PAYCHECK PROTECTION PROGRAM

WHAT YOU NEED TO KNOW ABOUT SPENDING AND TRACKING YOUR PPP

SPONSORED BY SMALL BUSINESS ASSOCIATION OF MICHIGAN
AND
MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

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PANELISTS

• **Sam Hodges** CPA CGMA – Managing Partner of Hodges Accounting & Advisory Services

• **Dan Houlf** Esq – Recently retired from General Motors Company, Dan was the General Tax Counsel, responsible for leading a large team of tax professionals in GM’s Tax Counsel Group

• **James Lopiccolo** CPA CGMA – Managing Partner of Capocore Professional Advisors
AGENDA

• Generally, What Can the Loan Proceeds Be Used for
• What Can Loan Proceeds Be Used for To Qualify for Forgiveness
• Other Necessary Elements to Secure Loan Forgiveness
• Questions and Answers
If you use PPP funds for unauthorized purposes, SBA will direct you to repay those amounts. If you knowingly use the funds for unauthorized purposes, you will be subject to additional liability such as charges for fraud. If one of your shareholders, members, or partners uses PPP funds for unauthorized purposes, SBA will have recourse against the shareholder, member, or partner for the unauthorized use.

SBA Interim Final Rule Section III 2(s), page 17
Paycheck Protection Program
Generally - What Can Loan Proceeds Be Used For?

Eligible Uses: PPP loans may be used for allowable uses ordinarily permitted under Section 7(a) of the SBA (e.g., acquiring real estate, making a capital improvement, or acquiring inventory and supplies), as well as the following expenses incurred from February 15, 2020 through June 30, 2020 (the “covered period”):

• Salary, wages, commissions, tips or similar compensation
• Certain employer paid benefits (e.g., health care, retirement, sick leave)
• Rent (for agreements in place on February 15, 2020)
• Utilities (electricity, water, internet access, telephone)
• Interest on business indebtedness (in place on February 15, 2020)
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GENERALLY - COVERED PERIOD FOR APPROPRIATE USES PROCEEDS

**COVERED PERIOD**

2/15/2020 - 6/30/2020

Can pay qualified expenses *incurred* within the Covered Period

Will not be able to use funds for expenses incurred

May not be able to use funds for expenses incurred
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APPROPRIATE USE OF PROCEEDS TO QUALIFY FOR LOAN FORGIVENESS

For the eight-week period following the issuance of the loan (the “covered period”), the funds can be used for the following allowable expenses:

• Wages (except for the compensation of an individual employee in excess of an annual salary of $100,000 as prorated for the covered period)
• Certain employee benefits (e.g., medical insurance, retirement contributions, sick leave)
• Rent payments under lease obligations – not prepayments
• Utility payments

Note: this is a narrower definition than the generally authorized use of PPP loan proceeds because it doesn’t include Section 7(a) allowable uses
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COVERED PERIOD FOR LOAN FORGIVENESS

- Will not qualify for forgiveness
- Proceeds Date: Can only forgive certain expenses incurred and paid during this time
- COVERED PERIOD: Eight Weeks
- Will not qualify for forgiveness
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COVERED PERIOD FOR LOAN FORGIVENESS

• Forgiveness will only apply to those costs that are incurred and paid during the eight-week period following the issuance of loan.

• **Caution:** It is possible to spend the proceeds for appropriate expenses incurred between February 15, 2020 through June 30, 2020, but not qualify for forgiveness because expenses fell outside eight-week period after issuance of the loan.
# LOAN FORGIVENESS SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>Use of Funds</th>
<th>Forgivness</th>
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<tbody>
<tr>
<td><strong>Dates</strong></td>
<td>2/15/2020 to 6/30/2020</td>
<td>8 Weeks After Funding</td>
</tr>
<tr>
<td>Payroll Costs</td>
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<td>YES</td>
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<tr>
<td>Rents</td>
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<tr>
<td>Utilities</td>
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<td>Debt Interest</td>
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</tr>
<tr>
<td>Other Operating Costs Permitted Under 7(a)</td>
<td>YES</td>
<td>NO</td>
</tr>
</tbody>
</table>


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LOAN FORGIVENESS

• Amount forgiven may not exceed principal amount of loan (interest still required)
• Only up to 25% of forgiven amount may be for non-payroll costs
• Amount forgiven Limitation #1 – based on average FTE headcount during covered period / average FTE for lookback period
• Amount forgiven Limitation #2 – based on excess salary reduction calculation below 25% excluding employees earning more than $100k - complex calculation
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LOAN TERMS

• If not forgivable, 2-year term at 1% fixed interest rate
• Payments deferred for 6 months, interest from date of origination
• Nonrecourse, no prepayment penalties
PRACTICAL CONSIDERATIONS

• Separate Bank Account
  • It is highly recommended to set up a separate bank account
  • Will assist in confirming only authorized – forgivable amounts are spent
  • Will assist in repaying if funds are not used for payroll purposes
  • KEEP GOOD RECORDS and RECEIPTS
PRACTICAL CONSIDERATIONS

• Consider doing the following NOW:
  • Using a special payroll code to track hours during the 8-week covered period
    • PPP Hourly, PPP Salary, PPP Bonus for example
  • Do the lookback period calculations
    • FTE, Q1 payroll
  • Calculate the Maximum non-payroll use amount (loan x 25%)
  • Track use of funds (beginning February 15th)
  • Project use of funds to help calculate forgiveness
PRACTICAL CONSIDERATIONS

• (f) PROHIBITION ON FORGIVENESS WITHOUT DOCUMENTATION
  • No eligible recipient shall receive forgiveness under this section without submitting to the lender that is servicing the covered loan the documentation required under subsection (e).
QUESTIONS

Sam Hodges CPA CGMA

Daniel Houlf Esq

Jamie Lopiccolo CPA CGMA
WHERE CAN I TURN TO FOR HELP?

Sam is the Managing Partner of the new and growing full-service CPA firm, Hodges Accounting & Advisory Services with offices in Southfield and expanding soon in Taylor and Flint. With over 60 years experience with Big 4 and Regional Public Accounting as well as Private industry experience, the professionals at HAAS are here to help you with all your audit, tax and planning needs. Visit us at www.HodgesLLC.com.

Jamie is the proud owner of the local CPA firm, Capocore Professional Advisors, located in downtown Lake Orion. Jamie specializes in providing accounting, financial reporting, tax planning, tax preparation and advisory services to closely held businesses and individual. He has leveraged the use of technology and cloud computing to stay competitive and relevant to the changing business environment. In his over 30 years of public accounting experience, Jamie has worked in multitude of areas including, manufacturing, medical, professional service companies and real estate. Jamie is a graduate of Walsh College and is a member of the American Institute of Certified Public Accountants (AICPA) and the Michigan Association of Certified Public Accountants (MICPA), where he serves as a member of the board of directors, the finance committee and Chair of the Small Firm Practitioners Task Force.
Dan recently retired from General Motors Company. Dan was the General Tax Counsel, responsible for leading a large team of tax professionals in GM’s Tax Counsel Group. Duties include providing legal advice regarding the tax consequences of the GM bankruptcy and other major corporate transactions; management of relationship with IRS and various state tax authorities; development and implementation of federal and state planning initiatives; development of federal and state return filing positions and dispute resolution strategies; management of pending litigation relating to federal and state tax matters; Tax lead on matters relating to federal and state tax legislation, including The Tax Cuts and Jobs Act of 2017; and the supervision over employee benefits and executive compensation matters.

Prior to joining GM, Dan also worked for Ford Motor Company for 13 years, and as a Trial Attorney with U.S Department of Justice, Tax Division for 5 years. In a prior life, Dan was also a licensed CPA in the State of Illinois and he started his post law school career with Arthur Anderson in Grand Rapids, Michigan.

Most recently, Dan has leveraged his experience by helping small and medium size businesses on a variety of tax and legal matters, including the CARES Act and the Paycheck Protection Program.
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