



Welcome to our COVID-19 Preparedness Webinar



Stacy Shaw

CPA, MBA

Stacy Shaw joined Boyum Barenscheer directly from college and has continually grown within the firm. As a catalyst in BB's Business Advisory Services and Client Accounting Services areas, she works with clients in all aspects of their businesses. She enjoys the direct client contact as she is involved in consulting and planning. Within the firm, Stacy is an ardent leader in training and mentoring fellow accountants. Her favorite part about working at BB is the people, and this is evident as she is all about sharing her knowledge and experience.

Stacy is currently serving on the finance committee of the Association of Women Contractors, an active member of the MN Society of CPAs, a volunteer at her daughters' school and works on various committees at her church. Stacy lives in Lakeville, Minnesota with her husband, Nathan and daughters, Cora and Ivy. Her leisure time is spent with family and friends drag racing (yes, she does race herself), camping, hiking, biking, and skiing.

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Business Advisory/Client Accounting Services Partner

Education

- B.A., Accounting – University of MN-Carlson School of Management, Minneapolis
- MBA, Accounting – Metropolitan State University, Minneapolis

Accreditation

- Certified Public Accountant

Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- MN Society of Certified Public Accountants (MNCPA)
- Association of Women Contractors (AWC)
- Minnesota Chamber of Commerce



Randy Feld

CPA, ABV

Randy joined Boyum Barenseher in 1991. He works with clients on maximizing their business value, valuation, succession, forecasting, business planning and auditing. His passion is working with business owners and management teams to leverage the use of their financial statements to help them gain insights into their business to ultimately become more profitable, reduce income taxes, create more value inside and outside their business and to help plan for the future. Randy's primary focuses are on serving contractors and manufacturers. Randy enjoys assisting with all aspects of his clients' organizations by teaching and helping them to grow. He prides himself in understanding our clients' business and having a deep understanding of their industries. He values the great client relationships he has developed over the years and is a lifelong learner.

Randy and his wife, Karen, live in Eagan. They have two adult children that live in Minnesota.

Audit Partner

Education

- B.A., Concordia University – St. Paul

Accreditation

- Certified Public Accountant
- Accredited in Business Valuation

Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- MN Society of Certified Public Accountants (MNCPA)
- Construction Industry CPAs/Consultants Assoc (CICPAC)
- Association of General Contractors (AGC)
- Manufacturers Alliance

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Barb Sawdy

CPA, CGMA

Barb Sawdy came to Boyum Baren Scheer over 10 years ago with 15+ years of business, controller, and accounting experience. She has evolved into the firm's leader in complex sales tax, payroll, and accounting software issues. She also plays a vital role in the firm's Business Advisory Services department with training and assisting our accountants as they begin their careers. She likes being part of the widely-varied, experienced BB team working with clients and the diversity of businesses they represent. She said working at BB feels like family.

Barb is a member of the Burnsville Chapter of Women of Today, a non-profit women's organization. She previously held the Board's Treasurer position.

When not quilting or reading, Barb is spending her extra time with family activities. She loves to travel and while she is an experienced traveler, she hopes to someday take a more extensive European vacation.

Barb and her husband, Bob are the parents of two children and live in Burnsville, Minnesota.

Business Advisory Services Partner

Education

- Bachelor of Business Administration, University of WI – Oshkosh

Accreditation

- Certified Public Accountant
- Chartered Global Management Accountant

Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- MN Society of Certified Public Accountants (MNCPA)
- Treasurer, Women of Today – Burnsville Chapter

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Christopher Wittich

CPA, MBT

Chris Wittich came to Boyum Baren Scheer in 2007 and quickly made his mark in the firm's tax department. He works with individuals, businesses, trusts, estates, and expats providing tax planning and tax compliance services. Chris enjoys challenging research projects and training others in all things tax.

His passion for educating others is evident as he is the firm's top website blogger. He has been a tax season volunteer with Prepare Prosper every year since 2001 when he was in 10th grade.

Chris is a proud AICPA Leadership Academy graduate and MNCPA Tax Conference chair. He has spoken at the AICPA Engage Conference and MNCPA Tax Conferences. In 2019, he began serving on the AICPA's Tax Practice Management Committee and on the AICPA's task force to revise the Statements on Standards for Tax Services.

Chris grew up in Eden Prairie, Minnesota but now lives in Eagan with his wife Brittany and cat Cornelius. In his spare time, Chris is busy playing golf or Ultimate Frisbee. His nickname, Ravenous Tiger, dates back to his days in drumline from high school.

Tax Partner

Education

- Bachelor of Accounting, University of MN – Carlson School of Management
- Masters of Business Taxation, University of MN – Carlson School of Management

Accreditation

- Certified Public Accountant

Professional Memberships

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Nick Swedberg

CPA, QuickBooks Advanced ProAdvisor

Business Advisory Services Partner Specializing in Restaurants & Breweries

Education

- Bachelor of Science/Accounting, Minnesota State University, Moorhead

•Accreditation

- Certified Public Accountant
- Certified Advanced QuickBooks ProAdvisor

Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- MN Society of Certified Public Accountants (MNCPA)

In the time since Nick Swedberg joined Boyum Baren Scheer in 2008, he has become a firm leader in our Business Advisory Services area. His tax planning and preparation work along with CFO services for clients led him to this role. Being a sought-after Certified Advanced QuickBooks ProAdvisor brings added value to the services he provides when working with small businesses to streamline their accounting processes. Clients reach out to Nick for his patient assistance and support when needed. A significant portion of Nick’s client service work is in the [restaurant and brewery industries](#).

Nick enjoys downhill skiing, camping, tennis and improving his status as an amateur handyman. He loves to cook and says he would have been a chef if the hours weren’t so awful – we may still see him on “Chopped” one day! A beer aficionado, Nick is proud of his growing growler collection. Thirty-six and counting. Nick and his wife, Stephanie, live in Burnsville with their twin boys and daughter.

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Agenda

- Housekeeping items
- Part 1 - Practical Advice and SBA Loans
- Part 2 - Unemployment and payroll tax provisions
- Part 3 - Income tax provisions
- Question and Answer session



Practical Advice and SBA Loans for Business Owners

Stacy Shaw, CPA, MBA

Business Advisory Services Partner

Randy Feld, CPA, ABV

Audit Partner

Agenda

- General Overview
- Regulation Update
- Financing Options with Comparisons
- Documents needed for applying
- Loan Strategies
- Big Picture Playbook
- 13-Week Forecast Tool
- Employees/Payroll
- Deferment of Payments

General Overview

- COVID-19 Impact on Business
- Bills Passed
- Financing Options at the Federal and State levels
- Information Overload
- Fear Based Decisions

Families First Coronavirus Response Act

- Signed March 18, 2020 and takes effect April 1, 2020
- For businesses with under 500 employees
- Funds for paid leave
 - Some businesses are required to provide
- Fact sheets:
 - Employees
<https://www.dol.gov/agencies/whd/pandemic/ffcra-employee-paid-leave>
 - Employers
<https://www.dol.gov/agencies/whd/pandemic/ffcra-employer-paid-leave>
 - Q & A <https://www.dol.gov/agencies/whd/pandemic/ffcra-questions>



Financing options

- Fewer than 500 employees requirement
- Federal and State options
 - CARES Act – PPP Loan
 - SBA EIDL
 - MN DEED Small Business Emergency Loans
 - Industries affected by Executive Order to close
 - Apply through certified lender
 - \$2,500 - \$35,000
 - Interest free
 - Paid back over 5 years with 6-month deferral
 - Partial forgiveness up to 50% may be available

EIDL

ECONOMIC INJURY DISASTER LOAN

- Directly through the SBA
- \$2 million max, \$10K advance
- Up to 30 years, 3.75% or 2.75%
- Expense not covered due to COVID19
- Guarantee > \$200K
- No forgiveness except on advance
- Apply now

PPP

PAYROLL PROTECTION PROGRAM

- Existing SBA Lenders
- 2.5 x average TTM payroll costs, \$10M max
- 2 years, 0.50% interest rate
- Payroll, interest on mortgage, rent and utilities (25% cap for non-payroll)
- No guarantee or collateral
- Yes on forgiveness, as defined
- Accepting applications April 3 or 10 2020

EIDL

Documents Needed

- Business loan application - Form 5
- Economic Injury Disaster Loan Supporting Information Form P-019
- IRS Form 4506T authorization for transcripts for business and any $\geq 20\%$ owner
- Most recent business tax return + individual return of all $\geq 20\%$ owner
- Personal financial statement Form 413 for all $\geq 20\%$ owner
- Schedule of liabilities Form 2202
- Tax returns for any affiliate business owned $\geq 50\%$ by any owner
- Year-to-date financial statement
- Monthly sales figures for 3 years before disaster & through current month on Form 1368
- Financial Forecast Form 1368

PPP

DOCUMENTS NEEDED

- Copies 941,940, MNWH, MNUC for 2019 and first quarter 2020
- Payroll reports each pay period for preceding 12-months from loan origination
- Health insurance premiums under group plan for preceding 12 months
- Retirement plan contributions, same documents and periods
- SBA Paycheck Protection Program application: [Click Here](#)
- Similar to EIDL is our expectation on other documents.

PPP Loan strategy and considerations

- Very generous with little downside
- Key for businesses that were looking at layoffs, furloughs, cuts
- Great message to your company and team
- Important timing and layoffs can still work
- 8-week covered period is very important to maximize forgiveness
- SBA policy statement – likely 4-1-20
- Banking considerations (funding, volume, approach & timing)
- Apply now for PPP & EIDL
- Bring team back by June 30th at a minimum
- You won't qualify for employee retention credit or payroll tax deferral
- Complexity in forgiveness computation with FTE requirement and <25% compensation reductions

Big picture playbook

- Forecast cash flow – 13-week tool
- Apply for SBA loans
- Review unemployment, retention credits and related provisions
- Assess workforce strategy and possible changes
- Understand tax law changes that will affect cash flow
- Continue to sell and market
- Communication is key with your team
- Plan for bad and hope for good

13-week forecast tool

- Cash is King
- Estimate by week for 13 weeks
 - Income you expect to receive
 - Bills you have to pay
 - Loans you have to pay
 - Credit cards you have to pay
 - Payroll and benefits
 - Rents
 - Hidden sources of cash – balance sheet (investments, cash value, equipment)
- Template will be provided

Employees/payroll

- Plan for in the 13-week forecast
- Owners to look at cut in pay
- Layoff, Furlough, Terminate based on needs
- Benefits
- Unemployment
- Payroll tax credits and deposit extensions

Deferment and other cash flow ideas

- Small things add up
 - Owner comp adjustments, 401k loans, sale lease back
- Fixed payments – align with new revenue
- Variable payments
- Contact your lenders, landlords, insurance and vendors
 - Ask for deferment
 - Ask what their policy is for deferment and get it in writing

Questions

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CARES Act Unemployment, Sick Leave & Payroll tax

Barb Sawdy, CPA, CGMA

Business Advisory Services Partner

Expansion of eligible individuals

- The Cares Act expands unemployment benefits for individuals that might not otherwise qualify for benefits including
 - self-employed individuals
 - individuals that have exhausted their unemployment benefits
 - S Corp owners can qualify for benefits because they are considered self-employed

Individuals will need to provide self-certification that they are otherwise able and available for work, but is unemployed, partially unemployed, or unable or unavailable to work because of one of the following reasons:

- Diagnosed with COVID-19, or experiencing symptoms and seeking a medical diagnosis
- Member of the household has been diagnosed with COVID-19
- Providing care for a family member or member of household diagnosed with COVID-19
- Child or other person in household for which the individual has primary caregiving responsibility is unable to attend school or another facility closed as a direct result of COVID-19 and such school or facility care is required for the individual to work

Additional unemployment certifications:

- Unable to reach place of employment because of a quarantine
- Schedule to commence employment and doesn't have a job or cannot reach job as a direct result of COVID-19
- Individual has become major support for a household because the head of the household died as a direct result of COVID-19
- Had to quit his or her job as a direct result of COVID-19
- Place of employment is closed as a direct result of COVID-19
- Meet addition criteria as established; or
- Self-employed, seeking part-time employment, or would not have sufficient work history under state law to otherwise qualify

Unemployment rules

It does not include those who have the ability to telework with pay or are receiving paid sick leave or other paid leave benefits.

Weekly benefits are based on the laws under the state where they were employed plus the Federal Pandemic Unemployment Compensation

Paid benefits cannot exceed 39 weeks

Emergency increase in unemployment compensation benefits

- An additional \$600 per week for up to 4 months ending July 31, 2020 to individuals receiving unemployment benefits. This may be paid with other unemployment benefits or by separate check.
- The intent is to replace 100% of compensation, based on average state unemployment benefits of approximately \$300. (State unemployment benefits typically replace 40% of wages). Minnesota's average weekly benefit amount is around \$450.
- Total average benefit in MN will now be the \$450 average plus \$600 federal contribution = \$1,050 total unemployment benefit per week

Example of wage levels and potential benefits

Wage examples	\$ 25,000.00	\$ 50,000.00	\$ 75,000.00	\$ 76,960.00
Weekly wage	\$ 480.77	\$ 961.54	\$ 1,442.31	\$ 1,480.00
Weekly benefit at 50%	\$ 240.38	\$ 480.77	\$ 721.15	\$ 740.00
Federal emergency aid	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00
Total weekly benefit through 7/31	\$ 840.38	\$ 1,080.77	\$ 1,321.15	\$ 1,340.00
Working versus collecting benefits	\$ (359.62)	\$ (119.23)	\$ 121.15	\$ 140.00

Although employees may receive more in unemployment benefits, they may lose their health benefits

Minnesota Update

- Minnesota is allowing self-employed individuals to apply now before guidance is issued. If you wait until there is more guidance, benefits will be retroactive to your eligibility date.
- Due to the high volume of applicants, applicants who have never applied for unemployment benefits before can apply only on their assigned day (based on the last # of their social security number) or Thurs/Fri if they miss their scheduled day.

Discussion items

- How will earnings from self-employment or S Corp income affect the benefit determination?
- Will S Corp owners be able to take distributions if they are receiving unemployment compensation?

Families First Safe & Sick Leave

- Expands FMLA to employers with less than 500 employees (versus 50 or more employees)
- Expands qualifying event to include
 - Unable to work (or telework) due to need to care for child(ren) if school or their day care is closed due to a public health emergency
 - Identifies COVID-19 as a public health emergency
 - Exempts small business with less than 50 employees when the requirements would jeopardize the viability of the business as a going concern

Emergency Paid Sick Leave Act

- Up to 80 hours paid sick leave available for immediate use that is applied against payroll taxes and refundable to the employer
- Not to exceed \$511 per day, \$5,110 total for the following reasons:
 - Employee is under quarantine or isolation order related to COVID-19
 - Employee is advised by a health care provider to self-quarantine due to concerns related to COVID-19
 - Employee is experiencing symptoms of COVID-19 and is seeking medical diagnosis

- Not to exceed \$200 per day, \$2,000 total per employee for the following reasons:
 - Employee is caring for a family member due to quarantine or isolation order or recommendation from a health care professional
 - Employee is caring for a child if the school or daycare is closed or unavailable
 - Employee is experiencing substantially similar condition specified by the Secretary of Health & Human Services
 - Computation is the lesser of 67% of the employee wages or \$200
- Self-employed individuals may also qualify

Employee Retention Credit

Refundable credit against applicable employment taxes for each calendar quarter up to 50% of qualified wages paid to each employee

Qualified wages to any employee for the 2020 year not to exceed \$10,000 (\$5,000 maximum credit per employee)

Applies to social security & Medicare taxes, credit is refundable if it ends up being more than the employers share of payroll taxes

Not available to employers taking the SBA PPP loans

Payroll tax deposits can be adjusted based on reasonably expected credit allowance

Eligible Employer

- Was carrying on a trade or business in calendar year 2020
- Operation of the business fully or partially suspended during the calendar quarter due to orders from government authority limiting commerce, travel or group meetings due to COVID-19
- Significant decline in gross receipts (less than 50% of gross receipts for the same quarter in previous year), ending with quarter when gross receipts are greater than 80% of the gross receipts in the same calendar quarter of the prior year
- Less than 100 employees

Discussion items

- Probably more of a 2nd quarter issue for many because they won't know until they see their gross receipts for the quarter
- Look at furlough (temporary) versus lay-off. Health insurance companies may be allowing employers to continue to pay health insurance premiums for employees on the same status as when they were working
- Most payroll companies are allowing employers to block monthly fees through Aug for business operational or financial hardship issues

Payroll tax deferral provisions

- Available to employers that do not have indebtedness forgiven through the Paycheck Protection Loan
- Applies only to the employer portion of social security taxes (6.20%)
- Employers that use 3rd party processors or professional employer organizations must notify them of their intent. Employers become solely liable for the payment of the taxes.
- Deferral period is from March 27, 2020 through December 31, 2020
- Repayment is due 50% on 12/31/2021 and 50% due 12/31/2022

Commentary: In general the PPP loans seem far more attractive than this payroll tax deferral. We think the most likely situations where this will come into play is for self employed individuals who do not get a PPP loan.

Questions

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CARES Act Tax Provisions

Chris Wittich, MBT, CPA
Tax Partner

Agenda

- Stimulus Checks
- Retirement Plan changes
- Charitable Contributions
- Student Loans
- Payroll Taxes
- NOLs and loss limitations
- Qualified Improvement Property Fix

Stimulus Checks = Cash Now



Maximum of \$1,200 per adult and \$500 per dependent child under age 17

- Advanced credit determined based on 2019 return if it has been filed
- If 2019 return has not been filed, determined based on 2018 return
- Credit will be calculated again in 2020, and if amount is higher in 2020 additional credit will be allowed, if the credit is lower on the 2020 return no payback is required
- Credit is reduced when income is over the threshold, reduced \$5 for every \$100 over the threshold
 - \$75,000 for single or separate; \$112,500 for head of household; \$150,000 for joint

Taxpayer must have a SSN to qualify for the credit

IRS will send direct deposit if they have that info, otherwise mail checks. Notifications about how they sent the money to come out from the IRS within 2 weeks of sending the money. Likely we will hear more specifics from the IRS about how this is all going to work administratively.

Retirement Plan changes



Coronavirus distributions allowed from qualified plans

Requirements:

1. Take a distribution in 2020
2. Be directly impacted by coronavirus meaning they are diagnosed with it, have a spouse or dependent diagnosed, experiencing adverse financial consequences of being quarantined or furloughed or laid off, reduced hours as a result of the public health crisis

Benefits:

1. No 10% penalty for early withdrawal
2. Money can be replaced within the 3 years and counted as a rollover so it isn't taxed

RMDs are also waived for 2020 year if they haven't been taken yet. Still allowed to take them, just not required. This does not apply to a 2019 RMD that you elected to take in early 2020.

Charitable Contributions

- \$300 above the line tax deduction allowed for charitable contributions
- Taxpayer must not itemize (they would receive benefit of charity on Schedule A, so no double benefit)
- Contributions must be cash contributions. Donations of stock or clothes and household items do not count.
- Contributions to a donor advised fund, even cash donations to a donor advised fund, do not count
- Contributions to private foundations do not count
- Currently this is only for the 2020 tax year, but the way it was written suggests it may be extended in the future

Student Loans

- Employer can contribute \$5,250 towards student loans for employees as part of the fringe benefit
- This is an expansion of the existing tuition benefit where employers can pay \$5,250 of tuition reimbursement for employees as a tax free fringe benefit
- The CARES Act suspends principal and interest payments, on federal direct and Federal Family Education Loans (FFEL) until September 30th
- Students with the federal loans receive an automatic deferment; the federal student loan servicer will suspend all payments without any action from the borrower. No interest would accrue during this time period.
- This benefit also does not apply to private (non-federal) student loans.

NOL and Loss Limitations

Individual NOLs for 2018, 2019, and 2020 can now be carried back 5 years

C Corp NOLs for 2018, 2019, and 2020 can now be carried back 5 years

461(l) excess business losses which limited the business loss that an individual could claim to \$500k is suspended for 2018, 2019, 2020

461(l) rules will resume in 2021 and when they do the wages will not be included in the business loss calculation which means it will end up affecting more taxpayers

163(j) interest expense limitations relaxed for 2019 and 2020 years for large businesses

Keep in mind that QBI loss limitation and carryforward rules do still apply in 2018 and 2019, so changes to a 2018 return could create different carryforwards of QBI attributes into 2019

Qualified Improvement Property Fix

Qualified Improvement Property is now permanently considered a 15 year life and eligible for bonus depreciation, this definition is retroactive to 1-1-2018 when the category of Qualified Improvement Property was created.

Amended returns can and probably should be filed for anyone with QIP placed into service in 2018 or on 2019 returns already filed as 100% bonus depreciation will now apply.

2018 or 2019 amended returns to claim the 100% bonus might create an NOL, which with the new rules can be carried back 5 years so the potential for refunds is significant, but can be very complex.

Example:

\$400k qualified improvement property placed in service in 2018 with 39 year life so about \$10k depreciation

Amend 2018 return to claim additional \$390k of depreciation seems easy enough

Also changes 2018 QBI, changes carryforward of QBI attributes to 2019 if the depreciation created a QBI loss, changes 2019 depreciation, potentially creates NOL in 2018 or basis or passive losses that carry into 2019

Questions

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