

## **SBA LOANS/FORGIVENESS-RELATES MAINLY TO EMPLOYEE RETENTION & REBATES**

To all,

Told you help was on the way. This is not a 100% done deal, Senate just passed, and House still must vote, but if Trump and Munchin announced on national TV details of the bill, my guess is this will get done. If it doesn't contact Speaker Pelosi personally.

Remember the CARES act in a previous blast. This is it. The largest bill in American history!!!!

We got a copy of the final Senate bill earlier today, so had a good head start. We will hit the parts we are all worried about. How can we keep paying our employees and hope to ride this out? These are our high-level interpretations (hopefully accurate) and if something changes call Congress, 😊.

As details of all this rolls out, the biggest deal for most of our clients is the SBA forgivable loans. All employers with less than 500 full time employees qualify which is most of our clients. Allows businesses to keep employees on payroll and helps with other overhead costs.

Please realize these are new laws, the implementation pieces of this will be forthcoming, so the specifics of how this all works is unknown. Bills become laws and then they issue guidance, so please refrain from asking exactly how this affects each of you because that is unknown. Frustrating as that is, but we are all in the same boat. We are interpreting the law, but the implementation of the law is unknown.

## **SBA LOANS/FORGIVENESS-RELATES MAINLY TO EMPLOYEE RETENTION**

It's a pretty straightforward calculation. Average monthly payroll costs (including health premiums paid and retirement matches) multiplied by 2.5. It's the prior 12-month average and if business didn't start until after 7/1/19, it's average from 1/1/20-2/29/20. Self-employed are included (not sure on the logistics of this) but will be included. This is your loan amount. More clarifications on how this will work will be provided at some point by the Feds.

The forgivable amount of the loan is the payroll costs for the 8 weeks following the loan, plus rent/mortgage, interest on certain loans and utilities for those 8 weeks. The payroll piece is capped for highly compensated. They are not forgiving all amounts for highly compensated employees. The limit is \$100K annualized, not over the 8 weeks. Up to the limit will be forgiven, but not over. Prevents people from manipulation. This amount will be forgiven by bank, SBA pays bank and it is not taxable income to the business owner. Any amounts not forgiven become a loan deferred for a year and amortized over 10 years at an interest rate not to exceed 4%.

This is to encourage all small businesses whether you are open or not to retain staff at their current rates for the next 2 months. And we do as well.

All banks have been encouraged to make these loans, if you have a bank you work with you should contact them. Their phones are about to get busy!! Supposed to be an easy process, we shall see. Don't call them tomorrow or Friday, let them figure this out too. I implore you to not overload them, they need time to figure this out as well. Do not try to do this through the SBA website, those are for disaster loans and this is NOT that. They want local lending institutions processing these loans.

You will need to prove payroll over the covered period, so prepare for that. It's 12 months for those in business for a year. Get your payroll reports ready now. Will also need to show amounts paid for health premiums and retirement contributions. We do payroll for a lot of you, and we are already ready to assist those.

Once we get past the period of coverage (6/30), you will need to have proof of payroll paid, rent/mortgage, utilities and interest on loans. I am certain there will be standard paperwork at some point for all of us. That will have to be certified (likely by us) and then you take to the bank and this portion of loan is forgiven. If you reduce staffing during this time, less will be forgiven. It's not encouraged for you to reduce staff and keep the loan proceeds. There are catch-all provisions in this for anti-manipulation. Complicated, but they are making sure this will be used for payroll of those you employed prior to any of this happening.

Try to continue to pay your people until you can get the loan. If you can't, unemployment is an option for them, we understand.

There's a lot in this bill, but the most important part of this bill for a vast majority of you is the loan forgiveness. I encourage all the qualify (which is most of you) to apply.

Please don't contact us on how to manipulate this to your advantage, should you choose to do so, phone a friend. Eric is tired of reading legislation and wants to get back to doing taxes or maybe do some yard work and shut his brain off for a bit. Been a draining 9 days for this Country.

## **REBATES**

Anyone who qualifies based on income levels should see deposits in bank accounts or mailed to homes. Don't know all specifics of how you get (visit our website), but possibly direct deposit and if not, by mail. Amount of check based on 2019 income or 2018 if 2019 not filed. \$1,200 per adult, \$500 per child under 17. There are phase outs if income was too high, single above \$99K and married above \$198K. With kids the thresholds are higher, but if over those thresholds assume you get little to none. If you don't qualify for it based on past amounts, but would for 2020, sorry you must wait until next year's return. Silly, and if

you qualify based on past but shouldn't get it based on 2020, lucky you, you get to keep it. They should have left it where it went to everyone and if you shouldn't get it, pay it back with 2020 return. Laws written by those without common sense. And if you qualified for 2018 and filed already for 2019 and don't get, we apologize. Didn't know a virus would attack and alter the course of history forever.

There are many other provisions in this bill that may apply to some, but these are the two biggest for a vast majority of our clients.

They are already talking about bill #4, but this should help a vast majority of you over the next 8-10 weeks.

Please visit our website, under our Coronavirus tab to find articles we are posting that we find helpful. We will continue to post links that help explain all these massive changes. One is already there that helps explain the details of the rebates.

Stay safe all!!!

Sincerely,

Eric & Brett

Hjerpe & Tennison CPAS, LLC

[Visit our Website](#)



Bloomington Office  
2817 Reed Road, Suite 2  
Bloomington, IL 61704  
Phone: 309-663-1120 Fax 309-663-7277

Pekin Office  
1415 Valle Vista Boulevard  
Pekin, IL 61554  
Phone: 309-346-4106 Fax: 309-346-7300