

# Paycheck Protection Program - Accounting, Tax and Forgiveness

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Create Opportunities

## PPP Accounting Matters

- Debt (ASC 470) – Record as liability until SBA approves forgiveness
- Analogies to other GAAP
  - NFP Grant accounting (ASC 958) – recognize as grant revenues as conditions have been met
  - International Gov't Grant accounting (IAS 20) – recognize forgiveness when there is “reasonable assurance” that conditions will be met



# Tax Matters

- PPP
  - Debt forgiveness not included in gross income
  - Expenses paid for using PPP funds deductible
- Other CARES Act Aid also excluded from gross income
  - EIDL Grants and Advances
  - SBA Loan Payment Subsidies

# Employee Retention Credit

- 2020 Opportunity – 50% credit for up to \$10k wages
  - 50% or greater decrease in gross receipts or impacted by full or partial government shutdown order
- 2021 Opportunity – 70% credit for up to \$10k wages per Q for each of Q1 and Q2
  - 20% or greater decrease in gross receipts or impacted by full or partial government shutdown order
- Can now get both ERC and PPP



# Loan Forgiveness Applications

## 3 Application Options

### Form 3508 Loan Forgiveness Application

### EZ Form (3508EZ)

- Self-employed with no employees
- No wage reduction > 25% and no reduction in # of employee or ave paid hours from 1/1/20 – end of CP
- No wage reduction > 25% and “unable to operate at same level of business activity”

### Small Loans (3508S)

- \$150,000 loan or less
- No FTE or Wage reduction for loans under \$50k
- Must consider FTE and Wage reduction for loans from \$50 - \$150k or under \$50k but part of affiliated group with >\$2M

# Streamlined Forgiveness for Loans < \$150k

- Certification only required
  - ◇ Number of employees retained
  - ◇ Estimated amount of PPP loan spent on payroll costs
  - ◇ Total loan
  - ◇ Complied with PPP terms
- Not required to submit documentation at application
- Record retention
  - ◇ Employment records – 4 years
  - ◇ Other expenses – 3 years

## PPP Forgiveness Matters

- Select your covered period, between 8 and 24 wks
- “Alternative Payroll Covered Period” no longer applicable
- Forgiveness amount must be at least 60% payroll
- Form 3509/10 – Loan Necessity Questionnaires
- Changes in Ownership – SBA Procedural Notice
- EIDL Emergency Grant no longer reduces forgiveness







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