

# SBA Loans vs Credit/Deferrals

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Choosing the right option for you.

**Presented April 17, 2020**

**Hosted by:**

Moderator - Jason Knight, Director of Operations

CARES & Automation - Jack Biltis, President





# Agenda

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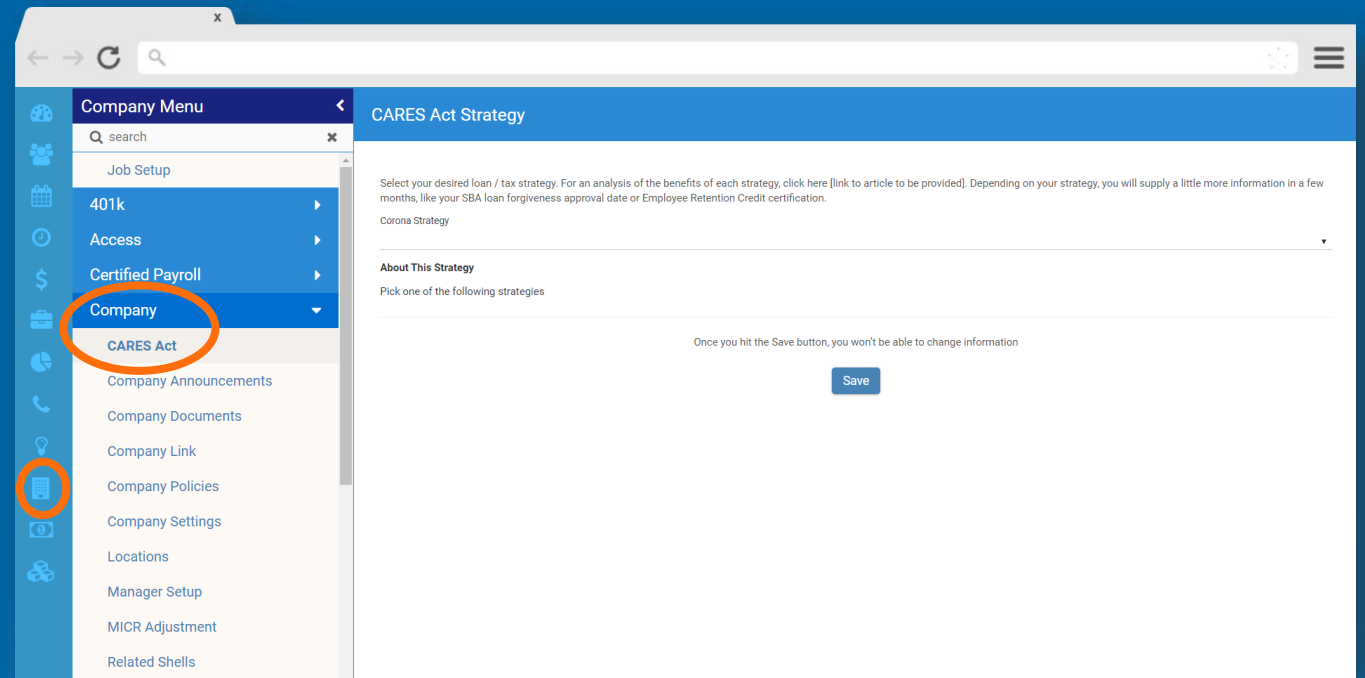
- SBA PPP Funds Used Up...What Now?
  - PPP Review
- Other Programs ... Pick Option in TAG
  - EIDL and Advances
  - Retention Credit
  - SS Tax Deferment vs Interest
- Selecting The Best Option
- Q&A

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# TAG | eBacon Clients

You will be able to select your choice of options in VIPER and we will implement the payroll tax credits/deferrals and the SBA Loan documentation.



# Payroll Protection Plan Review

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If You Were Approved or Congress Extends Program

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# PPP Loan Funds Used Up?



- 
- Some Banks Still Processing
    - Finish Application If Possible
    - Long List of Applicants if you haven't submitted
  - Congress Hoped to Approve More
    - Write To Congress
  - EIDL, Tax Deferment, Retention Credit may be better options

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# SBA PPP Loan



## Maximum Loan Amount

- 2.5X (prior 12 months beginning 2/15/2020) avg monthly payroll plus any SBA loan granted since Jan 31, 2020... up to \$10M
- Ex: Prior 12-month Payroll = \$3M
  - $\$3M/12 \times 2.5 = \$625,000$

**NOTE: Most banks are asking for calendar 2019 payroll costs**

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## Terms

- Interest is 1%
- Expected loan funding in 15-30 days
- Payments deferred for 6-12 months
- Loan is 2-year term
- Can be forgiven if certain terms are kept



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# SBA PPP Loan Forgiveness

## Limiting Factors:

- Less any wages over \$16,666 per EE (\$100k/yr)
- Less Corona Sick Pay covered by tax credit
- May only apply to "7(a) SBA loans and not EIDL "disaster loans"
- 75% of forgiveness amount must be payroll costs



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**Loan balance can be forgiven by adding together all the following costs for the 8-week period following the loan origination date:**

- Payroll costs (including group health benefits)
- Mortgage Interest
- Rent and Utilities

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# Forgiveness Reduction Calculations



## Wage Reduction Calculation

- % reduction of wage for each employee earning less than \$100k are cut by more than 25%...eg
  - EE1 went from \$110k to \$60k (45.5%) and would be ignored due to earning >\$100k
  - EE2 went from \$50k to \$37.5k (25%) and would be ignored b/c it didn't exceed 25%
  - EE3 went from \$60k to \$40k (33.3%). Calculate EE3 excess reduction (8.3% of \$60k = \$5k reduction in forgiveness).

## FTE Reduction Calculation

- Any cut in avg FTE count comparing Feb 15-Jun 2019 vs 8-week period from loan origination date
- eg. You had 20 FTEs in 2019 & 16 in 2020, forgiveness is reduced by 20% (4 out of 20)

*Forgiveness reduction can be offset by rehiring FTE to Feb 15, 2020 levels by June 30, 2020. For retained employees, any reduced wages also need to be restored to Feb 15, 2020 levels by June 30, 2020.*

***This does not increase the "gross" forgiveness amount (actual expenses following 8 weeks)***



# PPP Alternate Options

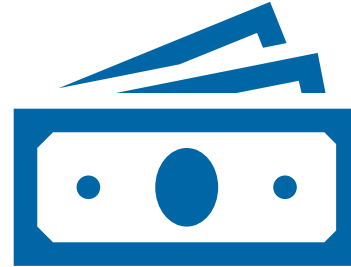
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# Economic Injury Disaster Loans (EIDL)



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- Best Option If You Need Cash and aren't getting PPP
    - More funds available but apply soon
    - Can be applied at same time (include wages if no PPP)
    - No Forgiveness
    - Can be run at same time as
  - Maximum amount of \$2,000,000
    - \$10k Advance
    - Must be used for working capital such as fixed debt and payroll
  - Interest rate of 3.75% for businesses (2.75% for nonprofits)
  - Loan term of up to 30 years, depending on the needs of the borrower
    - Automatic one-year deferment on repayment

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# Employee Retention Tax Credit



Available to employers whose:

- **Operations were fully/partially suspended due to a coronavirus-related shut down, or**
- Gross receipts declined by more than 50% when compared to the same quarter 2019 (80% in following quarters)

Employer Size

- **<= 100 FTE, all employee wages qualify for the credit**
- > 100 FTE, only wages paid to employees when they are not providing services due to coronavirus

- Up to 50% (\$5,000) of Qualified Wages & Health
- Most ERs will use March 12 – June 30 (shutdown)
- Max \$5k for EEs paid \$35k incl health (3 1/2 months = \$10k)

**Can't Take Credit if Taking PPP Loan Better Option than PPP if Less than 100 FTEs & EEs earn less than \$40k**

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## 6.2% Payroll Tax Deferment

Example: P50 EEs Avg \$40k wages

- \$2M in Annual Wages
- \$124k Annually in ER SS @ 6.2%
- \$88k in SS from Mar 21 – Dec 31, 2020
  - \$44k due Dec 2021
  - \$44k due Dec 2022



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- Can defer 100% of the employer SS (6.2%) between March 21 – Dec 31, 2020
    - 50% paid on-time, 25% by Dec 2021, 25% by Dec 2022
  - **Simpler Option ... If you don't want to have deferred liabilities, TAG can invest it**
    - **Earn 1.5% on any invested funds on each invoice**
  - Both options auto-credit TAG invoice as of next week retro to March 21 PRs
  - You can defer any taxes up until PPP Loan Forgiveness Date (PPO Only)
    - Apply for SBA Loan Forgiveness Late in 2022 (eg Dec 2020)
    - **Give TAG PPP Forgiveness Approval Date or Incur Penalties**

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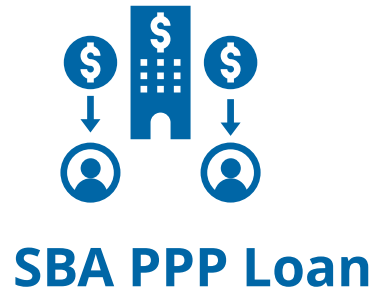


# Great...so what should I do?

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# Big Picture Options



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(Up to the date of the SBA Loan Forgiveness Date)



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# With the SBA or Without the SBA

## Been Approved For SBA PPP Loan

- Get Loan Funded
- Keep Records (separate account not necessary)
- Maximize reasonable 8-week payroll expenses
- Maximize 8-week rent/interest/utility expenses
- Rehire EEs & restore salary by June 30
- Use C19 Sick Pay conservatively (possibly)
- Request 6-12 month Loan Payment Deferral (if desired)
- Delay forgiveness application until Dec 2020 if desiring 6.2% tax deferment
  - Take the interest option
- Give TAG your forgiveness approval date

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## Not Been Approved Yet

- Apply for EIDL (if needing cash)
- Keep application for PPP
- Turn On 6.2% Tax Deferment
  - Take deferment option
- Use Sick Pay liberally (possibly)
- Request 1-year Loan Deferral (may be automatic)
- Maximize March-June Payroll Expenses/EEs
- Wait to see about PPP before turning on EE Credit



# How TAG will Automate Process



C19 Sick Pay Rates, Limits and Sick Pay Tax Credit



SBA Loan & Forgiveness Calculations

- Documentation for loan applications



Payroll Tax Deferment – Deferment or Interest Credit



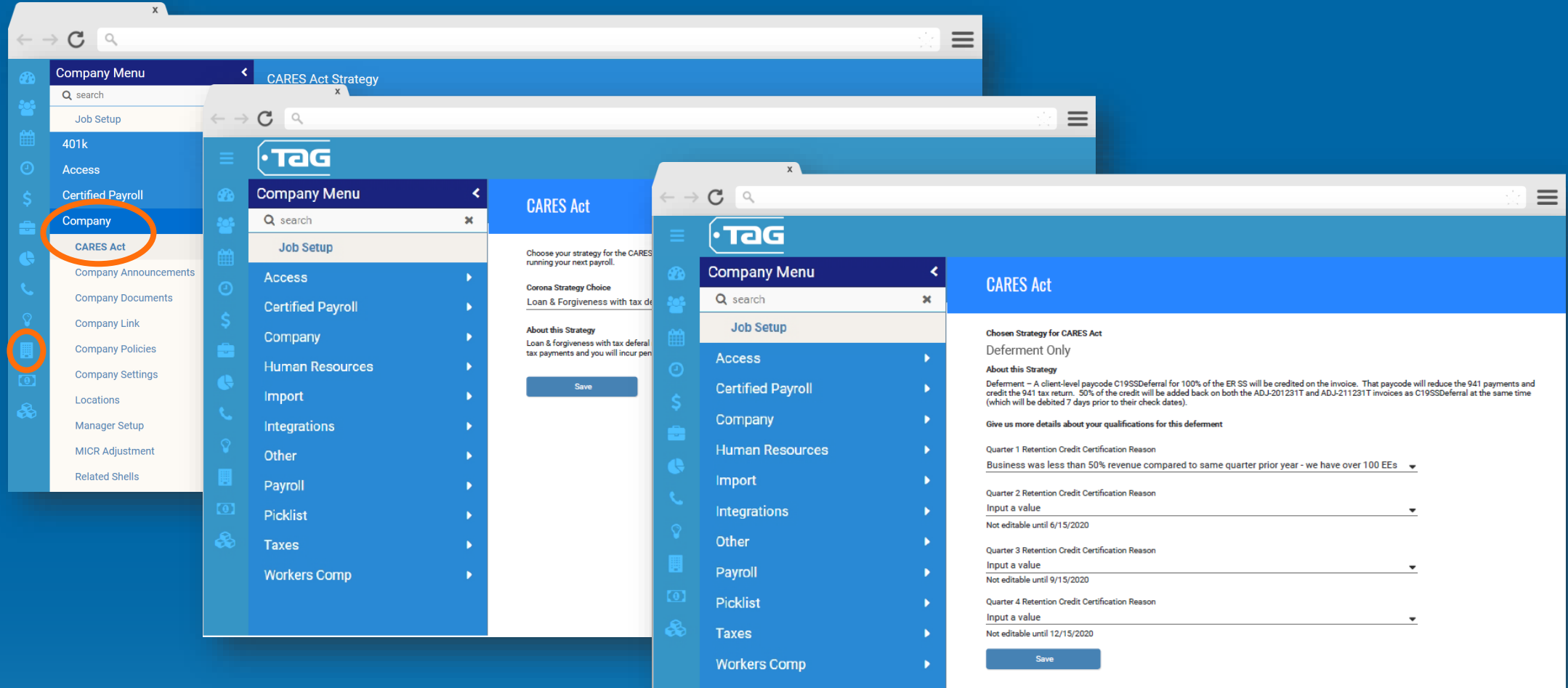
Employee Retention Credit Up to \$5k/EE

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# You make the choice. We do the work.



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**Questions?**

# Thank you.

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