



# Welcome to our Navigating the SBA Loans Process Webinar



# Stacy Shaw

*CPA, MBA*

## **Business Advisory/Client Accounting Services Partner**

### **Education**

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

### **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

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.

[sshaw@myboyum.com](mailto:sshaw@myboyum.com) 952-858-5552



# Randy Feld

*CPA, ABV*

Randy joined Boyum Barenscbeer 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

[rfeld@myboyum.com](mailto:rfeld@myboyum.com) 952.858.5588

# Tiffany Shermak

CPA



## Audit Senior Manager

### Education

- B.S., Accounting, Arizona State University – Tempe, Arizona

### Accreditation

- Certified Public Accountant
- AICPA Intermediate Single Audit Certificate

### Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- MN Society of Certified Public Accountants (MNCPA)
- Minnesota Multi Housing Association (MMHA)

Tiffany Shermak joined Boyum Barencheer in 2014. Her background includes public accounting at a Big Four global firm, local firms and accounting and controller roles in industry. It is through her varied background that Tiffany enjoys and is able to meet her clients' needs. Tiffany's primary focus is servicing affordable housing and nonprofit clients, particularly in the regulatory environments, including HUD and Rural Development. As a volunteer, Tiffany serves the Bloomington School District in a variety of roles, one of which is serving on the District's Community Financial Advisory Committee.

She is also a Board member of the Education Foundation of Bloomington, has served as Treasurer for the Bloomington Fastpitch Association and is involved with her church.

When not at the office or volunteering, Tiffany enjoys traveling with her family and spending time at her children's activities. There also might be a time or two that she ventures onto the volleyball court, hits the trails for a run or dives into the pool for some laps to stay active!

Tiffany and her husband Bill live in Bloomington with their three children.

[tshermak@myboyum.com](mailto:tshermak@myboyum.com) 952.698.9506



# 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 10<sup>th</sup> 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

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

[cwittich@myboyum.com](mailto:cwittich@myboyum.com) 952.858.5556



# Larry Davidson

CPA

## Audit Senior Manager

### Education

- Bachelor of Science/Accounting, Northern Illinois University, DeKalb, IL

### Accreditation

- Certified Public Accountant

### Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- MN Society of Certified Public Accountants (MNCPA)
- Construction Financial Management Association (CFMA)
- Minnesota Multi Housing Association (MMHA)

Larry Davidson joined Boyum Barencheer in January 2017, bringing with him over 20 years of experience in public accounting. Larry's audit experience has a concentration in HUD and other affordable housing projects with clients. He also has several years' experience as a Controller for a large construction company in St. Paul, which provides him unique insight into his HUD, real estate and other construction audit clients.

Outside the office Larry volunteers his time with his children's St. Paul schools and loves traveling and spending time with his family. A native of the Chicagoland area, he plans many trips to Chicago annually to visit with close family and friends.

Larry and his wife Siiri live in St. Paul with their two children.

[ldavidson@myboyum.com](mailto:ldavidson@myboyum.com) 952-858-5545



# 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 Barencheer 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.

[nswedberg@myboyum.com](mailto:nswedberg@myboyum.com) 952.858.5585



# Navigating the SBA Loan Process

Presented By:

Stacy Shaw, CPA, MBA, Business Advisory Services Partner

Randy Feld, CPA, ABV, Audit Partner

Tiffany Shermak, CPA, Audit Senior Manager



# Agenda

- Housekeeping Items
- General Overview
- Financing Options
- Comparison of Loans
- Details of Loans
- Documents Needed
- Loan Strategies
- Big Picture Playbook
- Deferment of Payments
- Application Process
- Tools for Calculations
- Q & A

# General Overview

- SBA Economic Injury Disaster Loan (EIDL)
  - EIDL Emergency Advance
- Paycheck Protection Program Loan (PPP)
- Existing SBA Loans
- Information Overload
- Fear Based Decisions

# Financing options

- PPP and EIDL Comparison
- Eligibility
- Funds Available
- Use of Funds
- Forgiveness

# 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, 1% 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

## Details

- \$10,000 Emergency Advance
- Compatibility of Loans
- Use of Funds
- Long-term Debt
- Forgiveness not Available

# 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

UPDATES FROM SBA

Docket No SBA -2020-0015

Changes and clarifications released yesterday, 4-2-20

- 1) Federal withholding and Social Security and Medicare WH are part of payroll costs
- 2) Contract labor is not included in payroll costs
- 3) SBA to issue further guidance on debt forgiveness
- 4) Lender can rely on borrowers documentation and attestation for loan forgiveness – no verification required by lender
- 5) If you received EIDL loan between 1-31-20 and 4-3-20, you can apply for PPP, if EIDL was used for payroll costs you must use PPP loan to refinance EIDL –

# PPP

## ELIGIBILITY

- Business less than 500 people
- Non-profit -
  - 501(c)(3) tax exempt organizations, less than 500 people
  - 501(c)(9) vet organizations
- Tribal business concerns
- Self-employed and independent contractors (likely includes partners)
- Special provisions for certain food service companies and franchises
- Operating February 15, 2020, with employees or self-employed



# PPP

## BORROWER CERTIFICATIONS

Certifications have significantly expanded with new SBA application released April 2, 2020 and SBA-2020-015:

8 specific items – Generally more serious and specific provisions: Including -

- Clear message to use proceeds for intended purpose 75% or more for payroll costs
- Documentation related to FTE's, payroll cost and related information
- Understanding loan forgiveness provisions and amounts of non-payroll costs

“Current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant”

# PPP

## LOAN AMOUNTS

- Loan capped at \$10M
- 2.5 times the average monthly payroll cost measured over either 2019 calendar year or the prior 12 months, SBA application using 2019 year and we're seeing more banks use that approach, so that is what we plan to use in most cases
- Average monthly payroll cost is: wages, salaries, tips, commissions, including group health benefits and employer retirement plan contributions plus state unemployment.
- Need to subtract any payroll costs that exceed \$100k per employee, only the first \$100k counts for an employee (independent contractor payments are not allowed)

# PPP

## LOAN AMOUNTS –CONTINUED

- Seasonal employer use average monthly payroll costs for the 12-week period beginning February 15, 2019 or March 1, 2019 x 2.5
- Businesses not in operations in 2019, take average monthly payroll for January and February 2020 x 2.5
- Loans not forgiven are deferred for 6 months (interest does accrue) and amortized over two years at 1%
- We have a calculator on the COVID 19 resource page

# PPP Loan Proceeds Strategy and Compliance

- Strongly recommend the use of a separate bank account to hold the PPP funds
- Only pay the qualified loan forgiveness expenses out of that separate bank account
  - Payroll costs, as defined
  - Interest on mortgages
  - Rent
  - Utilities
  - Interest on other debt incurred prior to 2-15-2020

# PPP

## DEBT FORGIVENESS

- Forgiveness is available on the entire PPP Loan
- Forgivable costs are the same payroll costs that went into calculating the maximum amount of the loan plus rent, utilities, mortgage interest incurred from the loan start or origination date for 8 weeks.
- Maximum of 25% of the loan forgiveness can be the non payroll costs, loan was intended to offset payroll costs so only 25% of the forgiveness can be rent, utilities, mortgage, interest on debt costs
- A few important additional requirements exist that can limit the PPP loan forgiveness
  - 25% reduction in wages
  - Reduction in FTE calculation – 8-week period FTE Monthly after loan starts divided by monthly FTE 2-15-19 to 6-30-19 or monthly average for Jan & Feb. 2020

# PPP

## DETAILS

- If the business employs everyone but the employees experience a 25% reduction in wages from the previous quarter, there is a subtraction from the otherwise forgiven debt for the difference for all employees in that situation
- If a business employs less people during the PPP loan period of 8 weeks they can also end up with less forgiveness on the loan, pro rata based on the percentage of employees retained
  - If a business reduced staff from Feb 15th to April 27th then a rehire exception applies.
  - Rehire exception says that if fully staffed up to the Feb 15th level by June 30th 100% forgiveness can occur given they've met the other tests and spent the money on qualified expenses
- No guarantee or collateral on the loan, partner personal recourse kicks in if the funds are misused by the business

# 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](#)
- Bank requirements differ from bank to bank and also considering if the company is an existing customer.

# 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 regulations – came out 4-2-20
- Banking considerations (funding, volume, approach & timing)
- Apply now for PPP or EIDL
- Bring team back by June 30<sup>th</sup> 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

# Deferment and other cash flow ideas

- Small things add up
  - Owner comp adjustments, 401k loans, 401k or IRA qualified coronavirus distributions, 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

# EIDL \$10,000 Advance Application

Website to apply online:

- <https://covid19relief.sba.gov/#/>

# PPP Calculations Workbook

- Your 3rd party payroll processor may provide a report with your payroll costs.
- Each bank may have their own calculation workbook

# Items that are still unknown

- When or if the \$350B fund will run out for the PPP Loan
- When banks will start taking and processing applications (open today, but not all banks are going to be able to process applications)
- CARES Act lays out the payroll cost definition as the compensation paid to employees and it shall not include IRC Chapter 21, 22, 24
  - Chapter 21 is the federal payroll taxes – both employee and employer
  - Chapter 24 is federal income tax – this is the section that requires employers to withhold federal income tax
  - We feel the payroll taxes and federal income tax should not be adjusted into or out of the gross wages paid to employees. Guidance from SBA on 4/2/2020 still unclear. Bank calculators show varying answers.
- Exactly how guaranteed payments for partners would work
- Further guidance is expected to clarify affiliation rules
- Anticipating a different loan application for self-employed which opens April 10th, 2020

# Questions from Chat

Disclaimer – we will get through as many as we can in the half hour allotted and will be posting the slides, tools and video recording within 24 hours of this webinar on our website. We will be working on posting up the Questions and Answers as fast as we can and also responding to emails and phone calls, please allow 36 hours for this. We apologize in advance for our delay. Thank you again for joining.



Stacy Shaw, CPA, MBA

[sshaw@myboyum.com](mailto:sshaw@myboyum.com)

952-525-5552

Nick Swedberg, CPA

[nswedberg@myboyum.com](mailto:nswedberg@myboyum.com)

952-858-5585

Tiffany Shermak, CPA

[tshermak@myboyum.com](mailto:tshermak@myboyum.com)

952-695-9506

Randy Feld, CPA, ABV

[rfeld@myboyum.com](mailto:rfeld@myboyum.com)

952-858-5558

Larry Davidson, CPA

[ldavidson@myboyum.com](mailto:ldavidson@myboyum.com)

952-858-5545

Chris Wittich, MBT, CPA

[cwittich@myboyum.com](mailto:cwittich@myboyum.com)

952-858-5556

@RavenousTiger