

**SS
&C**

Solutions, Inc.

Solutions, Service & Commitment

Your SS&C Team Today

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Discussion Topics

- PPP1 & PPP2 & Forgiveness
- SBA Lending and Other Updates
- Employee Retention Tax Credits
- Ask us anything!



**PAYCHECK
PROTECTION
PROGRAM**

Borrower Accounting for PPP loan transactions

4 possible solutions:

1. **Loan** – recorded as debt until forgiven or paid off
2. **Grant using IFRS model** – recorded as deferred income liability; reduced w/offset through earnings as *expenses related to the loan are recognized* (e.g., compensation expense)
3. **Grant using FASB model** – recorded as refundable advance; reduced and recognized as contributions once conditions of the release met/waived
4. **Gain contingency model** – recorded as liability until all of the contingencies related to the receipt of the assistance are met and the gain contingency is recognized

Apply to public, private, not-for-profit entities

Q&A Section 3200

Long-Term Debt

.18 Borrower Accounting for a Forgivable Loan Received Under the Small Business Administration Paycheck Protection Program

Inquiry — How should a nongovernmental entity¹ account for a forgivable loan received under the Small Business Administration Paycheck Protection Program (PPP)²?

Reply — Given the unique nature of the PPP, questions have arisen relating to how a borrower under the program should account for the arrangement. Although the legal form of the PPP loan is debt, some believe that the loan is, in substance, a government grant ...



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AICPA TQA: <https://www.aicpa.org/content/dam/aicpa/interestareas/frc/downloadabledocuments/tqa-sections/tqa-section-3200-18.pdf>

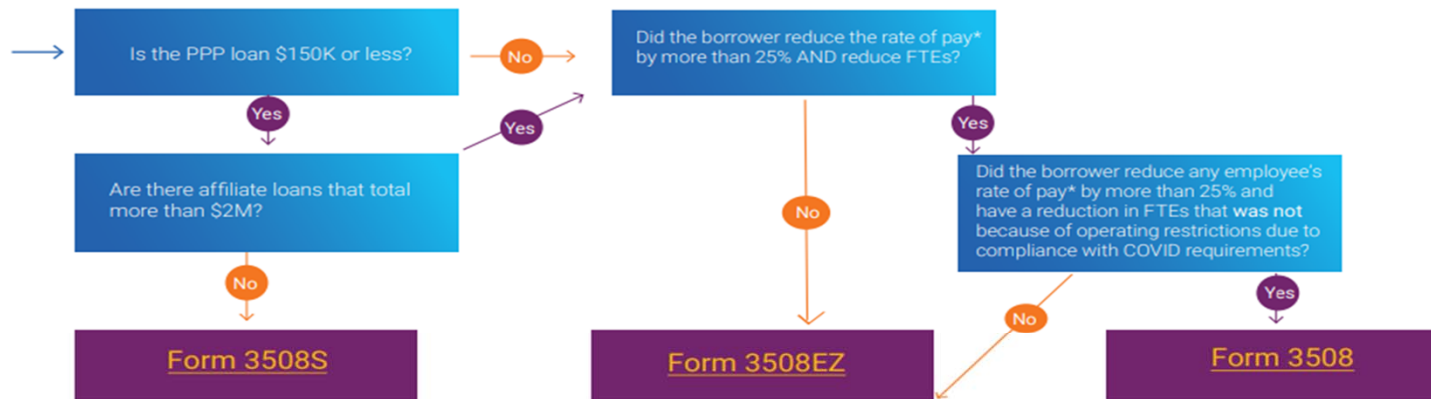


PPP loan forgiveness form decision tree

As of February 2, 2021

Start here

Questions summarize the requirements. Find the full details of each form using the links below. **Your judgment and interpretations when using this resource will be necessary.**



- Borrowers with loans of \$50,000 or less for an individual first draw or second draw loan are exempt from reductions in forgiveness due to reductions in either full-time equivalent employees or employee salary and wages.

*Only for employees who received less than \$100K annualized during any pay period in 2019.

Disclaimer: The AICPA anticipates making updates to the contents of this resource to incorporate future changes related to the PPP loan forgiveness process, AICPA Professional Standards, and best practice recommendations, as necessary. These resources do not establish standards and are not a substitute for the original authoritative guidance. This document has not been approved, disapproved or otherwise acted on by an AICPA senior committee. It is provided with the understanding that the staff and publisher are not engaged in rendering legal, accounting or other professional services. All such information is provided without warranty of any kind. Practitioners are encouraged to have any engagement letters and reports used for the rendering of professional services reviewed by their legal counsel for suitability to the particular engagements performed.

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Most Common Tax Questions

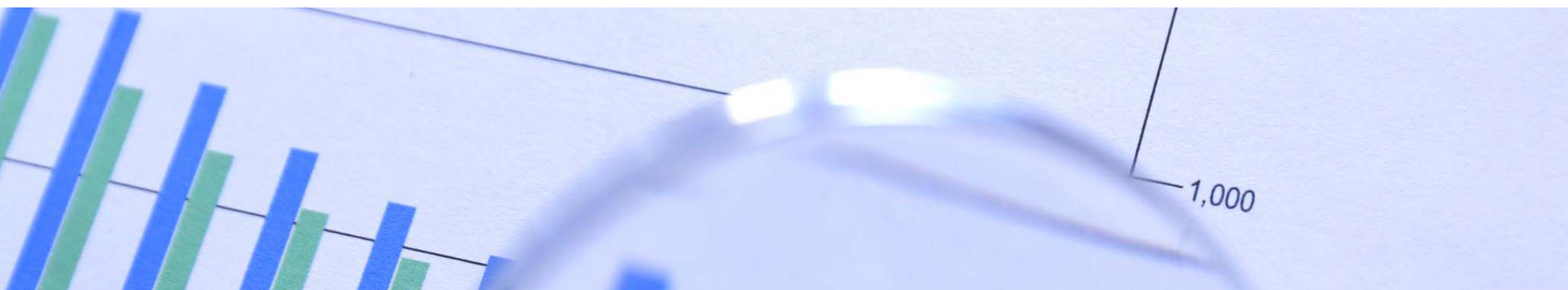
Question	Answer
Is the forgiveness of the loan taxable income?	<ul style="list-style-type: none">• No, the forgiveness of the loan does not constitute federal taxable income. It <u>is considered to be tax-exempt income</u> for federal tax purposes. States are providing guidance on state taxability, Kansas has not provided any guidance.
Are expenses paid with PPP money tax deductible?	<ul style="list-style-type: none">• Yes, per the Consolidated Appropriations Act, 2021, "no deduction shall be denied, no tax attribute shall be reduced, and no basis increase shall be denied, by reason of the exclusion from gross income."
How does the timing of loan forgiveness affect shareholder/ partner tax basis?	<ul style="list-style-type: none">• The forgiveness will be treated as tax-exempt income for the purposes of the stock basis or adjusted basis of a partner's interest if the borrower is a partnership increase for PPP recipients. There could be timing issues that arise if the PPP loan is not forgiven or deemed forgiven in the same year as the expenses were incurred. More guidance is needed <u>with regard to</u> the determination of when the PPP loan is deemed forgiven.



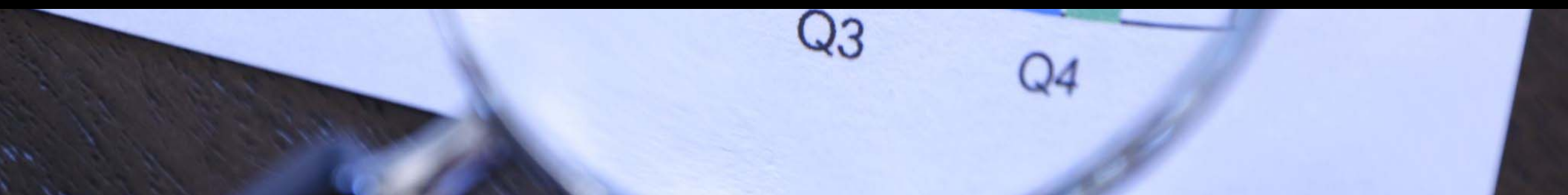
**SBA Lending
and Updates**

SBA LOANS							
Loan Programs	Loan Types	COVID-19 Benefits*	Description & Eligibility	Required Use of Loan	Interest Rate (%)	Maximum Loan Term (Years)	Maximum Amount (\$)
Coronavirus (COVID-19); Small Business Loan Resources	Paycheck Protection Program (PPP)	No personal guarantee, no collateral, potential forgiveness, 6 month payment deferral	Provides financial relief to keep a company's workforce employed during the 2020 Coronavirus (COVID-19) crisis. It is available to small businesses and not-for-profits with no more than 500 employees, self-employed individuals and independent contractors.	The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll)	1	2	10 M
Economic Injury Disaster Loan (EIDL) and Emergency Economic Injury Advances		No personal guarantee under \$200,000, no collateral under \$25,000, Up to \$10,000 Advance (unavailable as of 7/13/2020 due to funding being exhausted)	Assist small businesses and private not-for-profits in declared disaster areas.	Must be used for payroll, rent, mortgage payments and other business obligations that would have been met had the disaster not occurred.	3.75% for businesses and 2.75% for nonprofits	30	2 M
Basic 7(a) Loan Program	Standard 7(a)	6 months of payments made by the SBA	Support small businesses that need capital to make short- and long-term investments.	Purchase of land, buildings, equipment, machinery, furniture, fixtures, supplies, materials, & an existing business; long & short term working capital; financing against existing inventory; refinancing of existing business indebtedness	Not to exceed SBA maximum	10	5 M
	SBA Express		Provides funds to eligible borrowers in an accelerated turnaround time.		Not to exceed SBA maximum	7	350,000
	SBA Express Bridge Loan		Provides quick access to funding for small businesses who already have an SBA Express loan.		Up to 6.5% over Prime.	7	25,000
	Small Loan		Is any 7a loan \$350,000 and under.		Not to exceed SBA maximum	Negotiable	350,000
Certified Development Company (CDC) 504 Loan Program		6 months of payments made by the SBA	Provides growing businesses with long-term, fixed-rate financing to acquire major fixed assets for expansion or modernization. The business must be operated for profit and fall within the size standards set by the SBA.	Purchase of land (including existing buildings), improvements (including grading, street improvements, utilities, parking lots, & landscaping), & long term machinery & equipment; construction of new facilities or modernizing, renovating & converting existing facilities	3	25	20 M
Microloan Program		6 months of payments made by the SBA	Provides very small, short term loans to startup, newly established or growing small businesses. SBA makes funds available to nonprofit community based lenders which, in turn, make loans to eligible borrowers. In addition, the microlender will provide business counseling assistance to borrowers.	Working capital; purchase of inventory, supplies, furniture, fixtures, machinery, & equipment	8-13	6	50,000
Military Reservist Economic Injury Disaster Loan			Provides funds to eligible small businesses to meet ordinary and necessary operating expenses that could have been met, but are unable to meet, because an essential employee was "called-up" to active duty in their role as a military reservist. The potential borrower can begin application prior to activation and can apply for up to one year after demobilization of the owner or essential employee.	Working capital needed to pay necessary obligations as they mature until operations return to normal after the essential employee is released from active military duty	4	30	2 M

Note that the 6 months has currently been decreased to 3 months as of 2/1/21



Employee Retention Credit



How to Qualify

- For 2020 – 50% Reduction in Gross Revenues for any Quarter (compared to same Quarter 2019)
- For 2021 – 20% Reduction in Gross Revenues (may use Q4 2020 vs Q4 2019, as alternative)
- **OR**
- For Both – Business was shut down or partially shut down by a Government Health Order

What Wages Qualify?

- For 2020 – Wages paid between Mar 12 – Dec 31, 2020 (Q1-4)
 - Only non-worked wages if FTE average > 100 in 2019
 - All paid wages if FTE average < 100 in 2019
 - Wages cannot have been used for PPP Loan Forgiveness
 - MAX Wages = \$10,000 / employee
- For 2021 – Wages paid Jan 1 – June 30, 2021 (Q1-2)
 - Only non-worked wages if FTE average > 500 in 2019
 - All paid wages if FTE average < 500 in 2019
 - Wages cannot have been used for PPP Loan Forgiveness (Round 2)
 - MAX Wages = \$10,000 / quarter/ employee

What's My Credit?

- For 2020 – 50% of MAX Wages per employee, so \$5,000 / employee
 - Amend Form 941 for quarter in which you are claiming
- For 2021 – 70% of MAX Wages per employee, per quarter, so \$7,000/employee/quarter
 - Claim on Form 941 for corresponding quarter
 - Can claim in advance via Form 7200

Ask Us Anything Time!

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