

WEBINAR

COVID-19 Business Resources

CARES Act: How the Paycheck Protection Program Can Help my Business through COVID-19

Sandi Gordon, Strategist + Lending Specialist, Aldrich Advisors

Aldrich Advisors





Sandi Gordon

STRATEGIST AND LENDING SPECIALIST

Sandi joined Aldrich over a year ago and has over 25 years of experience in private banking as a lending specialist and trusted business advisor for her clients.

She creates meaningful relationships with her clients to develop a holistic understanding of their needs and goals.

- CARES Act
- What is the Paycheck Protection Program
- How do I apply for the Paycheck Protection Program
- Other considerations to manage the COVID-19 disruptions

This presentation is a broad overview of options available to businesses in response to COVID-19 and is provided as a service to our clients and friends. It should not be relied upon for tax or legal advice. The information was updated as of April 7, 2020 and we recognize it may change. Please contact your Aldrich Advisor for the most up to date information for your situation.

Coronavirus Aid, Relief and Economic Security Act (CARES Act)

- Signed into law March 27, 2020
- Paycheck Protection Program - Expands the ability to obtain loans under Section 7(a) of the Small Business Act through a new \$349 billion Paycheck Protection Program
 - Small businesses, nonprofits and veteran organizations
 - Generally have fewer than 500 employees; self-employed; sole proprietors, independent contractors; and business in accommodation and food services sector with fewer than 500 employees

Proceeds of the PPP Loan may be used for:

- Payroll costs
- Costs related to group healthcare benefits
- Mortgage interest payments
- Rent payments
- Utility payments
- Interest on pre-existing debt obligations that were incurred before the covered period

* There are certain specified exclusions in each category, contact your Aldrich Advisor for how these might affect you.

PAYCHECK PROTECTION PROGRAM

Important Dates

- Starting April 3, 2020
 - Small businesses, nonprofits and sole proprietors (with employees) can apply for loans through financial institutions (banks) and the Small Business Administration (SBA) lenders
- Starting April 10, 2020
 - Independent contractors and self-employed individuals (with no employees) can apply for loans
- June 30, 2020 - the final date to apply for this loan
 - Unless funds are exhausted prior to this date



If you qualify for the PPP Loan, you may receive:

- Up to \$10 million (determined by 2.5 times average monthly payroll for prior year)
- Loan payments are deferred for 6 months
 - If you maintain your workforce, the SBA will forgive the portion of the loan proceeds that are used to cover the first 8 weeks of payroll and other expenses following loan origination. These include:
 - Payroll costs
 - Cost related to healthcare benefits
 - Mortgage interest payments
 - Rent payments
 - Utility payments
 - Interest on pre-existing debt obligations that were incurred before the covered period
- Other expenses are limited to 25% for forgiveness purposes
- Loan forgiveness is subject to reduction if the borrower terminates employees or reduces salary and wages during the Forgiveness Period. Relief is provided if the borrower rehires employees or makes up for wages by June 30, 2020.

Key items to prepare for the PPP loan process:

- 2019 Balance Sheet and Income Statement (include schedules for AP/AR accounts)
- 2020 year to date Balance Sheet and Income Statement including schedules for AP/AR
- Current Debt Schedule
- 2018 & 2017 IRS returns (for businesses & owners, include all schedules)
- Personal financial statement for owners with 20% or more ownership in the business
- Business organization documents (Articles of Incorporation and LLCs, with By-laws for Corporations or Operating Agreements for LLCs)
- Payroll verification for 2nd, 3rd and 4th quarter of 2019; 1st quarter of 2020 (typically found in Form 941 or 944)

Communicate

- Contact your lenders – be proactive. Call your financial institution and explore refinancing, deferring payments and explore other tools that may be relevant
- Negotiate terms with your suppliers – keep close contact with your vendors. Consider negotiating your short-term trade payable into a note
- Speak with your CPA – there may be tax strategies that can help you in the long term
- Develop an operational and financial plan to help you work through business disruption issues caused by the current pandemic
- Develop a cash flow forecast that reflects the changes in your business and integrates your operational plan

Individuals

- Stimulus checks - \$1,200/\$2,400 individual vs. couple & \$500/child
- Withdraw up to \$100K from retirement without 10% penalty
- Required minimum distributions (RMD) waived for 2020
- Charitable deductions- for those not itemizing, \$300 “above the line” deduction and deduction of up to 100% of Adjusted Gross Income (AGI)

Businesses

- Net Operating Loss (NOLs) carried back 5 years ('18-'20)
- Delay payment of the 6.2% of Social Security tax on wages through 12/31/2020
- Employee retention credit for businesses continuing to pay employees
- Temporary suspension of limitation on business losses on 1040s through TCJA (The Tax Cuts & Jobs Act)
- Temporary increase threshold business interest expense limitations through TCJA
- Enables employers to pay up to \$5,250 of employees' student loans tax free

- Applications were accepted starting April 3, 2020 – act quickly
- Evaluate if the Paycheck Protection Program is right for your business or if you should focus on tax strategies that may be more advantageous
- Discuss your options with your network of trusted business advisors (lenders, CPAs, attorneys & other professionals)

Other programs to consider:

- [Economic Injury Disaster Loans and Loan Advance](#)
- [SBA Express Bridge Loan](#)
- [SBA Debt Relief](#)
- [Oregon Economic Injury Disaster Loans and Loan Advance](#)
- [Washington COVID-19 Business Relief](#)
- [California Financial and Technical Assistance for Small Business](#)
- Chamber of Commerce – focus on grants & list of local lenders/bankers in your area



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Contact: info@aldrichadvisors.com

Phone: 877.620.4489

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