



# PPP Round 2 Get Your Applications Ready

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# INTRODUCTIONS PPP EXPERTS



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## Agenda:

- Overview of bill
- Eligibility
- Loan Calculation & Documentation
- Forgiveness
- Tax Implication
- Questions

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## Poll Question 1:

Your prediction for Saturday's football game – who will win?

- Bills
- Ravens

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## How Did We Get Here?



- Consolidated Appropriations Act of 2021
    - Passed by Congress on December 21<sup>st</sup>
    - Signed by President Trump on December 27<sup>th</sup>
  - Includes:
    - Expanded Employee Retention Credit eligibility
    - Second draw PPP loans
    - Shuttered Venue Grants
    - Additional and/or extended credits
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## Who Is Eligible for Second Draw?



- Under 300 employees,
    - Multiple locations – not more than 300 employees per location
  - 25% drop in gross receipts in any quarter in 2020 compared to 2019, and
  - Has used or will use 100% of the first PPP loan
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## Newly Eligible Organizations – First Draw



- 501(c)(6) and destination marketing organizations
  - No more than 300 employees
  - No more than 15% of it's activity is lobbying
- Housing cooperatives with 300 employees or less
- Stations, newspapers, and public broadcasting organizations with 500 employees or less

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## Ineligible Organizations



- Publicly traded businesses
- Entities affiliated with the People's Republic of China
- Entity that President, VP, head of Executive dept, Member of Congress or their spouse own at least 20% of the economic interest of the entity
- Persons required to submit a registration statement under the Foreign Agents Registration Act
- Entities receiving a grant under the Economic Aid to Hard Hit Small Businesses, Nonprofits and Venues Act
- Businesses not in operation on February 15, 2020

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## Poll Question 2:

Select Yes, if you wish to earn CPE credit and receive a CPE certificate for attending this webinar.

- Yes
- No

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## Gross Receipts

- All revenue in whatever form received or accrued including:
  - Sales of products or services
  - Interest & dividends
  - Rents
  - Royalties
  - Fees
  - Commissions
  - Reduced by returns & allowances
- Excludes First Round PPP, EIDL and affiliate receipts

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## Gross Receipts cont'd



- Excludes:
    - PPP Round 1 proceeds
    - EIDL Advances received
    - Net capital gains and losses
    - Taxes collected for and remitted to a taxing authority if included in gross or total income
    - Proceeds from transactions between a borrower and its domestic or foreign affiliates
    - Amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder or customs broker
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## Gross Receipts cont'd



- Calculated using any quarter in 2019 compared to 2020
  - If borrower was in operation for all four 2019 quarters, can do an annual comparison
    - Submit annual tax forms to substantiate revenue decline
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### Poll Question 3:

Do you plan to apply for a second round of PPP loan.

- Yes
- No

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### Calculation of Loan

- 2.5 times the average monthly payroll costs for 2019, 2020 or the 12 months prior to loan application
- The loan is capped at \$2 million per borrower
- Businesses with a NAICS code beginning with 72 are eligible for 3.5 times the average (accommodation and food services)

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## Average Monthly Payroll Costs



- Payroll costs:
    - Gross wages up to \$100,000 per employee
    - Employer health insurance premiums
      - Includes group life, disability, vision, and dental insurance
    - Employer retirement plan contributions
    - Employer state & local taxes on compensation (SUTA)
    - 2019 self-employment earnings for partners or self-employed owners up to \$100,000 per person
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## Second Draw Documentation



- SBA Form 2483-SD
  - If using same payroll period and same lender, no additional documentation required to be submitted
  - Substantiation of revenue decline
    - If loan is below \$150,000, not required at time of filing application, but required before forgiveness application
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## Poll Question 4:

Will you be using your PPP loan for the new eligible expenses?

- Yes
- No

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## Increase in Original Loan Amount

- Borrowers who returned all or part of their original loan:
  - May reapply for the difference if they have not received forgiveness
  - The SBA has 17 days from the passage of the Act to provide additional guidance about this
- Borrowers whose loan amount was impacted by changing guidance can modify loan amount even if loan has been fully disbursed

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## Changes to Forgiveness



- All loan recipients can select an 8- or 24-week covered period
- Expanded eligible forgiveness expenses
- Simplified Forgiveness Application for loans of \$150,000 or less
- The EIDL Advance is no longer subtracted from forgiveness

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## Original Forgiveness Eligible Expenses



- Payroll Costs
- Business mortgage interest on real property and personal property debt existing before February 15, 2020 (no prepayments)
- Rent or lease payments for real or personal property on leases in effect as of February 15, 2020
- Utility Costs for services that began before February 15, 2020

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## Expanded Eligible Forgiveness Expenses



- Apply to both Round 1 and Round 2
- Covered operational expenses
  - Software or cloud computing services to help facilitate business operations
- Covered property damage
- Covered supplier costs
  - Contracts or orders in effect before the date of PPP loan proceeds were dispersed
- Covered worker protection equipment

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## Simplified Forgiveness



- Loans under \$150,000
- One page form including:
  - Compliance with PPP requirements
  - Loan amount
  - # of employees retained
  - Estimate of loan spent on payroll
- Retain records for 4 years for employment and 3 for other records

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## Treatment for Tax Purposes

- Expenses claimed for PPP Forgiveness are deductible for tax purposes
- Effective for tax years ending after the enactment of the CARES Act
- State tax implications still unknown
- We will need to amend any fiscal returns that S Corporations & Partnerships – Treated as tax-exempt income & increases basis (Basis neutral)

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## QUESTIONS?



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