirements established by HHS, CDC or OSHA by the *end of the covered period*.

- ❖ SBA guidance indicates that this means state and local orders



PPPFA

- ❖ Loans have a deferral until 10 months after end of covered period.
 - ❖ Means you have until 10 months after end of covered period to apply for forgiveness.
- ❖ Loans issued after June 5, 2020 have a 5 year maturity
 - ❖ Loans issued PRIOR to this date can have a change to this term, but only if lender and borrower mutually agree.

PPPFA – Payroll Tax Deferral

- ❖ CARES Act originally allowed for employers to defer (but not eliminate) employer Social Security payroll taxes
 - ❖ Only for employers that did not get a PPP Loan
- ❖ PPPFA allows now for ALL employers to obtain this deferral
 - ❖ Interest free
 - ❖ 50% due on December 31, 2021
 - ❖ 50% due on December 31, 2022
- ❖ Payroll providers have this set up now; speak to specialist if interested





PPP Loan Forgiveness

- ❖ New applications released as a result of the PPPFA.
- ❖ “Long Form” application substantially similar to prior.
- ❖ New “EZ” form released, can be used for borrowers that do not have an FTE reduction.



PPP Loan Forgiveness

- ❖ With 24 weeks, individual employee cash compensation limit is now increased to \$46,154
 - ❖ Includes all forms of compensation
 - ❖ Compensation paid OR incurred
- ❖ FTE Safe Harbor measurement date
 - ❖ EARLIER of December 31, 2020 or the date the application is submitted!
- ❖ Payroll processors are working on reports to help streamline this, and lenders and borrowers can generally rely on those.



PPP Loan Forgiveness

- ❖ Borrowers can apply for forgiveness prior to the end of the covered period
 - ❖ Practically speaking, we are unaware of any banks that are currently accepting forgiveness applications
 - ❖ The documentation requirements seem to indicate a 2nd and potentially 3rd Q payroll tax return may be required.
- ❖ Considering an organization can “spend away” any FTE reductions, early application probably does not make too much sense.
- ❖ Still hope for a further streamlining or blanket forgiveness.



PPP Uncertainties

- ❖ Interactions with Government funded agencies and deficit funded agencies.
- ❖ Retirement contributions
 - ❖ Application indicates “paid” for “employer contributions to employee retirement plans”
- ❖ Unemployment insurance
 - ❖ Is the reimbursement a tax?
- ❖ Health Insurance
 - ❖ Does this include dental and vision?
 - ❖ Under tax law, these are treated, generally, as health insurance
 - ❖ ACA did not consider these as health insurance to avoid the individual mandate

Economic Injury Disaster Loans(EIDL)

- ❖ Traditional SBA relief program during disasters.
- ❖ Ran out of funding and was replenished as part of the 2nd round of PPP Funding.
- ❖ SBA has been running through prior submitted applications.
- ❖ Organizations are still able to apply for funding
 - ❖ New applications were limited to agricultural concerns for a period, since removed
- ❖ Streamlined application is quick, will require information on gross receipts and cost of operations



Economic Injury Disaster Loans(EIDL)

- ❖ Loans are being limited to \$150,000 max.
- ❖ SBA underwriting is based on a presumed economic injury, typically at 4x monthly “gross profit”.
 - ❖ Older SBA guidance indicates this would be direct operating cost for an NFP.
- ❖ For nonprofit organizations they are 30-year term loans at a 2.75% interest rate.
 - ❖ Payment of 612.36 per month after 12 month deferral.



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 - ❖ Payment of 641.0 per month after 12 month deferral.



Economic Injury Disaster Loans(EIDL)

- ❖ NFP Loans still included language for collateral in assets
 - ❖ Includes clause that borrower will not dispose of collateral without SBA approval
- ❖ Requires hazard insurance of at least 80% of the loan value and proof of submission to the SBA.
- ❖ Borrower to provide financial statements to SBA within 3 months of year end
- ❖ Borrowers need to submit a resolution of the board of directors regarding this loan with 180 days



Economic Injury Disaster Loans(EIDL)

- ❖ Use of “proceeds of this Loan solely as working capital”
 - ❖ Accounts Payable
 - ❖ Rent
 - ❖ Current Debt Payments
 - ❖ Payroll (not covered by PPP)
- ❖ Ineligible uses
 - ❖ Expansion or refinancing of other debt
- ❖ Borrower will maintain receipts (invoices) for all loans funds spent for 3 years.

CONTACT INFO



Ed McWilliams, C9A
Director, Tax
Cerini & Associates, LLP
3340 Veterans Memorial Hwy
Bohemia, NY 11716
(631) 582-1600 x243
emcwilliams@cerinicpa.com

