

The Ins and Outs: Status of Loan Programs, Forgiveness, and Planning for Recovery

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Discussion Topics for Today

- Status of Government Economic Stabilization and Recovery Programs
- The PPP Program for Self Employed
- Update on Forgiveness Calculations
- Rehiring and Rebuilding My Dealership
- The Road to, and Planning for Recovery



Covid-19 Crisis Loan Programs

- Paycheck Protection Program (PPP) Loans/Forgiveness
- Economic Injury Disaster Loans (EIDL)
- SBA Express Loans
- Main Street Lending Program Loans
- US Chamber of Commerce - \$5,000 Grants



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



Forgiveness Calculations – *Now for the Hard Part*

- 75% Payroll, 25% Other Expenses
 - Payroll –
 - ◇ Bonuses?
 - ◇ \$100,000 limit (include pay before crisis)
 - ◇ Family?
 - ◇ How does annualization work?
 - ◇ Can I move employees between companies to meet forgiveness and FTE
 - ◇ Rehires?



PPP Loan Questions

- What rent counts?
 - Dealership rental – Self rental?
 - Copier leases
 - Computer leases
 - Vehicle leases
 - Service loaner leases
- What utilities count?
 - Telephone and internet
 - Electric
 - Gas
 - Gasoline in cars?
 - Transportation?
 - Waste removal



What Interest Counts

- Mortgage interest...yes
- Floor plan interest?
- Other unsecured interest?
- Other secured interest?
- Shareholder loan interest?

Loan Forgiveness Amount

Loan Forgiveness Amount

Represents the maximum amount a qualified borrower may have forgiven.

Costs Incurred During the "Covered" Period (8 weeks following loan origination):

Payroll Costs: *

Salaries, wages, commissions, vacation and sick pay (not to exceed \$100K per employee)

\$ 114,676

Group Health Insurance

\$ 10,000

Retirement Benefit Costs

\$ 2,000

State/Local Taxes on Employee Compensation (i.e., employer U.C. tax)

\$ 500

Rent**

\$ 40,000

Utilities**

\$ 6,000

Interest on Covered Mortgages (on real or personal property)**

\$ 7,500

Less Non-Payroll Expenses Limited to 25%

\$ (11,108)

Tentative Loan Forgiveness (before required reductions)

\$ 169,569

LESS: Required Reductions in Loan Forgiveness:

Number of Employees:

Monthly Average Full Time Equivalent ("FTE") Employees for the

Covered Period (8 weeks following origination of the covered loan)***

7

Lesser of (at borrower's choice):

Monthly Average FTE's for the period February 15 to June 30, 2019

9

Monthly Average FTE's for the period January 1 to February 29, 2020***

8

8

% Reduction

9.13%

(15,473)

Compensation Reduction:

Individual Employee Compensation Reduction in Excess of 25%

Compared to the Most Recent Full Quarter Before Origination of Loan****

(3,590)

Tentative Loan Forgiveness

\$ 150,506



PPP Forgiveness Reduction

Employee Headcount - Full Time Equivalent Calculation						
Employee	Regular Hours Total	Overtime Hours Total	Total Hours			
Employee #1	21.56	0	21.56			
Employee #2	30.38	0	30.38			
Employee #3	31.07	0	31.07	Full Time Employees = 30 hours a week or 130 hours a month		
Employee #4	31.87	0	31.87			
Employee #5	33.07	0	33.07	Full Time Equivalent - Total Hours Worked by part time employees < 130 hours a month		
Employee #6	33.87	0	33.87			
Employee #7	49	0	49	295.2	Total Hours worked by PT Employees	
Employee #8	64.42	0	64.42	130	Divided by Hours	
Employee #9	155	0	155	2.27	Equals Full Time Equivalent Employees	
Employee #10	151.04	6.11	157.2			
Employee #11	158.09	0.04	158.1	5	Full Time Employees	
Employee #12	158.64	0	158.6			
Employee #13	160.27	0	160.3	7.27	Total Full Time Equivalent Employees	

Forgiveness Reduction – Wages Over 8 week Period

Employee Salary Reduction - 75% Gross Pay Calculation					
Employee	Gross Pay	Prorated Avg. Pay Prior Full Qtr.	% Of Prior Full Qtr.	Loan Reduction Amount	
Employee #1	\$ 3,281.00	\$ 3,448.88	95%		
Employee #2	\$ 7,686.40	\$ 7,686.40	100%		
Employee #3	\$ 7,042.00	\$ 8,020.80	88%		
Employee #4	\$ 2,508.00	\$ 5,098.64	49%	\$ 1,315.98	Employees who made a prorated wage of over \$100k for any pay period not included.
Employee #5	\$ 6,435.00	\$ 10,012.80	64%	\$ 1,074.60	\$1,923.07 a week
Employee #6	\$ 6,880.00	\$ 6,880.00	100%		\$3,846.15 Bi-Weekly
Employee #7	\$ 11,760.00	\$ 11,760.00	100%		\$4,166.67 Semi-Monthly
Employee #8	\$ 6,700.00	\$ 25,431.00	26%	over \$100k	\$8,333.33 Monthly
Employee #9	\$ 5,000.00	\$ 60,026.64	8%	over \$100k	How to treat employees who are no longer employed?
Employee #10	\$ 44,213.04	\$ 44,213.04	100%		
Employee #11	\$ 4,784.00	\$ 7,560.00	63%	\$ 886.00	Total Salary Reduction:
Employee #12	\$ 4,745.00	\$ 6,744.00	70%	\$ 313.00	\$ 3,589.58
Employee #13	\$ 3,642.00	\$ 4,096.00	89%		

*Total Wages Over The 8 Week Covered Period



PPP Loan Questions

- Can funds be used for other purposes if not forgiven?
- Can I offset funds against loans until paid out?
- How to I account for such funds?
- Is a separate bank account necessary?
- Can the bank only release funds as I incur forgivable expenses?
- Do I need to be concerned about bank note terms?
- Any situation that just not rehiring and using loan proceeds is best?



Rehiring and Rebuilding My Dealership

- Plan the business model
 - Schedule PPP forgiveness hiring
 - Schedule rehiring based on recovery scenarios
 - Determine inventory purchases/sales based on back to work initiatives
 - What losses do I foresee based on recovery scenarios
 - How will my cash flow last
 - Talk to bank about loans deferrals, covenants and terms up front



The Road to, and Planning for Recovery

- Plan for marketing, collection and sales related to taxpayer rebates
- How to jump start sales, goodwill gestures, newsmakers
- What processes and things do I change at my dealership to allow for slow re-entry of customers safely
 - ◇ Vehicle sales process
 - ◇ Handling of service work
 - ◇ Internet marketing of vehicles
- Vehicle prices are down, vehicle prices are up?





Questions?

Be sure to join us next week.

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