



PPP Roundtable Continued



XPX San Antonio

We are from 12 professions

- Accountant
- Attorney
- Banker
- Coach
- Consultant
- Insurance Provider
- Investor
- M&A Intermediary
- Non-profit
- Valuator
- Virtual Manager
- Wealth Planner

We all have the same target market:

Privately-held companies in the lower/middle market—a crucial segment of our local economy

And we are united by 5 principles

1. Work collaboratively
2. Put the client first
3. Think long term
4. Consider the human angle
5. Always be learning

Member and Sponsor Benefits

- **Resources** – it's about learning
- **Relationships** – it's about people
- **Visibility** – it's about opportunities
- **Principles** – it's about like-minded professionals

Put the power of XPX to work for you and your clients!
Membership investment \$300

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Paycheck Protection Program Forgiveness

Employment issues



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The Transition Group consists of independent entities that individually provide their services.

Counting Employees for Forgiveness

- Must list actual employees:
 - Names and partial SS numbers
 - Do not have to be the same individuals as when applying
- You can count:
 - Regular full time employees
 - Part time employees as partial FTEs
 - New hires
 - Laid off employees who have declined your return offer
 - Employees using PTO
- You can NOT count:
 - Employees terminated for any reason
 - Independent contractors

Employees on PTO

- You may count anyone on voluntary PTO for:
 - Normal vacation or sick leave
 - Extended FMLA for COVID-related child care
 - Emergency Paid Sick Leave – self quarantine
 - Emergency Paid Sick Leave – quarantine of others
- You may NOT require use of PTO for COVID-related issues
- Employees who decline Return to Work under FFRCA rules (quarantine or child care) can be counted
- Those who refuse to return due to “fear,” (and are not being paid,) can NOT be counted.

Calculating Wages for PPP Forgiveness

- The 8-week (or 16 week, or 24 week, or...) window:
 - Starts on the day the loan was funded
 - Is a specific 56 day period (NOT 2 months)
- For payroll INCURRED OR PAID, so
 - Funded on 5/5 (Wednesday.) 2 week paychecks issued 5/7 count in full
 - Funded on 5/5, expires on 6/30/20, Only payroll earned through 6/30 counts for checks issued 7/3/20.
 - Most advisors recommend advancing the last payroll if it is needed
 - Payroll must be earned - no advances
 - Accrued state and local taxes that are paid quarterly

Employee Benefits

- Specifically includes (forgiveness application)
 - Health insurance premiums
 - Entire contributions to ERISA plans
 - Employer paid state and local employment taxes
- Also includes (SBA PPP FAQ #32)
 - Housing stipends
 - Allowances (cars, cell phones)
- Does NOT include
 - Benefits that were not in place on 2/15/20
 - Salaries for owner shareholders in excess of 2019

Still Uncertain

- Employment costs that have not yet been defined
 - Lump sum bonuses outside of normal incentives
 - May be permitted for hazard or “thank you” bonuses
 - May only be 15% qualified (8/52)
- Federal employer taxes (permitted in applications)
- Staffing hires by 6/30/20 if:
 - Employer was limited by shutdown regulation
 - 8 week period has expired
- Reductions in hours for part-timers due to work availability



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SBA issued 2 new rules on Friday 5/22/20 Clarifies the following:

- (1) Utility Payments – Electric, gas, waste, transportation, telephone, internet access for service began before 2/15/20.
- (2) Loan Forgiveness process:
 - (A) Lender determines that borrower is entitled to forgiveness.
 - (B) Lender determines amount, if any, of the forgiveness.
 - (i) Lender notifies borrower of SBA decision
 - (ii) Lender or SBA will contact borrower for additional info.
 - (iii) Within 30 days of notice from Lender, a borrower may request that SBA voices the Lenders' decision .
 - (C) SBA may also make determination if borrower is entitled to forgiveness.
 - (D) Lender confirms borrowers certification as of the date of Application





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(E) Lender confirms borrowers calculation for Loan Forgiveness Application

(F) Lenders are expected to perform a Good - Faith review, in a reasonable time, of Borrower's calculation and support documents concerning amount eligible for Loan Forgiveness. For Example – “Minimal review of calculation based upon payroll report by a recognized third party payroll processor would be reasonable.”

(G) If Lender determines that Borrower is “ineligible”, **then no SBA loan fee.**

(3) “Covered Period” –

(A) Payroll costs **paid or incurred** during the 8 consecutive weeks (56 days) are eligible for Forgiveness.

(B) Paid on the day paychecks are distributed or Borrower originates ACH audit transaction.

(C) Incurred costs must be paid by the next regular payroll date.





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(D) Allowed costs will usually be greater than 8 weeks (I have seen 11.4 weeks)

(4) “Alternative Payroll Covered Period” –

- (A) Borrower may elect to use if it pays **Bi-weekly (or more frequent)**.
- (B) Moves period from date of funds received to 1st day of next payroll cycle, for next 8 weeks.
- (C) Counts only those payrolls actually paid plus costs incurred, which also must be paid by the next regular payroll date.
- (D) Allowed costs will also be 8+ weeks of payroll.





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- (5) H. R. 7010 Passed (5/28/20) the House of Representatives by vote 417-1
- (A) Loan will have a minimum maturity of 5 years.
 - (B) Program is extended from June 30 to December 31, 2020.
 - (C) 8 week period is replaced with 24 weeks after date of origination or December 31, 2020.
 - (D) The FTE proportional reduction is also changed to December 31, 2020 and is further modified if the business is unable “to return to the same level of business activity” before February 15 due to requirements imposed upon the business by HHS, CDC, OSHA, relating to standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19”
 - (E) The 75% payroll requirement is reduced to 60%.

NOW – on to the US SENATE for it’s consideration!





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GROUP**

— ADVISORY SERVICES FOR SUCCESSIONS AND EXITS —

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BEST PRACTICES REGARDING PPP LOANS

PRESENTED BY:

JAMES ROSENBLATT

ROSENBLATT LAW FIRM
16731 HUEBNER ROAD, SAN ANTONIO, TEXAS 78248



PLAN to REPAY the LOAN

- If, and when there is an unforgiven portion, make sure you have a plan.
- The Loan will accrue interest of 1% per year.
- No payments will be due for the first six (6) months.
- Following the six (6) months period, you will have the next eighteen (18) months to pay any unforgiven portion.

To qualify for forgiveness reduction:

The borrower must have made a **good faith, written offer of rehire**, and the employee's rejection of that offer must be documented by the borrower.

Employees and employers should be aware employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

When can I apply for forgiveness?

- “Most lenders will begin forgiveness applications at seven (7) weeks from fund disbursement.” See Forbes, Forbes.com, <https://www.forbes.com/sites/allbusiness/2020/05/11/loan-forgiveness-ppp-sba-eidl-programs/#5d1f81b2e009>
- Borrowers must file SBA Form 3508, PPP Loan Forgiveness Application.
- Discuss with your lender and confirm what documentation is needed. Your lender will decide whether you qualify for loan forgiveness.



IF YOU WANT TO ATTEMPT 100% FORGIVNESS



- Use 100% of the funds for qualified expenses.
- Remember: Only 25% of the funds may be utilized for non-payroll related expenses
- If you spend the entire PPP loan amount on qualified expenses and have additional qualified expenses, you are more likely to obtain forgiveness.
- A borrower's PPP loan forgiveness amount will NOT be reduced if the borrower laid off an employee, offered to rehire the same employee but the employee declined the offer.

Some specific information you will need for the application:

- Borrowers who received more than \$2 million must check a specific box.
- SBA Loan Number and Lender Loan Number
- The Loan Amount
- Number of Employees at the time of the application & at the time of the forgiveness application
- Covered Period of your loan (8 weeks).
- The amount of business mortgage interest payments, rent or lease payments.



PPP LOAN FORGIVENESS APPLICATION



LOAN FORGIVNESS APPLICATION

- Borrower must complete the application and submit to Lender. Some lenders may have the electronic form to fill out.
- An authorized representative of the business may sign on behalf of the business— the signer must be authorized to make such certifications.

The application includes the following:

1. **The PPP Loan Forgiveness Calculation Form**
2. **PPP Schedule A**
3. **The PPP Schedule A Worksheet**
4. **The PPP Borrower Demographic Information Form (optional).**

***Borrowers are required to submit only (1) and (2). The application is 11 pages long which includes specific and detailed instructions to follow.