

# What's New with the PPP and an Intro to the Main Street Lending Program

Presented by:

Bill McDevitt, CPA, CVA

Len Nitti, CPA, MST

Moderated by Dan Fiorentino, CPA, CGMA





Bill McDevitt, CPA, CVA



Len Nitti, CPA, MST



Dan Fiorentino, CPA, CGMA

Moderator

# Our Speakers

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# HOUSEKEEPING

- The content of this webinar is based on the information that is currently available as of April 13, 2020
- To ask any questions please use the questions pane in the GoToWebinar dashboard on your screen. We will try to answer as many questions as possible at the end.
- This webinar is being recorded and will be uploaded on to [www.wgcpas.com](http://www.wgcpas.com)

# Updates on the PPP Loans

## Per the Treasury FAQ:

### Question:

I filed or approved a loan application based on the version of the PPP Interim Final Rule published on April 2, 2020. Do I need to take any action based on the updated guidance in these FAQs?

### Answer:

No. Borrowers and lenders may rely on the laws, rules, and guidance available at the time of the relevant application. However, borrowers whose previously submitted loan applications have not yet been processed may revise their applications based on clarifications reflected in these FAQs.



# Agenda

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Overview of the PPP

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Understanding 'Payroll Costs'

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Calculating the Loan Amount

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Loan Forgiveness

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Loan Application Process

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Main Street Lending Program

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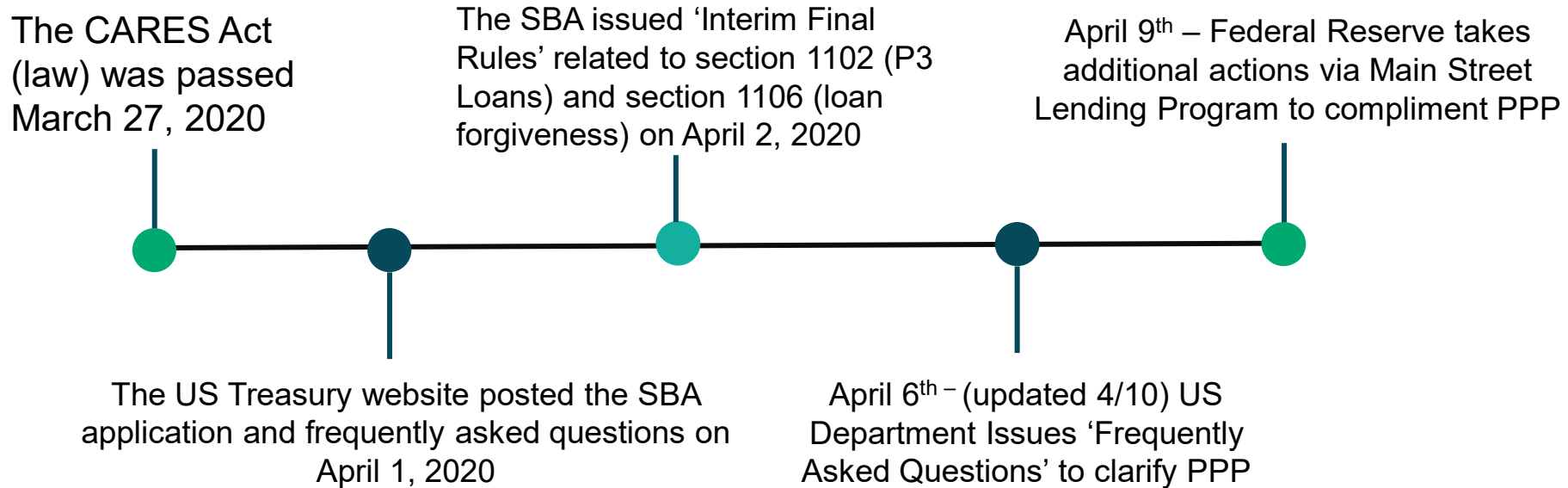
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# U.S. Jobless Claims Soar for Third Straight Week

Nearly 17 million Americans have filed new claims for benefits since mid-March as the coronavirus spread

# Timeline of the Paycheck Protection Program Information



- **There are still numerous conflicts in the items above**
- **Interpretations and misinterpretations**
- **Rumors**

# Understanding and Interpreting the Paycheck Protection Program

## Helpful links:

- US Small Business Administration:  
<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>
- US Department of the Treasury:  
<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
- Federal Reserve (Press Release on Main Street Lending Program):  
<https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm>



# Understanding and Interpreting the Paycheck Protection Program

(“PPP”)

- Until additional clarification is received, certain aspects of this law need to be interpreted in context of the underlying intent of this law
- Further regulations are forthcoming from the government
- The information presented in this webinar represents our current understanding and opinions as of this date

# Overview of the Paycheck Protection Program

## ("PPP")

### The basics:

- Federal program authorizing up to \$349 billion of guaranteed loans
- Small and medium sized businesses can receive up to \$10 million
- All loan proceeds could potentially be forgiven
- No personal guarantee or collateral required
- Waived 'credit elsewhere' requirement
- Loans are issued by banks that are either SBA approved or approved for this process

# Overview of the Paycheck Protection Program

## ("PPP")

### Eligibility:

- Small and medium-sized businesses with no more than 500 employees
  - Affiliation rules apply for the 500 employee criteria
  - Exceptions for certain industries (i.e. hospitality and restaurant)
- Must have been in business on February 15, 2020
- Must have been making payroll payments
- Includes sole-proprietors, independent contractors, and other self-employed individuals
- Could also include certain nonprofit organizations, veterans' organizations, and Tribal business concerns

# Understanding Payroll Costs

The business owner needs to clearly understand what is and what is not included under 'payroll costs' within the new law.

These 'payroll costs' serve as the basis for calculating the maximum loan amounts.

# Understanding Payroll Costs

The term ‘**payroll costs**’ means the sum of payments of any compensation with respect to employees that is a

- **Salary, wage, commission, or similar compensation (including amounts paid via PEO, employee leasing, and temporary staff)**
- Payment of cash tip or equivalent
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- **Payment of State or local tax assessed on the compensation of employees; and**

# Understanding Payroll Costs

The term 'payroll costs' also includes

- The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in 1 year, as prorated for the covered period. This is the law.

# Understanding Payroll Costs

The 'Interim Final Rule' states that payments to independent contractors do not qualify:

*Do independent contractors count as employees for purposes of PPP loan calculations?*

No, independent contractors have the ability to apply for a PPP loan on their own so they do not count for purposes of a borrower's PPP loan calculation.

# Understanding Payroll Costs

‘Payroll costs’ shall not include:

- The compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the covered period
- Taxes imposed or withheld under chapters 21, 22, or 24 of the Internal Revenue Code of 1986 during the covered period
- Any compensation of an employee whose principal place of residence is outside of the United States
- Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116–127)
- Qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act (Public Law 116–127)



# Calculating the Loan Amount

The maximum loan amount shall be the lesser of

2.5 x the average total monthly payments by the applicant for the payroll costs incurred during the 1-year period before the date on which the loan is made.

In the case of an applicant that is seasonal employer, as determined by the Administrator, the average total monthly payments for payroll shall be for the 12- week period beginning February 15, 2019, or at the election of the eligible recipient, March 1, 2019, and ending June 30, 2019.

\$10 million

# How can Loan Proceeds be Used?

- Payroll costs as previously defined
- Group health care benefits during periods of sick, medical, or family leave
- Mortgage interest payments
- Rent payments
- Utility payments
- Interest payments on any other debt obligations incurred before 2/15/20
- Refinancing of SBA EIDL

# Loan Forgiveness

During the 8-week period beginning on the loan origination date, an eligible recipient shall be eligible for debt forgiveness where the loan proceeds were used to pay select expenses.

## These expenses include:

- **Payroll costs**, as previously defined (must be at least 75%)
- Any payment of interest on any covered mortgage obligation (excludes principal payments and prepayments). Mortgage must have been incurred prior to February 15, 2020.
- Any payment on any covered rent obligation (lease must have been in force prior to February 15, 2020.)
- Any covered utility payment (electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020)

# Loan Forgiveness

**The amount of loan forgiveness shall be reduced, but not increased, by utilizing one of these two methods:**

Amounts paid  
for select  
expenses

X

average FTE employees per month during the 8 week period  
beginning on loan origination date

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average FTE employees per month during the period beginning on  
February 15, 2019 and ending on June 30, 2019

or

Amounts paid  
for select  
expenses

X

average FTE employees per month during the 8 week period  
beginning on loan origination date

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average FTE employees per month during the period beginning on  
January 1, 2020 and ending on February 29, 2020

**Note: there is an adjustment for seasonal employers**

# Loan Forgiveness

Reduction related to salaries and wages:

**Loan Forgiveness**

**A. General Questions**

Proposed Insured's Name: \_\_\_\_\_  
Birth Date: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone Number: \_\_\_\_\_  
ID Number: \_\_\_\_\_  
State: \_\_\_\_\_  
Occupation: \_\_\_\_\_  
Gender: ☐ Male ☐ Female  
Email Address: \_\_\_\_\_  
Social Security Number: \_\_\_\_\_  
Others: \_\_\_\_\_  
Are you a retiree? ☐ Yes ☐ No

**B. Type of Health Coverage**

Employee Plan Choice: ☐ Yes ☐ No  
Spouse Plan Choice: ☐ Yes ☐ No  
Children Plan Choice: ☐ Yes ☐ No

**C. Complete if Spouse/Children are Proposed for Insurance**

Name	SSN No.	Relationship to Covered Insured	Age	Sex

Annual Premium: \_\_\_\_\_  
Monthly PNT (comp): \_\_\_\_\_  
Signature: \_\_\_\_\_

- The amount of loan forgiveness shall be reduced by the amount of any reduction in total salary or wages of any employee (note 1) during the covered period that is in excess of 25 percent of the total salary or wages of the employee during the most recent full quarter during which the employee was employed before the covered period.
- Note 1 – in this context, the law defines an employee as any employee who did not receive, during any single pay period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000.

# Loan Forgiveness

## Exemption for Re-Hires:

- The reduction in loan forgiveness may be eliminated if
  - The eligible employer has eliminated the reduction in the number of FTE employees by June 30, 2020.
  - The eligible employer has eliminated the reduction in the salary or wages of such employees.
- The SBA and the Secretary of the Treasury may prescribe regulations granting de minimis exemptions from these requirements.

# Loan Forgiveness

## **In order to request forgiveness:**

- You can submit a request to the lender.
- Include documents to verify
  - Number of full-time equivalent employees and pay rates
  - Payments on eligible mortgage, lease, and utility obligations.
- You must certify that the documents are true
- The lender must make a decision on the forgiveness within 60 days.

For Federal tax purposes, the amount of debt forgiveness shall be excluded from gross income.

# Loan Forgiveness

## Required Documentation

**APPLICATION.**—An eligible recipient seeking loan forgiveness under this section shall submit to the lender that is servicing the covered loan an application, which shall include:

(1) documentation verifying the number of full-time equivalent employees on payroll and pay rates for the periods described in subsection (d), including—

- (A) Payroll tax filings reported to the Internal Revenue Service; and
- (B) State income, payroll, and unemployment insurance filings

(2) documentation, including cancelled checks, payment receipts, transcripts of accounts, or other documents verifying payments on covered mortgage obligations, payments on covered lease obligations, and covered utility payments;

(3) a certification from a representative of the eligible recipient authorized to make such certifications that—

- (A) The documentation presented is true and correct; and
- (B) The amount for which forgiveness is requested was used to retain employees, make interest payments on a covered mortgage obligation, make payments on a covered rent obligation, or make covered utility payments; and

(4) any other documentation the Administrator determines necessary.



# Loan Forgiveness

If the loan, or a portion of the loan, is not forgiven:

The interest rate shall be  
1% fixed rate

Loan is due in 2 years

Payments deferred for 6  
months (interest still  
accrues)

No prepayment  
penalties or fees

# When does the Eight-Week Period Begin?

Per the Treasury FAQ:

## Question:

The amount of forgiveness of a PPP loan depends on the borrower's payroll costs over an eight-week period; when does that eight-week period begin?

## Answer:

The eight-week period begins on the date the lender makes the first disbursement of the PPP loan to the borrower. The lender must make the first disbursement of the loan no later than ten calendar days from the date of loan approval.

# Loan Forgiveness

## Unanswered Questions:

- Any relief if employees refuse to come off unemployment?
- Treatment of payroll costs for employees earning over \$100k during covered period? (only \$8,333k per month?)
- Loan forgiveness for sole proprietors/independent contractors?
- Can employees be given advances to meet the 75% requirement/forgiveness?
- Will the expenses paid with the PPP proceeds be deductible?

Additional guidance to be issued 30 days from date of enactment (March 27, 2020)



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# Loan Application Process

## Per the US Treasury Website:

- April 3, 2020 - small businesses and sole proprietorships can apply and receive loans through existing SBA lenders.
- April 10, 2020 - independent contractors and self-employed individuals can apply and receive loans through existing SBA lenders.
- Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program.

# Loan Application Process



## Paycheck Protection Program Borrower Application Form

OMB Control No. 3245-0407  
Expiration Date: 09/30/2020

<b>Check One:</b> <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other		<b>DBA or Tradename if Applicable</b> _____	
<b>Business Legal Name</b> _____		<b>Business Address</b> _____	
<b>Business TIN (EIN, SSN)</b> _____		<b>Business Phone</b> ( ) - _____	
<b>Primary Contact</b> _____		<b>Email Address</b> _____	
<b>Average Monthly Payroll:</b> \$ _____	<b>x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:</b> \$ _____	<b>Number of Employees:</b> _____	
<b>Purpose of the loan (select more than one):</b> <input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____			

### Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Applicant received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

If questions (3) or (6) are answered "Yes," the loan will not be approved.

Question	Yes	No
5. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, or on probation or parole? Initial here to confirm your response to question 5 — _____	<input type="checkbox"/>	<input type="checkbox"/>
6. Within the last 5 years, for any felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted, 2) pleaded guilty, 3) pleaded nolo contendere, 4) been placed on pretrial diversion, or 5) been placed on any form of parole or probation (including probation before judgment)? Initial here to confirm your response to question 6 — _____	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the United States the principal place of residence for all employees of the Applicant included in the Applicant's payroll calculation above?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the Applicant a franchise that is listed in the SBA's Franchise Directory?	<input type="checkbox"/>	<input type="checkbox"/>



## Paycheck Protection Program Borrower Application Form

By Signing Below, You Make the Following Representations, Authorizations, and Certifications:

### CERTIFICATIONS AND AUTHORIZATIONS

I certify that:

- I have read the statements included in this form, including the Statements Required by Law and Executive Orders, and I understand them.
- The Applicant is eligible to receive a loan under the rules in effect at the time this application is submitted that have been issued by the Small Business Administration (SBA) implementing the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (the Paycheck Protection Program Rule).
- The Applicant (1) is an independent contractor, eligible self-employed individual, or sole proprietor or (2) employs no more than the greater of 500 or employees or, if applicable, the size standard in number of employees established by the SBA in 13 C.F.R. 121.201 for the Applicant's industry.
- I will comply, whenever applicable, with the civil rights and other limitations in this form.
- All SBA loan proceeds will be used only for business-related purposes as specified in the loan application and consistent with the Paycheck Protection Program Rule.
- To the extent feasible, I will purchase only American-made equipment and products.
- The Applicant is not engaged in any activity that is illegal under federal, state or local law.
- Any loan received by the Applicant under Section 7(b)(2) of the Small Business Act between January 31, 2020 and April 3, 2020 was for a purpose other than paying payroll costs and other allowable uses loans under the Paycheck Protection Program Rule.

For Applicants who are individuals: I authorize the SBA to request criminal record information about me from criminal justice agencies for the purpose of determining my eligibility for programs authorized by the Small Business Act, as amended.

### CERTIFICATIONS

The authorized representative of the Applicant must certify in good faith to all of the below by **initialing** next to each one:

- ☐ The Applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC.
- ☐ Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.
- ☐ The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule. I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.
- ☐ The Applicant will provide to the Lender documentation verifying the number of full-time equivalent employees on the Applicant's payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight-week period following this loan.
- ☐ I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the forgiven amount may be for non-payroll costs.
- ☐ During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under the Paycheck Protection Program.
- ☐ I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- ☐ I acknowledge that the lender will confirm the eligible loan amount using required documents submitted. I understand, acknowledge and agree that the Lender can share any tax information that I have provided with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

Signature of Authorized Representative of Applicant _____	Date _____
Print Name _____	Title _____

# Loan Application Process



## Paycheck Protection Program Borrower Application Form

 OMB Control No.: 3245-0407  
 Expiration Date: 09/30/2020

<b>Check One:</b> <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other		<b>DBA or Tradename if Applicable</b> <div></div>	
<b>Business Legal Name</b> <div></div>			
<b>Business Address</b> <div></div>		<b>Business TIN (EIN, SSN)</b> <div></div>	<b>Business Phone</b> <div>(   )   -   </div>
		<b>Primary Contact</b> <div></div>	<b>Email Address</b> <div></div>
<b>Average Monthly Payroll:</b>	\$ <div></div>	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$ <div></div>
<b>Number of Employees:</b>	<div></div>		
<b>Purpose of the loan (select more than one):</b>			
<input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): <div></div>			

# Loan Application Process

## From the lender perspective

### Steps:

- 1) Businesses submit application and supporting documentation to bank
- 2) Bank reviews and approves application and supporting documentation
- 3) Bank uploads application to SBA via E-Tran
- 4) SBA approves and assigns a number and communicates this to the bank.  
At this point the business has a locked in PPP loan
- 5) Loan documents executed and funding, depending on bank, could be 3-10 days

# Main Street Lending Program

**Q:** Who is eligible for the program?

**A:** The program is designed for businesses with as many as 10,000 employees or as much as \$2.5 billion in 2019 revenues.

**Q:** How is this different from the Paycheck Protection Program?

**A:** Unlike the P3 Loans, Main Street Loans are NOT forgivable.

**Q:** Will businesses apply directly to the government for loans?

**A:** The program isn't operating yet, but when it is, businesses will apply with banks to obtain loans.

**Q:** Can small businesses have both a P3 Loan and a Main Street Loan?

**A:** Yes



# Main Street Lending Program

## Other Details:

- The minimum loan size is \$1 million
- A maturity of no more than four years
- Principal and interest payments can be deferred for a year.
- Interest Rate will be adjustable using the Secured Overnight Financing Rate plus 2.5 to 4 percentage points.
- There is also an upfront origination fee of 1 percentage point.
- Loans can be paid off early without a penalty.
- The proceeds can't be used to repay or refinance pre-existing loans or lines of credit.

# Main Street Lending Program

## Other Details continued:

- Main Street New Loan Facility - Maximum loan is the lesser of \$25 million or an amount that, when added to the borrower's existing outstanding and available debt, doesn't exceed four times the borrower's 2019 EBITDA
- Recipients cannot pay dividends or buy back stock while the loan is outstanding and for 12 months after it has been paid off.
- Pay increases are prohibited for highly paid executives whose compensation exceeded \$425,000 in 2019.

# Main Street Lending Program

## Required Attestations of the Eligible Borrower:

- Refrain from using the proceeds to repay other loan balances.
- Refrain from repaying other debt of equal or lower priority, until this loan is paid in full
- Will not seek to cancel or reduce any of its outstanding lines of credit with any lenders
- Requires financing due to the exigent circumstances presented by the COVID-19 pandemic
- Will make reasonable efforts to maintain its payroll and retain its employees during the term of the Eligible Loan.
- Attest that it meets certain EBITDA leverage conditions
- Follows compensation, stock repurchase, and capital distribution restrictions that apply to direct loan

# Questions?



**Bill McDevitt**

Shareholder

[wmcdevitt@wgcpas.com](mailto:wmcdevitt@wgcpas.com)

732.846.3000 Ext 152

1200 Tices Lane  
East Brunswick, NJ 08816  
732 846 3000



**Len Nitti**

Shareholder

[lnitti@wgcpas.com](mailto:lnitti@wgcpas.com)

732.846.3000 Ext 172

499 Seventh Ave  
6th Floor, South  
New York, NY 10018



**Dan Fiorentino**

Principal

[dfiorentino@wgcpas.com](mailto:dfiorentino@wgcpas.com)

732.846.3000 Ext 129

 **WilkinGuttenplan**  
CPAs & Advisors

