



# **\$900 Billion COVID Stimulus Package**

**(not signed by President yet)**

**Presented by Boyum Barenscheer's  
Covid-19 Team  
December 23, 2020**

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# 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 Baren Scheer 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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# 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

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### 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 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 tough – 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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# 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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# 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

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# 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.

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# 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.

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# Agenda

- Housekeeping Items
- Changes and Accounting for Existing PPP Loans
  - Deductibility of PPP Expenses
- PPP Second Draw Loans
- Stimulus Checks
- EIDL Changes
- Payroll Related Changes
- Employee Retention Tax Credit
- Other Things in the Act
- Filing Your 2020 Tax Return
- Next Steps for Individuals and Business Owners
- Closing Thoughts with Q&A

# Changes to Existing PPP

- Full Deductibility of PPP loan expenses!
- Expanded use of funds from first PPP
  - PPE for employees
  - Facility upgrades for COVID
  - Work from home software upgrades
  - Property damage due to civil unrest
  - Covered operations expenditures and supplier costs
- Payroll costs now include group life, disability, vision and dental insurance payments.
- EIDL Advance to be forgiven
- Simple form expanded to the \$150k level of loan for loan forgiveness
  - SBA has 24 days to prepare this form

# Changes to Existing PPP

- Everyone, even those early loans can choose from either a 24-week or 8-week period
- Some ability to request more original PPP if the rules changed after you were granted a PPP loan, or a business paid it back as the rules kept changing
- Some 501(c)(6) organizations can now get PPP loans

# Accounting for Existing PPP Loans

- During 2020, record the expenses as you normally would by debiting expenses and crediting cash
- PPP loan should be showing as a long-term liability on the balance sheet
- Upon forgiveness letter from SBA, for income tax purposes, record debt forgiveness income to wipe out the long-term PPP loan liability
  - Debit the PPP loan liability, credit the debt forgiveness income as of 12/31/20
  - May have to extend the tax return if you do not have an answer back from the SBA by the March 15 filing deadline
- PPP debt forgiveness income is tax exempt, leading to a book – tax difference in your income



# Accounting for Existing PPP Loans

Accounting for PPP on your books using GAAP basis:

- 4 methods for accounting for PPP:
  - FASB ASC 470-Debt. Record as debt, income is recorded once you have received the SBA's notification that they have awarded forgiveness.
  - FASB ASC 958-Not-for-Profit Entities: Revenue Recognition. Initially record as debt, release into income as conditions have been "*substantially met*".
  - International Accounting Standards (IAS) 20-For profit entities' accounting for government grants. Initially record as debt, record into income as forgiveness is "*reasonably assured*".

# Accounting for Existing PPP Loans

- FASB ASC 450-30-Gain Contingency Model. Allowed, but don't expect it will be used as the result is similar to the debt model (ASC 470).
- \*\* For Profit Borrowers: ASC 470 or IAS 20
- \*\* Nonprofit Borrowers: ASC 470 or ASC 958
- Since there are options, we recommend you consult with your accounting or audit professional to determine which method is best for financial statement purposes.
- Document your chosen policy and the accounting treatment.

# Second Draw PPP Loans

- Must have a 25% decline in revenue for any one quarter of 2020 and show necessity of loan to operate business
- Must have received and used the original PPP loan
- Limit of \$2M per borrower for the second loan
- 2.5x the monthly payroll – using 2019 payroll or 2020 payroll
- Accommodation/Food Services sector get 3.5x the monthly payroll

# Second Draw PPP Loans

- Can choose 8 to 24 weeks to use the funds
  - Allowing you to cut off the testing period so you do not affect reduction in FTE count if you need to lay people off
- 300 employee maximum
- 60% payroll spend, FTE reduction, wage reduction all still apply
- Tax free forgiveness and deductible expenses guaranteed up front
- Simplified forgiveness method for loans under \$150k
- March 31, 2021 is deadline for applying for Second Draw PPP loan
- SBA has 10 days to implement these new rules

# Second Draw PPP Loans Example

We have a Hair Salon with 20 employees:

First PPP \$200k, all used on payroll. Q2 revenue was down 40% for 2020 compared to 2019.

Qualify for second draw PPP of \$200k. Apply January 5, approved and funded January 8th. Have up to 24 weeks from January 8th to spend the \$200k on payroll, rent, utilities, PPE, modifying facilities for COVID, etc.

If the example was a restaurant that got \$200k original PPP, they would be eligible for \$280k Second Draw PPP.



# Stimulus Checks

- \$600 per adult and dependent child under 17 years old this time
  - still \$0 for adult dependents, like college kids
- Income limits: \$150K married filing joint or surviving spouse, \$112,500 head of household, \$75k for all others
- First stimulus based on 2018 or 2019 tax return was \$1,200 plus \$500 per child. Second stimulus based on 2019 returns. Both will be recalculated with 2020 tax return and can be credited based on the 2020 income if lower in 2020.
- Should come faster this time, starting in one, two or three weeks after signed into law for direct deposit and longer for paper checks.

# EIDL Changes

- Forgiveness of the existing EIDL Advance that were up to \$10k
- SBA to create a process for people to apply for the EIDL advance if they originally received less than the full \$10k.
  - Reapply to get more money up to that \$10k advance.
- Advance received is not taxable income.
- Targeted EIDL program is for those hardest hit and comes with restrictions
  - New grants available in low-income communities (up to \$50,000)
  - No more than 25 employees
  - 30% economic loss

# Payroll Related Things

- Additional federal unemployment benefits of \$300 per week for 11 weeks starting at the end of December until March 14, 2021 (no payments for any week starting after April 5, 2021)
- Deferred payroll tax extension from December 31 to April 30, 2021 and extend out from May 1, 2021 to January 1, 2022
- Paid Sick Leave & Family Leave credits extended to March 31, 2021, cannot double dip with this and PPP

# Employee Retention Tax Credit

- ERTC changed and improved dramatically
  - Originally a business could either do the PPP or the ERTC so most selected the PPP and very few did the ERTC
  - New rules allow you to do both PPP and do ERTC retroactively to 2020
  - Qualifying business has gross receipts down 20% from prior year in a quarter OR if the business was shut down during a quarter by government order
  - Qualifying wages amount expanded to be \$10k per quarter per employee instead of the original \$10k per year per employee
  - Credit amount calculated at 70% up from the original 50%
  - You can now claim ERTC even if you got a PPP or a PPP Second Draw
  - Same wages cannot be used for PPP forgiveness and the ERTC, no double dip
  - Extension to July 1, 2021

# Employee Retention Tax Credit

Example Scenario – Restaurant with 20 employees

1. April – gets PPP loan of \$150k and spends it in April/May/June that covers Q2 payroll plus some rent
2. Q3 and Q4 business down 35% from 2019 levels, has about 15 employees on staff instead of 20. Reduced business has about \$150k payroll for 15 employees per quarter. Employee averages \$10k of wages per quarter, now a \$7k credit per quarter for that ERTC. Amend Q3 and Q4 payroll tax returns for ERTC. \$7k per employee \* 15 employees \* 2 quarters = \$210k tax credit



# Other Items in the Act

- \$15 billion for SBA to make a new grant program for live venue operators – up to 45% of their 2019 gross revenue
- \$10 billion to support childcare providers who struggled because of the pandemic
- January 31 extension of eviction protection that expires at year end and \$25 billion in rental assistance
- Using 2019 income for EITC / Child Tax credits

# Other Items in the Act

- Principal and interest paid on SBA 7(a) loans 3 months starting Feb 2021, hard hit industries another 5 months after that
- Payments forgiven limited to \$9k per month
- 6 months forgiveness on newly approved SBA 7(a) loans
- The extra 5 months will be paid for businesses with a specific NAICS code, but generally arts, restaurants and hospitality
- Debt forgiveness for the original 6 months of payments on the SBA 7(a) loans that happened in 2020 are totally tax free as well

# Other Items in the Act

- 179D deduction made permanent
- Extenders for 2, 5 years for many things
- Business meals from a restaurant will be 100% deductible for 2021 and 2022
- Charitable contributions, if not itemizing, of \$300 / \$600
- HSA and FSA unused benefits can be carried over to 2021

# Filing 2020 Tax Return

- Wait until SBA forgiveness is granted for the first PPP loan
- Important to record debt forgiveness on the first PPP in 2020 for basis reasons, law still a bit unclear on this
- Expect delays in IRS accepting returns, processing returns
- Recalculate the first and second stimulus checks when filing
- Wait to file until you understand impact on potential second stimulus check

# Next Steps

## For Individuals:

- Stimulus check will be automatically direct deposited or mailed to you
- Make sure you continue to apply for your unemployment
- Be smart about when you file your 2020 income tax return
- Look at 2019 income to use earned income for low-income tax credits in 2020
- Expect delays in the IRS accepting 2020 tax returns and then processing refunds



## Next Steps

# For Businesses:

- If you experienced a quarter that was down 25% from last year, please reach out to start looking at PPP second draw
  - SBA to issue guidance, but we can prepare now to see if you will qualify and what kind of loan you might get
- EIDL Grant – if you need the help and you did not get the full \$10k amount, apply again ASAP for the remainder
- EIDL Loan – if you have suffered due to the pandemic, please apply but know of stringent SBA guidelines
  - Discuss options before applying for an EIDL
  - If business has improved, consider repaying EIDL
- Apply for PPP forgiveness for original PPP and reach out for help

# Next Steps

## For Businesses:

- Plan out use of the PPP second draw funds
- Plan out the 2020 tax planning and even looking at 2021 tax planning
- Go back and look at the ERTC again for 2020 and monitor for 2021
- Look at local grants if business is struggling

# We Are Here To Help

## PPP Loan Forgiveness and Consulting Services

- Forgiveness application - you complete the application and submit the documents; we provide advice and recommendations to help you obtain maximum PPP loan forgiveness.
- Application preparation and document submission services - we help complete the application and documentation to submit; we provide recommendations and strategy; and we provide an assessment of documents borrowers must maintain but not submit.
- Consulting services for loans over \$1 million - expanded services related to eligibility, documents submitted, FTE calculations and SBA audit verification.

We Are Here  
To Help

## PPP Loan Forgiveness and Consulting Services

- PPP Second Draw application qualification - we can help you determine and document your qualification for the second draw PPP loan application and assist you with preparing your second draw PPP application
- PPP Second Draw forgiveness applications once the covered period is over
- Tax Planning for 2020 and 2021
- Consulting regarding your SBA 7(a) or EIDL loans

# Q&A with the COVID-19 Boyum Team

This presentation has been recorded and will be posted on our website within 24 hours under our covid-19 tab.

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