

# Been Approved for Loans? Now What?

## *Business Strategies & Modeling for Your Loan Monies*

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*Create Opportunities*

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## Discussion Topics for Today

- Business strategies to consider
- Modeling and forecasting
- PPP – Now the hard part...forgiveness planning
- IFRN Supplement – Self Employed



## Business Issues/Strategies to Consider

- Stabilize work force – difficult employees to retain
- Buy cars remotely – virtual auctions
- Digital retail experience – how to sell remotely
- Floor plan lines – interest and curtailment deferral
- Plan for stimulus refunds
- What does recovery look like?



## Modeling and Forecasting

- Need to predict cash flow to survive this crisis
  - Discuss slower payments with vendors
  - Review every expense to eliminate all but essential costs until business resumes
  - Prepare 3 different plans – bad, worse, disaster
    - ◇ What determines these phases, and
    - ◇ what will I do if these occur?
    - ◇ Be specific – determine reductions in salaries, expenses, inventory purchases



# Suggestions for Loan Forgiveness

- **Plan and Forecast Your 8 Weeks of Expenses**
  - 75% Payroll, 25% Other Costs
    - ◇ Payroll is same costs as those on Max Loan calculation
  - Other Costs
    - ◇ Rent, Utilities, Interest on Mortgages, Interest on Secured Debt
    - ◇ Utilities – Telephone, electric, gas, internet
    - ◇ Rent – no guidance that self rental does not work
- Consider having proceeds held separately- *track expenses*
- Floor plan – Track interest for 2/15/20 units
- Suggest review with your CPA to assure proper expenses are submitted to be sure forgiveness is maximized and not errant



# Loan Forgiveness Estimation

Loan Distribution Date: **4/12/2020**  
 Last Payroll Date: **6/7/2020** *This is 56 days (8 weeks) from the date Lender first disburses money to dealership*

**Number of full time employees you had in the following periods:**

|   |    |
|---|----|
| February 15, 2019 - June 30, 2019 average FTE | 48 |
| Jan 1, 2020 - February 29, 2020 average FTE   | 50 |
| Actual FTE Employee count June 30, 2020       | 46 |

**Full time employees retained:**

|   |        |
|---|--------|
| Actual FTE Employees June 30, 2020        | 46     |
| Lesser of 2/15-6/30/2019 or 1/1-2/29/2020 | 48     |
| % FTE Employees Retained Jun 30, 2020     | 95.83% |

Total PPP Loan **\$800,000.00** Weekly Payroll to cover 75% of loan = **\$75,000.00**

| Payroll                  | Salaries, Wages, Commissions, Bonus' = < \$100k | Cash Tips   | Vacation, Parental, Medical, Sick Leave | Health Care Benefits | Retirement Benefits | State & Local Tax on Comp (SUTA) | Separation or Dismissal Pay |
|--------------------------|---|-------------|---|----------------------|---------------------|----------------------------------|-----------------------------|
| Week 1 Payroll           | \$71,000.00                                     | \$62,000.00 |   | \$9,000.00           |                     |                                  |                             |
| Week 2 Payroll           | \$0.00  |             |   |                      |                     |                                  |                             |
| Week 3 Payroll           | \$0.00  |             |   |                      |                     |                                  |                             |
| Week 4 Payroll           | \$0.00  |             |   |                      |                     |                                  |                             |
| Week 5 Payroll           | \$0.00  |             |   |                      |                     |                                  |                             |
| Week 6 Payroll           | \$0.00  |             |   |                      |                     |                                  |                             |
| Week 7 Payroll           | \$0.00  |             |   |                      |                     |                                  |                             |
| Week 8 Payroll           | \$0.00  |             |   |                      |                     |                                  |                             |
| Week 9 Payroll-if needed | \$0.00  |             |   |                      |                     |                                  |                             |
| <b>Total</b>             | <b>\$71,000.00</b>                              |             |   |                      |                     |                                  |                             |
| % of loan used           | <b>8.88%</b>                                    |             |   |                      |                     |                                  |                             |

**These expenses make up 25% of PPP Loan and have to be dated before 2/15/2020**

| Expenses       | Rent               | Mort. Intrst | Utilities | Other Interest* |
|----------------|--------------------|--------------|-----------|-----------------|
| Week 1         | \$17,000.00        | \$10,000.00  | \$0.00    | \$2,500.00      |
| Week 2         | \$0.00             |              |           |                 |
| Week 3         | \$0.00             |              |           |                 |
| Week 4         | \$0.00             |              |           |                 |
| Week 5         | \$0.00             |              |           |                 |
| Week 6         | \$0.00             |              |           |                 |
| Week 7         | \$0.00             |              |           |                 |
| Week 8         | \$0.00             |              |           |                 |
| <b>Total</b>   | <b>\$17,000.00</b> |              |           |                 |
| % of loan used | <b>2.13%</b>       |              |           |                 |

Payroll to Other Qualified Expenses **80.68%**      Total % of loan used By Payroll & Expenses **11.00%**



## Opportunities During Forgiveness Period

- My labor is paid – Now What?
  - Leave employees home and enjoying time off?
    - ◇ Offer discounted service – generate revenue
    - ◇ Paint and clean dealership – if allowed
    - ◇ Have sales people post to social media to generate goodwill/sales
    - ◇ Call past customers to generate goodwill/sale
    - ◇ Clean up/scan paper files
    - ◇ Work on advertising related to recovery
    - ◇ Purchase cars needing further reconditioning than normal





## Other Discussion Items

- EIDL Loans – Can have both but not for same expenses
- Over 500-10,000 employee loans – not favorable terms
- Taxability of PPP loan forgiveness- deductibility of forgiven expenses
- When to rehire? FTEs are 6/30/20
- Income Taxes – Look to carryback 2018, 2019 NOLs
- Opportunities
  - Offer discounted service, body shop and parts
  - Use employees not busy to plan for future, clean dealership, do training



## IFRN – Self Employed – Issued 4/14/20

- Who does this apply to? Schedule C filers
- If no employees – it applies to 2019 Schedule C income – prepare form if needed
- Max with no employees –  $100,000/12 \times 2.5 = \$20,833$
- Probably not much interest from banks
- Appears no offset with other regular wage income
- If employees – then employee wages and benefits plus net Schedule C income for 2.5 months





## Questions

*Be sure to join us next week:  
The Ins and Outs of PPP Loan  
Forgiveness*

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