



Avitus Group Webinar Follow-Up: Tax-Related Questions from Business Owners

On Thursday, April 2, 2020 Avitus Group conducted an online webinar for business owners that concluded with an open Question & Answer session. Over 500 people viewed the webinar and submitted questions for our presenters Natalie McGill (Senior HR Consultant) and Scott Stevenson (Director of Tax Services). The following list includes live questions that were submitted followed by the answers from our experts. We received many requests from the webinar so we are providing the information below as a resource for you to use as you navigate through the COVID-19 impact. Additional information can be found on our Avitus Group COVID-19 Resources page at <https://avitusgroup.com/covid-19/>

1. What are some of the requirements for the EIDL Grant?

Please check the SBA (<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>) for latest guidance.

2. If I lay off occasional employees will my loan still be forgiven?

Loan forgiveness will be reduced if two changes are made – employee headcount drops or wages lowered by more than 25%. There are calculations to be made but even if all employees laid off are not re-hired some forgiveness may still be available. But latest guidance states that without any payroll costs paid during the 8 week period after the loan is made will result in no forgiveness

3. So to repeat we should not apply for the EIDL and PPP programs simultaneously? How do you decide which loan to apply for?

You may apply for both. Any new EIDL application will not be eligible to be included in a PPP loan. These loans are linked but still independent.

4. How and over what time frame will the loan be disbursed?

Latest information is that once the loan is approved the disbursement will occur as quickly as possible.

5. Do you know what qualifies for “utility payments”? I am a winery and use 3rd party farming services to maintain vineyards. Would monthly vineyard maintenance costs be considered “utility payments”?

Based on the definitions available – services will be excluded. Payments for basic utility services in place as of February 15, 2020. Water, power, gas (not gasoline), telephone, internet are all examples of utilities that can be included.

6. You have to use the 8 weeks of forgivable loan by June 30th correct? What if you have a business that has been shut down, like a salon and is not permitted open back up until middle of May or June? To use the entire 8 weeks of forgivable payroll would you then have to hire people back by May 1st even though the business doesn't have any clients for them to serve?

No - 8 weeks from date of the loan made.

7. Is there two different loan application processes for EIDL and for PPP? Or is it all under one?

Two separate loan application processes. And the requirements are different also.



8. Is the SBA loan application limited to companies with payroll/employees only, or would companies with only rents, utilities and interest also qualify?

While not limited to those with payroll/employees only; the calculation of the loan amount is solely from monthly average payroll costs (as defined) and so effectively reduces the potential loan amount to zero or nearly so

9. I apologize if this has been answered but for the Paycheck Protection loan, will some certification or proof be required to show how the requested loan amount was determined? And/or to show how the loan proceeds were used? If so, do you know what type?

Avitus will provide payroll reports. Each bank may have differing requirements but each applicant should be ready to document not only payroll but company paid health care costs (including premiums) and retirement plan matching payments. The reports, statements and/or invoices should be available from January 1, 2019 through March 31, 2020 to ensure you will be able to respond to the banks requirements.

There are self-certifications included in all the PPP applications. And, ultimately, each borrower will need to document how the proceeds were spent. At this time, guidance states payroll reports in detail, disbursement registers, statements and/or invoices of amounts paid are almost certainly going to be needed. Each bank may have additional requirements, such as bank statements for the periods.

10. We already applied for the \$10,000 advance. Can we now apply for PPP and how exactly do we apply?

Yes the PPP loan may be applied for. Check with your bank on the application process. You can get information from the SBA (<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>) but will not be applying directly with them.

11. Can you use the PPP loan to effectively refinance a current SBA loan you have at a higher interest rate?

So any unused portion of the loan that wasn't forgivable expenses use to. Make a lump sum payment to pay down an. existing SBA loan at higher interest rates.

12. For reimbursement under the PPP, can payment of health insurance be counted? How about pension payments required under a CBA?

Proceeds must be used for approved purposes which does include interest on existing debt (as of February 15, 2020), or refinance an EIDL remaining balance. Refinancing an existing SBA loan principle balance is not an approved purpose.

Employer health insurance costs and retirement plan contributions are both allowed to be included in the loan calculation and, if paid during the 8 week period following the date of the loan, forgiveness.

13. I filled out the shortened online form on SBA's website today. Are you saying that that will be the start of what my bank will use for the PPP act? Or is the online simple form different than the PPP act that a bank will start?

You must apply through your bank and all the ones we are aware of use online applications only.



14. Is the origination date of a PPP loan considered the date the application is filed or the date that approval is granted or funds distributed?

Check with the bank because, unfortunately, language (“filed” or “made”) is used in multiple directives from the SBA and Treasury. We are leaning towards made or funding as being the operative date due to the timing of the loan forgiveness period.

15. If they take partial unemployment will that disqualify the loan forgiveness?

Payroll costs paid to employees or on their behalf (benefits) are the chief component of the loan forgiveness. Without payroll being paid during the loan forgiveness period it is likely that none of the loan would be forgiven.

16. What type of documentation will be needed to submit for loan forgiveness - are QuickBooks records sufficient?

No. As part of a package; probably yes. But there will be additional requirements such as payroll reports, statements or invoices for qualifying items paid and perhaps bank statements to prove payment. Each bank will be providing the requirements for the forgiveness applications.

17. Will there be someone at Avitus to help with applying for the right program specific to your business?

Yes. Please fill out a virtual hotline request and it will be forwarded to our tax team who can offer assistance and guidance.

18. Relative to forgiveness and qualified expenses, just a question of clarity - is it qualified expenses incurred from the date of the loan to the end of 8 weeks or expenses that have already been incurred prior to the loan - example - loan date is April 5th and our electric bill came in on March 24th and is pending payment. Is the March 24th bill a qualified expense given it was incurred prior to the April 5th loan date?

The literal language of the Act is “incurred and payments made”. However, we are awaiting guidance from the SBA on how they define incurred. We are leaning towards an answer that allows all bills due and payable, and then paid, during the 8 week period as being acceptable.

19. The act includes utilities in the eligible expenses for forgiveness and part of the list of utilities is “transportation.” Do you know what transportation means? Would vehicle leases qualify?

Currently there is no guidance specifically regarding transportation. Because there is language that specifies that such utilities must be in place as of February 15, 2020, it is possible that a lease may qualify. However, we do not recommend planning on that when computing what your expected loan forgiveness amount may be. Also, the SBA has been very clear in recent guidance that there is a 25% of total forgiveness limit on non-payroll costs included in the request for forgiveness.



20. We have several entities all under the same 100% ownership. Do we have to do multiple applications or just include payroll information for all entities on one application for the PPP?

A difficult question to answer generically. Probably need to apply for each company but you must take into consideration, and disclose, the affiliations along with employee count on the other commonly owned companies.

21. As a payroll client of avitus, do payroll taxes get deferred automatically or is there something employers need to do?

You should contact your payroll specialist to determine how the mechanics of that process occur.

22. We issue 1099's to non-exclusive sales reps who work for us and other manufacturers in making sales calls to customers. Are we obliged to include them in our payroll calculation in the before and after periods? How do we determine their Full Time equivalent FTE for the purposes of the CARES act calculation?

Payments made to independent contractors are not eligible to be included in either the calculation of the loan or loan forgiveness. Not included in the employee count.

23. But don't we have to maintain 75% of their hours in order for the loan to be forgiven?

Payroll costs must be 75% or more of all payments made for qualifying expenses during the loan forgiveness period. If not some of the use of proceeds may not be forgiven.

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