

# **The PPP and ERC 2020-21**

## **SK Financial CPA LLC**

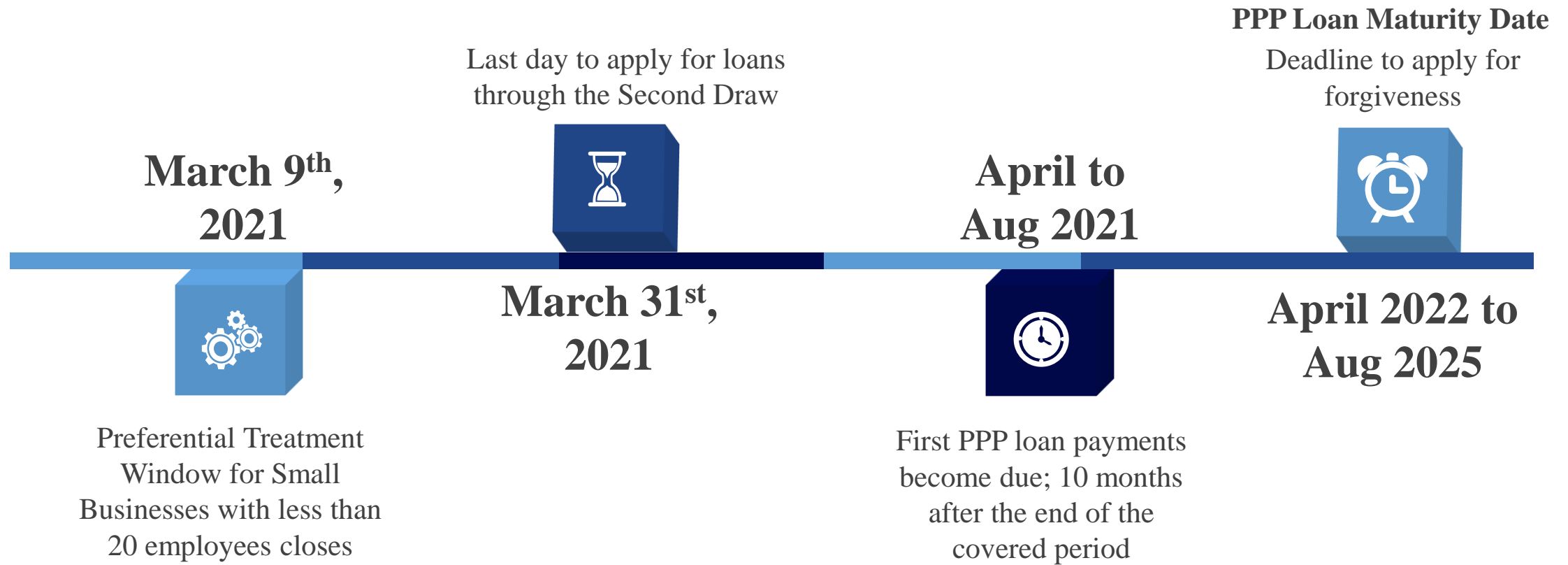
**Updated 3-5-2021**

# Paycheck Protection Program

**FIRST DRAW: April 3<sup>rd</sup>, 2020 to August 8th, 2020**

- Fully Forgivable Loan, 1% interest rate.
- **60/40 Rule:** 60% of the loan proceeds had to be used for payroll costs and 40% on other eligible expenses.
- Those who did not use up the full amount of the loan for allowable expenses will need to repay the amount not used for forgivable expenses.
- Maturity period: 2 years or 5 years.

# IMPORTANT PPP DEADLINES



# Paycheck Protection Program

## SECOND DRAW: January 2021 to March 31, 2021

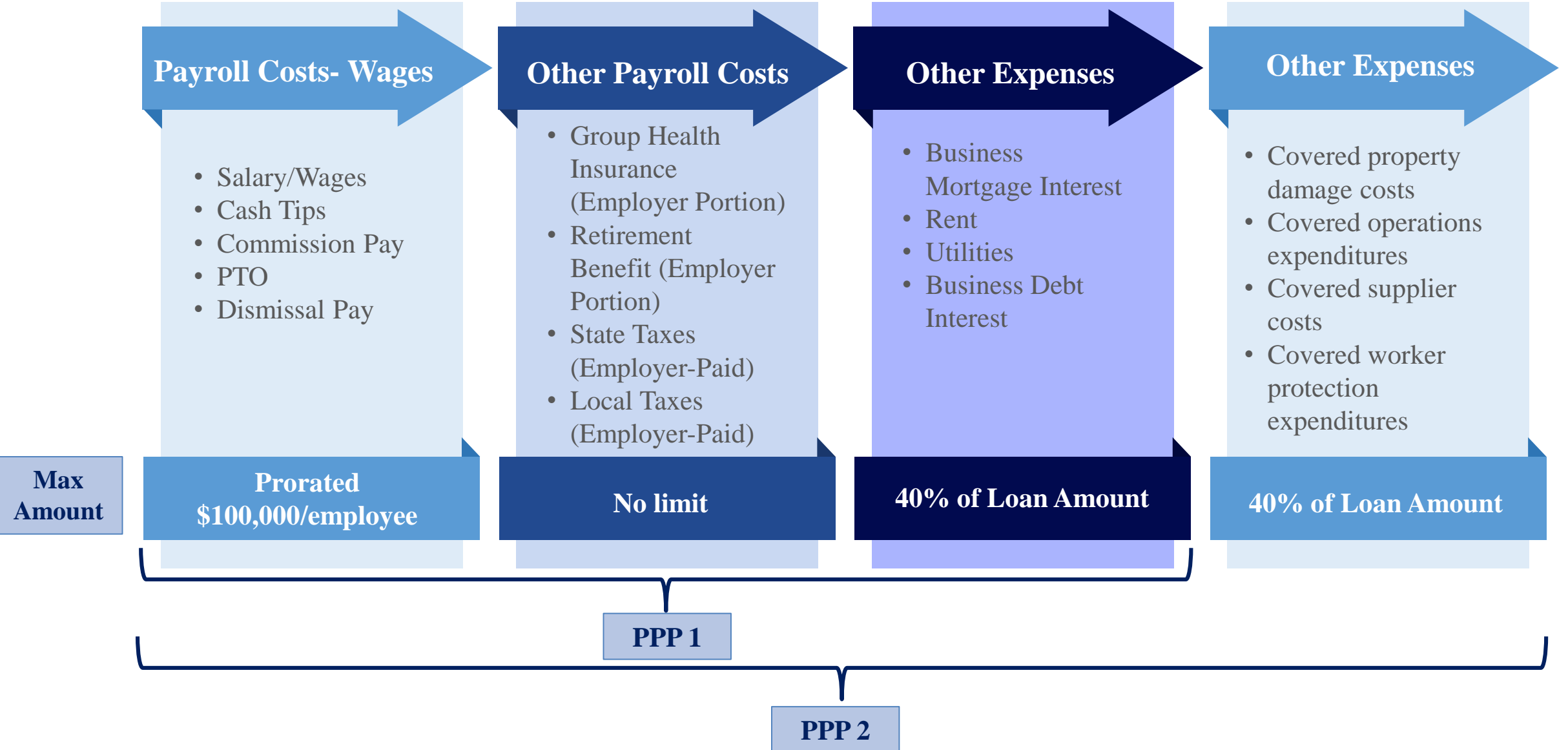
- PPP Amount: **2.5 times** monthly payroll in **2019 or 2020**. You can choose the period.
- If businesses with less than 20 employees apply by **March 9th, 2021**, they will get preferential treatment and their loans will be processed quickly.
- **Schedule C filers** can apply for the PPP loan on the basis of their gross income instead of net profit, as of **March 3rd, 2021**. This means they will qualify for larger loan amounts.
- The same rules as the first draw apply.

# Paycheck Protection Program

## SECOND DRAW: January 2021 to March 31, 2021

- You qualify for the Second Draw if:
  - your business has less than 300 employees,
  - you have or will use the full amount of the first PPP loan,
  - your gross receipts in any calendar quarter of 2020 were **25% less** than your gross receipts for the same quarter in 2019
  - and if you need the loan to support the ongoing operations of the business.
- Businesses that were not operational for all quarters of 2019 qualify if their gross receipts in any quarter of 2019 dropped 25% or more compared to any quarter in 2020.

# PPP Allowable Expenses



# PPP Allowable Expenses

## Other Expenses

- Covered property damage costs
- Covered operations expenditures
- Covered supplier costs
- Covered worker protection expenditures

40% of Loan Amount

Damage, incurred during vandalism or looting in the 2020 public disturbances, that was not covered by insurance or other compensation.

Payments for: business software or cloud computing services, product or service delivery; payment and payroll processing, human resources, sales and billing functions; or accounting.

Expenditures for the supply of goods that (a) are essential to the operations (b) are made based on a contract in effect before the covered period.

Expenditures incurred to adapt the activities of a PPP borrower to comply with federal, state or local requirements or guidance during the pandemic.

# PPP Forgiveness

## Deadline to Apply: Maturity Date of the Loan

- Loan and interest payments deferred for **10 months** after the PPP Covered period.
- No EIDL Advance deductions: get the full amount forgiven
- Payroll Documents needed: Tax Filings, Payroll service provider reports, payment receipts or account statements for health insurance and retirement plans.
- Non-payroll expense documentation: Lender amortization schedule and receipts, lease agreement and receipts, invoices and receipts, account statements.

Borrower Type	Form	Forgiveness Reductions for Employee/Payroll
Loan <\$50,000	3508S	No
Loan <\$150,000	3508S	Yes
Loan >\$150,000, but forced closure	3508-EZ	No
Loan >\$150,000, allowed PR reduction	3508-EZ	No
Loan >\$150,000, greater PR reduction	3508	Yes



# Employee Retention Credit 2020

## 50% of Qualified Wages from March 13<sup>th</sup> to December 31<sup>st</sup>, 2020

- Business owners cannot get the ERC for their own wages.
- \$5,000 of credit for up to \$10,000 in wages paid to an employee during the period.
- **First qualifying QTR: more than 50% drop in gross receipts compared to same QTR in 2019.**
- **The credit continues until the end of the quarter during which your gross receipts go up to 80% of your 2019 quarter receipts, when compared year-on-year.**
- Businesses with over 100 employees can only claim the ERC for wages paid when employees did not work.
- The credit is to be retroactively claimed on Form 941. The amount of the credit is removed from the business' deductible expenses.
- We are amending 2020 forms 941 to claim the credit.

# Employee Retention Credit 2021

## 70% of Qualified Wages Per Quarter (Q1 and Q2 2021)

- The quarters are handled separately.
- Business owners cannot claim the credit for their own wages.
- \$7,000 of credit for any \$10,000 in wages paid to an employee in any eligible quarter.
- **Q1 or Q2 Eligibility: more than 20% drop in gross receipts compared to the same QTR in 2019, OR compared to the previous QTR.**
- You can claim the credit if you have less than 500 employees.
- We are claiming the credit as the quarter closes out.
- Schedule C filers can claim the Employee Retention Credit for wages paid out not to themselves.

# Taxes and double-dipping

COVID Relief	Expense Deductibility
Paycheck Protection Program	Deductible
Employee Retention Credit	Not Deductible
FFCRA Credit	Not Deductible

**Cannot be claimed  
for the same wages  
paid**

- The PPP can be forgiven, AND expenses paid for by the funds are deductible.
- Wages paid for through the Employee Retention Credit are NOT deductible.
- You cannot use the same wages for PPP forgiveness and the Employee Retention Credit.
- You cannot use PPP funds for other payroll tax credits, such as the FFCRA credit (COVID-19-related sick leave, family leave, and child care leave).
- You cannot claim the Employee Retention Credit for wages you have already claimed the FFCRA credit for.

# CONTACT US

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