



ADAPT & RECOVER:  
**MOVING FORWARD  
TOGETHER**  
WEBINAR SERIES



SESSION ELEVEN

January 13, 2021 | 2:00 P.M. ET

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- Today's materials will be shared in the chat box and via [rklcpa.com](http://rklcpa.com)
- All lines are muted
- NASBA CPE requirements – in order to receive CPE for this webinar:
  - Participants must be connected to the session (both audio and presentation) for its entirety
  - Participants must answer three questions/elements of engagement
  - One (1) hour of CPE in the field of business law will be granted if you meet these requirements

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# ➤ Meet Your Team for Today's Presentation

## Update and Overview of Paycheck Protection Program



**RYAN HURST, ASA** | *Partner, Business Consulting Services Group*

Ryan is a Partner in RKL's Business Consulting Services Group and an in-demand transaction consultant. Ryan's areas of expertise include advising clients on buying and selling businesses; succession planning; conducting valuations for a variety of transactions and structures; litigation support for shareholder disputes; and strategic alternatives analyses.

## PPP Round Two: Eligibility, Deadlines and other Key Details



**JEREMY WITMER, CPA, CVA, CFE** | *Senior Consultant, Business Consulting Services Group*

Jeremy is a Senior Consultant in RKL's Business Consulting Services Group. He is experienced in providing fraud investigation, forensic accounting, data analytics, human resources consulting, litigation support and business valuation services.

## ERTC, Unemployment and Emergency Leave Extensions



**TRICIA RICHARDSON, CPP, SPHR, SHRM-SCP** | *Senior Consultant, Human Capital Management*

Tricia is a Senior Consultant in RKL's Human Capital Management Practice. With expertise in payroll and human resources, she works with companies to align their HR policies with the final payroll product. Tricia also helps clients implement and adhere to payroll and human resource regulatory compliance and best practices.

## ➤ PPP Round Two Highlights

- \$284 billion of available funds
- Additional expenses eligible for forgiveness
- Tax deductibility of forgiven expenses
- Reopens first draw loans and introduces second draw loans
- SBA loan portal opened January 11 for select borrowers
- Program open until March 31, 2021

# POLLING QUESTION

***To be eligible for CPE, 3 polling questions must be answered.***

# PPP ROUND TWO: ELIGIBILITY, DEADLINES & OTHER KEY DETAILS

## ➤ First Draw Loans

- For first draw loans, the rules are mostly the same as before
- Refresher
  - 2.5x average monthly payroll costs
    - Max loan size of \$10 million
  - Payroll costs – detail on next slide
    - Average can be for 2019, 2020 or trailing 12 months
  - 500 or fewer employees, unless industry or alternative size criteria are met
    - Industry = revenue or employee thresholds based on NAICS
    - Alternative = tangible net worth  $\leq$  \$15 million AND average net income after federal taxes for prior two fiscal years of  $\leq$  \$5 million
- Forgiveness
  - Eligible expenses for forgiveness remain intact (plus some new ones)
  - 60/40 rule – at least 60% of expenses must be on payroll costs for forgiveness
  - FTE and salary/wage reduction haircuts and related safe harbors remain intact

Loan  
Application

Forgiveness

## ➤ Payroll Costs (applies to first and second draw)

### INCLUDES

- Gross pay – salary, wages, commissions or tips (capped at \$100,000 annually for each employee); **PLUS**
- Payment for vacation, parental, family, medical or sick leave; **PLUS**
- Allowance for separation or dismissal; **PLUS**
- Payment for the provision of employee benefits consisting of group health care or group life, disability, vision or dental insurance, including insurance premiums and retirement; **PLUS**
- Payment of state and local taxes assessed on compensation of employees; **PLUS**
- For an independent contractor or sole proprietor: wage, commissions, income or net earnings from self-employment or similar compensation



## ➤ Payroll Costs (applies to first and second draw)

### EXCLUDES

- Amount of annualized compensation in excess of \$100,000 (e.g. if an employee earned \$125,000, then \$100,000 is eligible and \$25,000 is not)
- Employer payroll taxes
- Compensation of employees with a principal residence outside the United States
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of FFCRA
- Independent contractors (1099-MISC)

## ➤ First Draw Loans: What Changed?

- Additional eligible entities (501(c)(6) most notable)
- Covered period now a duration of eight to 24 weeks
- Additional forgivable expenses
  - Covered operations expenditures
  - Covered property damage costs
  - Covered supplier costs
  - Covered worker protection expenditure
- Simplified forgiveness process for loans under \$150,000

## ➤ First Draw Loan Revisions

- Borrowers may increase the amount of their existing first draw loan under some circumstances
  - To include compensation from partners in a partnership
  - For seasonal borrowers with PPP loans prior to December 27, 2020
  - If a borrower previously returned some or all of the loan amount
  - If a borrower did not accept the full amount of a PPP loan for which it was approved

## ➤ Second Draw Loans

- 2.5x average monthly payroll costs
  - 3.5x for NAICS 72
  - Max loan size of \$2 million
- Eligibility
  - 300 or fewer employees (no industry or alternative size exceptions)
  - Decline of 25% or more in “gross receipts”
    - Any calendar quarter in 2020 vs. the same quarter in 2019
  - Must have used or be expected to use all round one proceeds prior to second draw disbursement

## ➤ What Are “Gross Receipts”?

General	Nonprofits	Reductions
<ul style="list-style-type: none"><li>• Sales of products or services</li><li>• Interest income and dividends</li><li>• Rents</li><li>• Royalties</li><li>• Fees</li><li>• Commissions</li></ul>	<ul style="list-style-type: none"><li>• Contributions</li><li>• Gifts</li><li>• Grants</li><li>• Dues or assessments</li><li>• Sales of assets (gross)</li></ul>	<ul style="list-style-type: none"><li>• Returns and allowances</li><li>• Amounts included in “General” or “Nonprofits” that relate to:<ul style="list-style-type: none"><li>• Sales and other taxes collected and remitted</li><li>• Intercompany transaction revenue</li><li>• Collections on behalf of another person or entity</li></ul></li></ul>



## ➤ Second Draw Loans: Forgiveness

- Covered period of eight to 24 weeks
- Same forgivable expenses
  - Payroll costs, rents, mortgage interest, utilities +...
  - Covered operations expenditures
  - Covered property damage costs
  - Covered supplier costs
  - Covered worker protection expenditure
- Simplified forgiveness process for loans under \$150,000

## ➤ Changes to PPP Regarding EIDL Advances

- For PPP loans not yet forgiven, the EIDL advance will **not be deducted** from forgiveness.
- For PPP loans already forgiven, the EIDL advance that was deducted from forgiveness will be **paid back** with interest to the lender for the borrower to be reimbursed/made whole.

FREQUENTLY ASKED QUESTIONS

# PPP ROUND TWO

# POLLING QUESTION

***To be eligible for CPE, 3 polling questions must be answered.***

# ERTC, UNEMPLOYMENT & EMERGENCY LEAVE EXTENSIONS



## ➤ Q: Is the Families First Coronavirus Response Act (FFCRA) pay still mandatory in 2021?

**Required** (with some exceptions) for employers with 500 or less FTEs for **leave beginning April 1, 2020 through December 31, 2020**

- Employee begins their 10-day quarantine on December 28, 2020
  - Pay them through January 8, 2021

**Optional** for employers with 500 or less FTEs for **leave beginning January 1, 2021 to March 31, 2021**

- Employee begins their 10-day quarantine on January 1, 2021
  - Payment is optional

➤ **Q: Can I opt to pay the sick pay and not the extended family medical leave?**

No, because the FFCRA includes both of these leave types – you will have to provide both or none.

**Q: Do I still get the credits for 2021?**

Yes, the same credits are available and they are provided in the same way.

**Q: Our health insurance changed January 2021 – should I update the health insurance calculation with these new rates?**

Yes, for any wages paid in 2021 you will calculate using the 2021 rate.

## ➤ Credit Calculation

**Employers MUST USE the correct payroll code for FFCRA wages**

**Calculated automatically through payroll processing:**

- Already exempt from employer Social Security
- Credits applied toward 941 payments or requested on Form 7200
- Gross EPSL wages paid
- Employer Medicare (1.45%)

**Must add this information (or provide to the payroll provider):**

Qualified health plan expenses

## ➤ Q: I had a PPP loan in 2020. Can I go back and claim Employee Retention Tax Credits (ERTC) for 2020 wages?

Yes, if you are eligible – just not for wages used for:

- PPP loan forgiveness calculation
- FFCRA wages

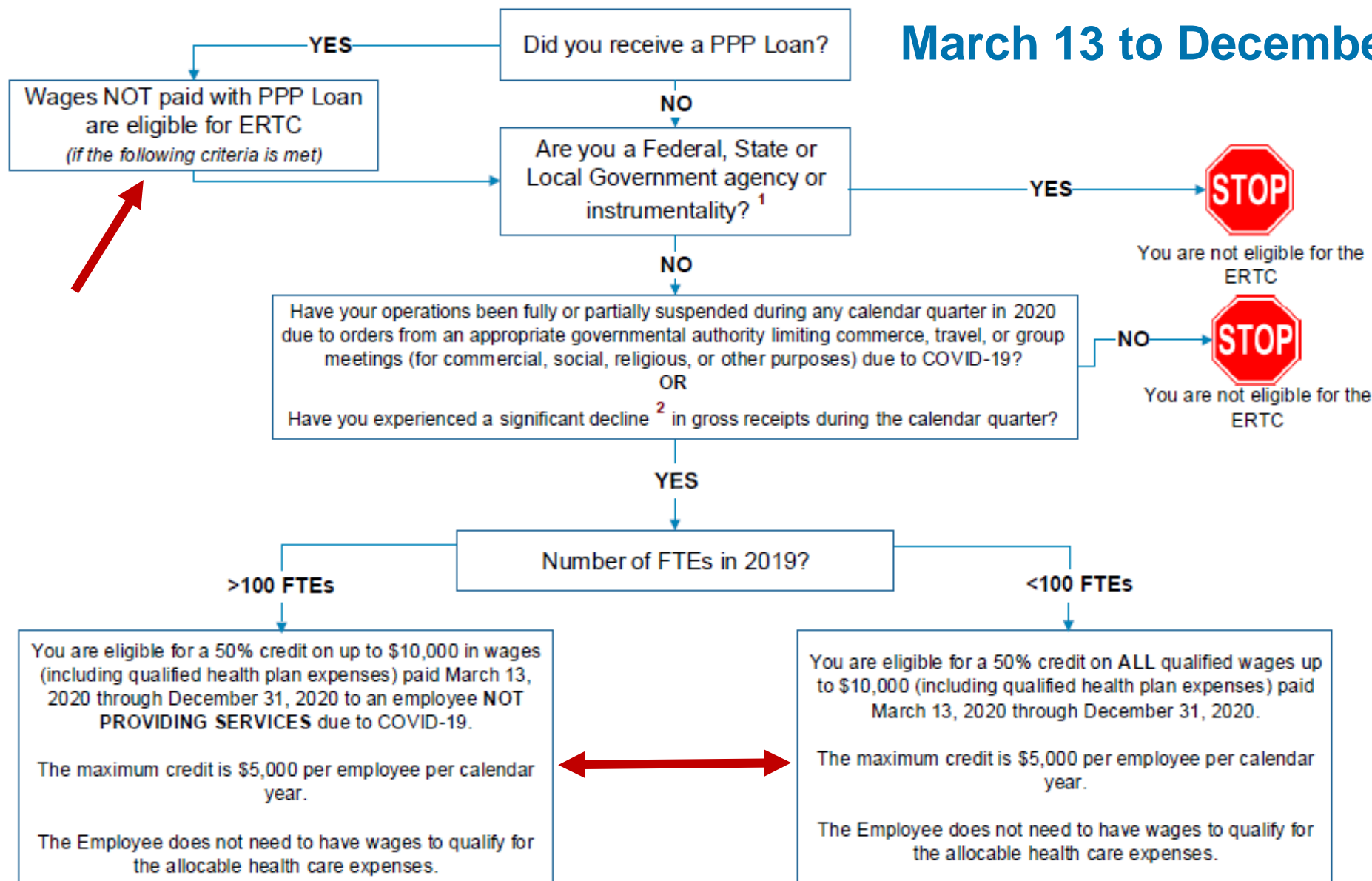
If you still have time - you can add these credits to the fourth quarter 2020 Form 941 and request a refund

OR

You can amend the fourth quarter 2020 Form 941

# ➤ Employee Retention Tax Credit (ERTC)

**March 13 to December 31, 2020**



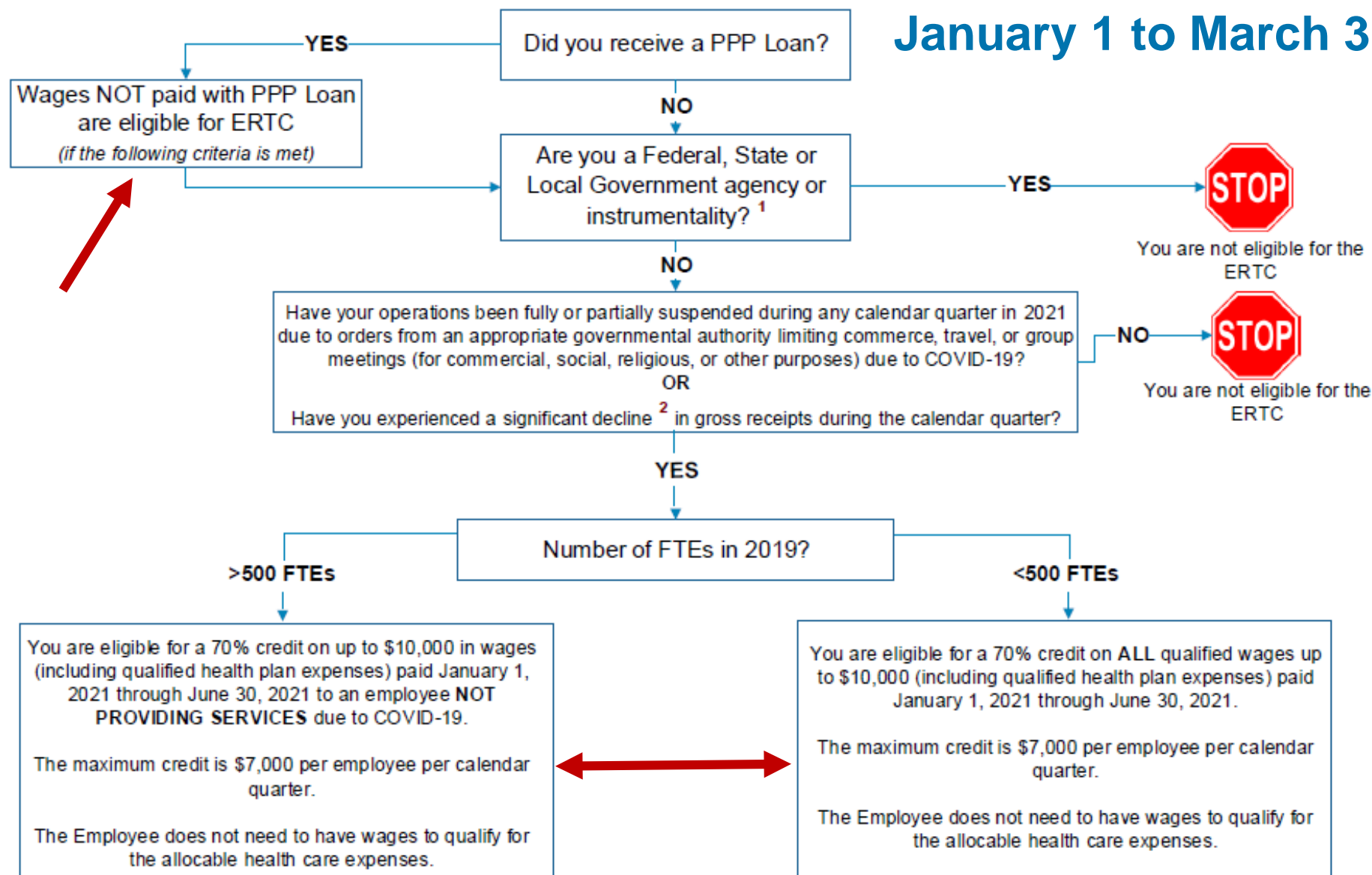
**1** Tax-exempt public colleges, universities and hospitals that are described in IRC Section 501(c)(1) may be eligible and are treated as carrying on a trade or business for purposes of the ERTC.

**2** A significant decline in gross receipts begins on the first day of the first calendar quarter of 2020 for which an employer's gross receipts are less than 50% of its gross receipts for the same calendar quarter in 2019. The significant decline in gross receipts ends on the first day of the first calendar quarter following the calendar quarter in which gross receipts are more than of 80% of its gross receipts for the same calendar quarter in 2019.



## ➤ Employee Retention Tax Credit (ERTC):

**January 1 to March 31, 2021**



**1** Tax-exempt public colleges, universities and hospitals that are described in IRC Section 501(c)(1) may be eligible and are treated as carrying on a trade or business for purposes of the ERTC.

**2** A significant decline in gross receipts exists if there has been a decline of more than 20% for the relevant quarter in 2021 compared with the same calendar quarter in 2019 (or 2020 if 2019 is not applicable). Employers can also compare the gross receipts in the immediately preceding calendar quarter to the corresponding quarter in 2019 to perform the calculation.

## ➤ ERTC – “...operations fully or partially suspended”

[Internal Revenue Service "COVID-19-Related Employee Retention Credits: Determining When an Employer's Trade or Business Operations are Considered to be Fully or Partially Suspended Due to a Governmental Order FAQs"](#)

**34. If a governmental order requires an employer to close its workplace for certain purposes, but the workplace may remain operational for limited purposes, is the employer considered to have a suspension of operations?**

Yes. If an employer's workplace is closed by a governmental order for certain purposes, but the employer's workplace may remain open for other purposes or the employer is able to continue certain operations remotely, the employer's operations would be considered to be partially suspended.

Example 1: Employer F, a restaurant business, must close its restaurant to on-site dining due to a governmental order closing all restaurants, bars and similar establishments for sit-down service. Employer F is allowed to continue food or beverage sales to the public on a carry-out, drive-through or delivery basis. **Employer F's business operations are considered to be partially suspended because a portion of its business operations – its indoor and outdoor dining service – is closed due to the governmental order.**

**Qualified wages for the dates of the operation suspension are eligible for the credit calculation**

## ➤ ERTC – “...significant decline in gross receipts”

Internal Revenue Service "When an Employer is Considered to have a Significant Decline in Gross Receipts"

### **40. What are "gross receipts" for an employer other than a tax-exempt organization?**

...“gross receipts” means gross receipts of the taxable year and generally includes total sales (net of returns and allowances) and all amounts received for services.

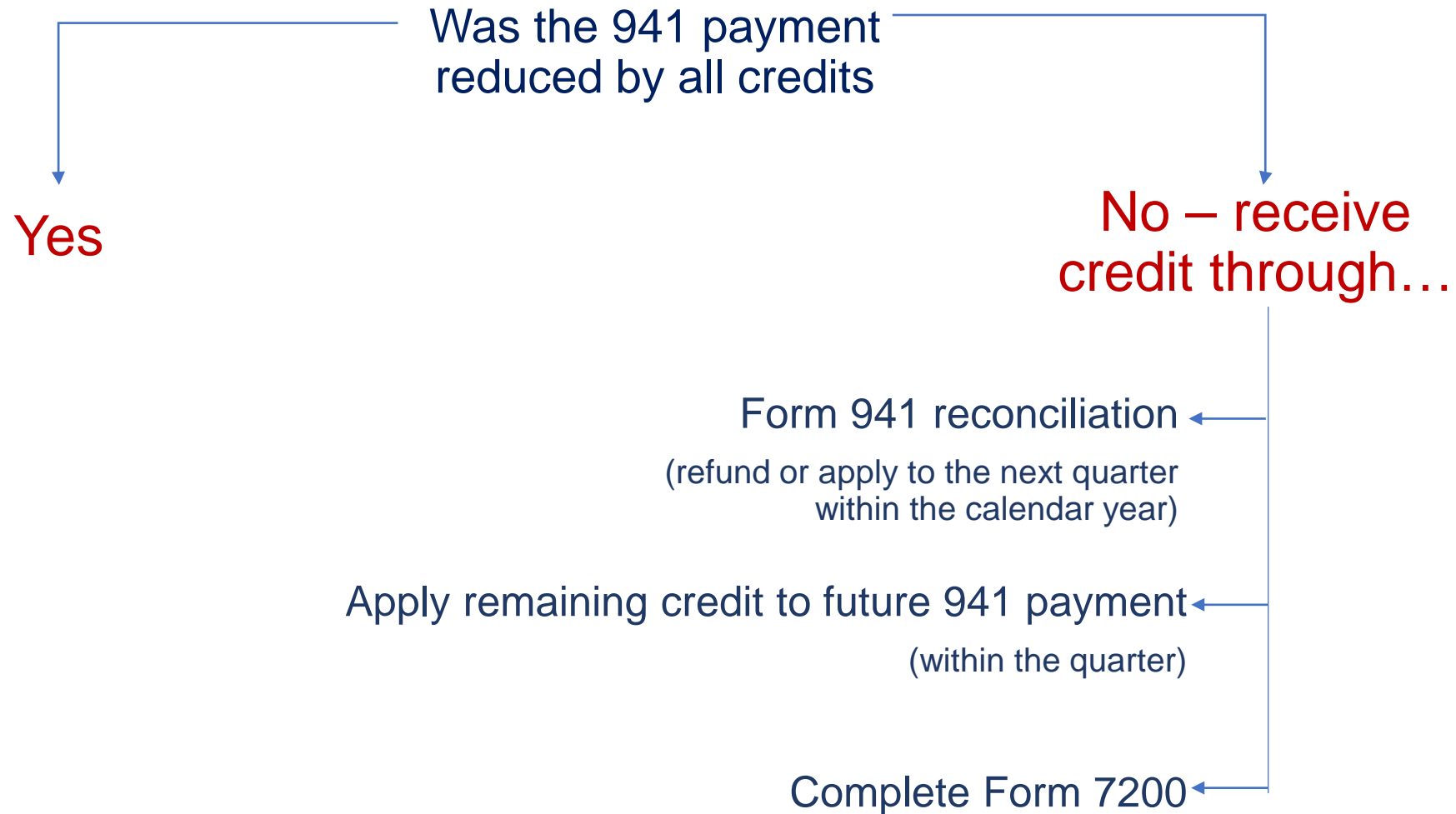
...income from investments, and from incidental or outside sources...include interest (including original issue discount and tax-exempt interest...), dividends, rents, royalties and annuities, regardless of whether such amounts are derived in the ordinary course of the taxpayer's trade or business.

Gross receipts are generally not reduced by cost of goods sold, but are generally reduced by the taxpayer's adjusted basis in capital assets sold.

Gross receipts do not include the repayment of a loan, or amounts received with respect to sales tax if the tax is legally imposed on the purchaser of the good or service, and the taxpayer merely collects and remits the sales tax to the taxing authority.

**Qualified wages during the quarter are eligible for the credit calculation**

## ➤ Getting the Money



## ➤ Allocable Qualified Health Plan Expenses Calculation

**Use any Section 125 Benefit Plans (pre-tax) –  
could include health, vision and dental  
&**

**the amount of contributions made on behalf of the employee  
to an HRA (excluding QSEHRAs) or FSA**

1. Invoice Cost (ER and EE) for all plans (based on the employee or using an average; self-Insured use the COBRA rate) x 12 = Annual Cost
2. Annual Cost / 260 (based on full-time 5 days a week x 52 weeks) = Daily Rate
3. Daily Rate x Days related to the credit = Health Insurance Credit for that employee

$\$1,000 \times 12 = \$12,000$   
 $\$12,000 / 260 = \$46.15$   
 $\$46.15 \times 10 \text{ days paid} =$   
**\$461.50**



Usually neglected or  
under-valued



## ➤ Q: What is happening with unemployment benefits for individuals?

### **PANDEMIC UNEMPLOYMENT COMPENSATION (FPUC)**

An additional \$300 per week, on top of regular benefits, to all UC, PEUC, and PUA recipients.

### **Already approved for UC Benefits? Here's what you should do:**

Do nothing – your benefits will automatically be updated. DO NOT CALL, it will only make it difficult for others to reach an agent.

What you may qualify to receive:

- An additional \$300/week (FPUC) until March 13, 2021 (beginning after December 26, 2020)

## ➤ Q: What is happening with unemployment benefits for owners?

### PANDEMIC UNEMPLOYMENT ASSISTANCE (PUA)

Expanded eligibility for individuals who have traditionally been ineligible for UC benefits (e.g., self-employed workers, independent contractors, those not eligible for regular unemployment)

#### **Not traditionally eligible for UC Benefits? Here's what you should do:**

Do NOT submit an application through the regular UC system. PUA has a separate application process. To apply for PUA, visit [www.uc.pa.gov](http://www.uc.pa.gov) and select "Filing an Initial Claim" on the icon navigation bar and scroll down to "Pandemic Unemployment Assistance (PUA)"

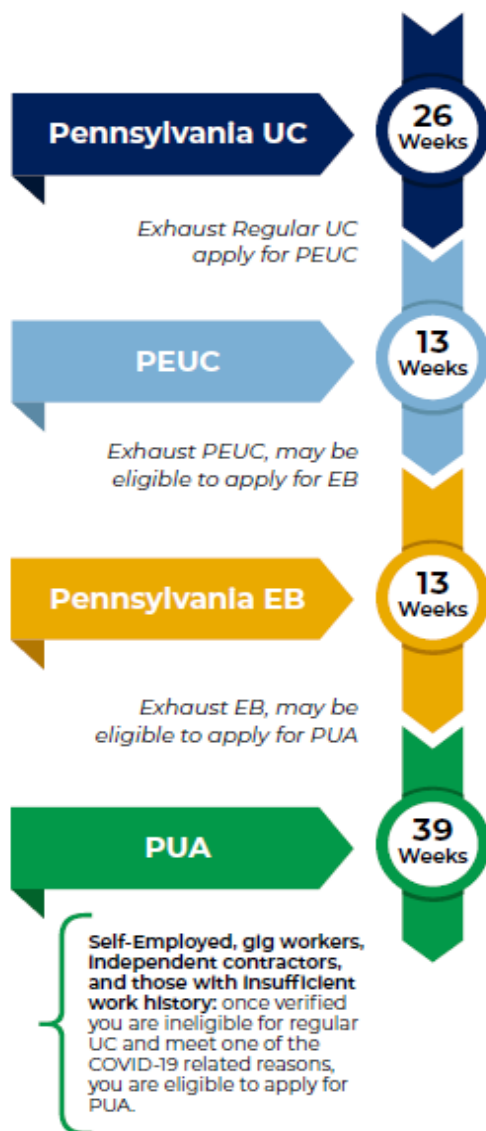
What you may qualify to receive:

- 50 weeks of PUA benefits
- An additional \$300/week (FPUC) until March 13, 2021 (beginning after December 26, 2020)

## Pennsylvania Unemployment Compensation Program Progression

### Understanding the Programs & How to get Benefits

The U.S. Department of Labor directs the order of Unemployment Compensation programs. You will need to apply, and exhaust all benefits available under each of the below programs before being eligible to apply for the next program.



#### Pennsylvania Unemployment Compensation - Up to 26 Weeks of Benefits

- Regular Unemployment Compensation (UC) benefits are available to individuals who have lost their job or had hours reduced through no fault of their own and are found financially eligible. Visit [www.uc.pa.gov](http://www.uc.pa.gov) and select "File an Initial Claim" to apply.
- Eligible to receive \$300/week (FPUC) until March 13, 2021 (beginning after December 26, 2020).

#### Pandemic Emergency Unemployment Compensation (PEUC) - 24 Weeks

- Pandemic Emergency Unemployment Compensation (PEUC) becomes available after regular UC benefits are exhausted. Visit [www.uc.pa.gov/PEUC](http://www.uc.pa.gov/PEUC) to learn about applying.
- Weekly Benefit Amount based on regular unemployment claim.
- Eligible to receive \$300 (FPUC) until March 13, 2021 (beginning after December 26, 2020).

#### Pennsylvania Extended Benefits (EB) – Up to 13 Weeks of Benefits

- Extended Benefits becomes available after regular UC benefits and PEUC are exhausted.
- Weekly Benefit Amount is based on regular unemployment claim.
- Number of Extended Benefit Weeks are typically 50 percent of the amount of regular UC claim weeks you were financially eligible to receive (e.g. regular UC claim eligibility for 23 weeks, means you'll receive 11.5 EB weeks of benefits.)
- There is no application, EB-eligible claimants will receive a letter in the mail after their PEUC claim is exhausted.
- EB claimants will simply file their weekly certification as they did for regular UC and PEUC.
- Eligible to receive \$300 (FPUC) until March 13, 2021 (beginning after December 26, 2020).

#### Pandemic Unemployment Assistance (PUA) - Up to 39 Weeks of Benefits

- Pandemic Unemployment Assistance (PUA) is payable for weeks of unemployment, partial unemployment, or inability to work caused by one of the 11 COVID-19 related reasons set forth in the CARES Act, beginning on or after January 27, 2020. Visit [www.uc.pa.gov/PUA](http://www.uc.pa.gov/PUA) to apply.
- Weekly Benefit Amount is based on 2019 taxes, 1099's, W-2, or any additional documentation that will verify 2019 earnings.
- Eligible to receive \$300 (FPUC) until March 13, 2021 (beginning after December 26, 2020).

**Note:** If you are collecting a current claim type but are eligible for a previous claim type in progression, you must stop collecting on the current claim and apply for the appropriate claim. For example, if you're collecting PUA, but are eligible for Extended Benefits, you must stop collecting PUA to begin filing EB continued claims.

Refusing to return to work could result in disqualification for benefit eligibility. Attempts to collect unemployment benefits after quitting a job without good cause is considered to be fraud. Employers are able to report refusal of suitable work by emailing [RefusalofWork@pa.gov](mailto:RefusalofWork@pa.gov).

## ➤ Q: Are there any changes to the collection of the employee Social Security deferral?

### **Original Payback Requirement:**

Deferred employee Social Security taxes to be collected and/or paid back by March 31, 2021; penalties and interest on late tax payments were to begin to accrue on April 1, 2021

### **Revised Payback Requirement:**

Deferred employee Social Security taxes to be collected and/or paid back by December 31, 2021; penalties and interest on late tax payments were to begin to accrue on January 1, 2022

# POLLING QUESTION

***To be eligible for CPE, 3 polling questions must be answered.***

# THANK YOU FOR PARTICIPATING

## Questions?

- Contact your RKL advisor
- Visit [rklcpa.com](https://rklcpa.com) for more updates and guidance

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