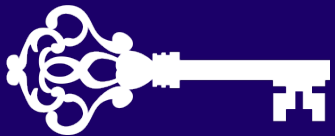


C&B
Accounting
PRESENTS:



Understanding Your PPP Loan

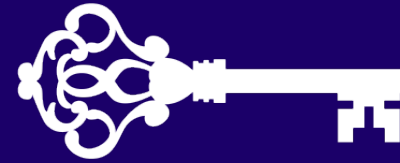
Deborah Schaub, CPA, MBA



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**“AN INVESTMENT IN
KNOWLEDGE PAYS
THE BEST
INTEREST.”**

~BENJAMIN FRANKLIN



Understand the rules and regulations of your PPP Loan and the Forgiveness Application, and you'll get the best payment plan possible:

0%!

**YOU'VE
RECEIVED
YOUR
PPP LOAN...**

NOW WHAT?

PPP Loans Were Offered to:

- Small businesses < 500 employees
- S Corps, C Corps, LLC's, Partnerships, and Sole Proprietorships
- Non-profits

**They are referred to as "Loans" but
we can think of them as "Grants"
since they can be forgiven for small
business owners**

RUN THE NUMBERS...

The calculation for the PPP loan is 2.5 x the average monthly payroll OR 2.5 months of 2019 net income for a self-employed individual (Schedule C net profit).

The program defines a maximum defined compensation as \$100,000.

Maximum loan amount is \$15,385 if you received a PPP loan *before* June 5, 2020 using an 8-week coverage period or

\$20,833 under the 24-week period (*optional* if you received your loan *before* June 5, *required* if you received your loan *after* June 5)



WHAT TYPES OF BUSINESSES RECEIVED A PPP LOAN?



**General
Partnerships**



S-Corps



C-Corps



**LLC's
Schedule C Filers
Self-Employed
Sole Proprietors
1099 Recipients**



S-CORPS

- Full loan forgiveness after 11 weeks when using the 24-week covered period for your own compensation. No need to calculate rent, interest, or utilities.
- Choosing the 8-week covered period originally meant that you would have had to also calculate rent, interest and utilities to take advantage of the full forgiveness, however, now you can choose the 24-week option.
- As an S-Corp owner-employee, your health insurance contributions made on your behalf cannot be separately added because they are calculated into your cash compensation.

C-CORPS

- Capped by the amount of your 2019 employee cash compensation and retirement/health insurance contributions made on your behalf.

PARTNERSHIPS AND MULTIPLE BUSINESS OWNERS--

There are many technicalities here! Contact C&B to discuss!

Form 1040

Schedule C Businesses/LLC's

Self-Employed Sole Proprietor

Your "compensation" is capped at \$15,385 (8-week covered period) or \$20,833 (24-week covered period) and calculated by using your net profit from Line 31 of your 2019 Schedule C. Take the 11-week option to obtain full forgiveness without calculating rent, utilities, or interest.

Example:

Suzie had \$150,000 in her 2019 Schedule C net profits. She paid \$24,000 for health insurance, deferred \$13,000 into her retirement plan and paid \$450 employer match. She used her PPP to pay her personal expenses and bills during the 24-week period when business was closed.

Payroll costs during the 24-week period are considered to be $2.5 / 52 \times 2019$ Schedule C net profit not to exceed \$100,000.
 $\$100,000 \times 2.5 / 12 = \$20,833$

- Self-employed individuals CANNOT add retirement or health insurance to payroll costs
- \$20,833 of the loan will be forgiven regardless of how much money she makes or loses during the 24-week period , regardless of how she spends the money
- See SBA Form 3508EZ
- The loan amount was 2.5 months of her 2019 net profit, not to exceed \$100,000

PLEASE FORGIVE ME!

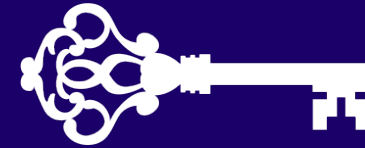
You may submit your loan forgiveness application anytime on or before the maturity date of the loan. This includes before the end of the covered period if you've exhausted the loan amount.

Ex: Ron receives his \$20,833 PPP loan on May 19, 2020. During the 11 weeks beginning with May 19, 2020, Ron's corporation pays qualified payroll costs that total \$20,833.

Ron can apply for \$20,833 of loan forgiveness any time after the 11th week.

“SAFE HARBOR” QUALIFICATIONS AND FORM: 3508EZ

**Use this simplified form 3508EZ
under the “Safe Harbor” initiative
if you meet one of the three
following conditions:**



1. You are self-employed, independent contractor, or sole proprietor who had no employees at the time of the PPP application and did not include any employee salaries in the computation of the average monthly payroll.
2. You did not reduce annual salary or hourly wages of any employee by more than 25% during the covered period. You did not reduce the number of employees throughout the covered period. If you were unable to rehire individuals or if your employees refused offers of reduced hours or a return to work status, you are still qualified to apply for forgiveness and use this form.
3. You were unable to operate during the covered period at the same level of business as prior to February 25, 2020 due to any situation related to COVID-19.



**Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ**

OMB Control No. 3245-0407
Expiration Date: 10/31/2020

PPP LOAN FORGIVENESS APPLICATION FORM 3508EZ INSTRUCTIONS FOR BORROWERS

Checklist for Using SBA Form 3508EZ

You (the Borrower) can apply for forgiveness of your Paycheck Protection Program (PPP) loan using this SBA Form 3508EZ if you can check at least one of the three boxes below. Do not submit this Checklist with your SBA Form 3508EZ.

- The Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483).
- The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, "employees" means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);
AND
The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period. (Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee's hours that the Borrower offered to restore and the employee refused. See [85 FR 33004](#), 33007 (June 1, 2020) for more details.
- The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, "employees" means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);
AND
The Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

If you can check at least one of the three boxes above, complete this SBA Form 3508EZ in accordance with the instructions below, and **submit it to your Lender** (or the Lender that is servicing your loan). Borrowers may also complete this application electronically through their Lender. If you are unable to check one of the boxes above, you cannot use SBA Form 3508EZ and instead you must apply for forgiveness of your PPP loan using SBA Form 3508.

Instructions for PPP Loan Forgiveness Calculation Form 3508EZ

Business Legal Name ("Borrower")/DBA or Tradename (if applicable)/Business TIN (EIN, SSN): Enter the same information as on your Borrower Application Form (SBA Form 2483 or lender's equivalent).

Business Address/Business Phone/Primary Contact/E-mail Address: Enter the same information as on your Borrower Application Form, unless there has been a change in address or contact information.

SBA PPP Loan Number: Enter the loan number assigned by SBA at the time of loan approval. Request this number from the Lender if necessary.

Lender PPP Loan Number: Enter the loan number assigned to the PPP loan by the Lender.

PPP Loan Amount: Enter the disbursed principal amount of the PPP loan (the total loan amount you received from the Lender).

Employees at Time of Loan Application: Enter the total number of employees at the time of the PPP Loan Application.

Employees at Time of Forgiveness Application: Enter the total number of employees at the time the Borrower is applying for loan forgiveness.

PPP Loan Disbursement Date: Enter the date that you received the PPP loan proceeds from the Lender. If loan proceeds were received on more than one date, enter the first date on which you received PPP loan proceeds.

PPP Form 3508EZ



Talk to Us

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