

AAAAI virtual Practice Management Workshop webinar EIDL, PPP and Stimulus Payments: How Do I Keep Them All Straight?

Original webinar date: June 18, 2020

Are PPP funds tax exempt?

While the forgiven amount is not taxable income, please consult with your accountant about the interactions between the PPP and the Tax Code.

Is the money paid by Medicare through the Cares Act taxable or tax exempt?

This money is likely taxable.

Is the money from the initial HHS Cares Act payment (the one that mysteriously appeared in my bank account) taxable?

Likely, yes.

If you received both EIDL and a PPP loan do you have to apply for forgiveness for both?

The EIDL is a traditional loan in that it is not forgivable, while the PPP is a loan that is forgivable if certain conditions are met. (Note that you would have to apply for PPP forgiveness separately.) If you received an EIDL loan from 1/31/20 through 4/3/20, you can apply for a PPP loan. If your EIDL loan was not used for payroll costs, it does not affect your eligibility for a PPP loan. If your EIDL loan was used for payroll cost, then your PPP loan must be used to refinance your EIDL.

How do I apply for EIDL – through my bank or the SBA?

You must apply for an EIDL through the SBA.

Can you explain how the EIDL advance works?

The EIDL Advance is \$1,000 per employee, up to \$10,000 total. This is not repayable by you, but if you received an EIDL Advance and a PPP loan, the amount of the EIDL advance will be taken off your PPP forgiveness amount.

Do we have to have the same (or more) number of employees we had in February 2020 by a certain time?

The deadline for reestablishing the previous number of employees is on or before 12/31/2020. Note that there are some limited exceptions to the rehiring requirement.

What is the name of the grant program for possible PPE cost reimbursement?

There has been legislation introduced to make PPE an "allowed use" of PPP funds, but that has not been enacted. As of now, the purchase of PPE is not an allowed use for purposes of the PPP.

For sole proprietors, should they write themselves a paycheck every 2 weeks? How do you qualify for forgiveness?

Sole proprietors would use the "Owner Compensation Replacement" approach. Take the reported net income from your 2019 Schedule C, multiply it by 2.5, and then divide that number by 12. That would be the payroll portion of your forgiven loan, assuming all requirements are met and you have no other payroll expenses. As for the actual mechanics of applying for forgiveness, you apply for forgiveness through the same process as everyone else. It may be worth checking with your lender to determine any documentation requirements ahead of time.

Should we apply for loan forgiveness sooner, or after rehiring furloughed employees?

You can only apply for forgiveness at the end of the covered period, which is either 8 weeks or 24 weeks after loan origination. After that, you have up to ten months to apply for forgiveness before repayment begins.

If our practice ends up having one less employee than we did in February but due to FTEs and part timers reshuffled/rehired the payroll is actually the same, will we lose on forgiveness, and can we use abbreviated EZ application for forgiveness?

Remember that the forgiveness penalty is pro-rated based on the number of employees you bring back. If there are differences in the employee numbers, you cannot use the EZ application and will have to use the standard application.

Are we required to provide receipts for the Cares Act relief funds (first or second rounds)?

While the HHS has not listed definitive guidance, you should plan to provide receipts for the funds received.

For reduced salaries below 25% how does that work in states that mandated a complete shut down and there was no business and therefore no work?

The PPP is intended to be used even in cases where the business is temporarily closed due to COVID. There is no requirement that the business be open and employees be physically present to run payroll pursuant to the PPP. Further, there is a safe harbor if you are unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.

The impact of COVID-19 on A/I will be months long if not years. The practice model of A/I is changed. I don't understand the suggestion to take out a significant loan when the reality is that revenue will probably not return.

The recommendation was to secure a line of credit with your existing bank at a reasonable interest rate in case it is needed in the future. In some cases, it can be cost effective to utilize funds from a low interest loan.

Regarding PPP forgiveness, how do you calculate FTEs? If we extend to 24 weeks, will the numerator and denominator both be 24 weeks? Or can we do 8 weeks this year divided by 24 weeks of FTE?

Assuming you are not a seasonal employer, your reference period for FTE count is either Feb. 15, 2019-June 30, 2019 or Jan. 1, 2020-Feb. 29, 2020. You choose which of those periods to pick. If the number of employees is reduced during the 8 weeks or 24 weeks of your loan forgiveness period as compared to that reference period, your forgiveness amount will be reduced proportionally.

The PPP loan is now extended to 24 weeks from 8 weeks and reduced to 60% for payroll expenses vs 75% before. Could you please explain how this works?

Congress extended the period during which a borrower can spend its PPP proceeds and be eligible for forgiveness: borrowers now have 8 or 24 weeks. In the same legislation, Congress also "loosened up" the payroll ratio requirement. Before, 75% of the loan had to be spent on payroll and 25% on non-payroll allowed uses (such as rent and utilities), but now it's 60-40. Thus, at least 60% of the loan must be spent on payroll to be eligible for full forgiveness.

Can we choose a time period in between 8 and 24 weeks, such as 10 or 12?

No, you have to choose either 8 weeks or 24 weeks.

If one is using a staffing company to hire a FTE and you pay to that staffing company (pays salary plus taxes), how do you calculate in payroll as this employee is not under your payroll for 6 months but under staffing company? How do you deduct the salary under the practice's payroll?

Please contact your accountant, but if a person is not directly on your payroll, they likely don't "count" as your employee for purposes of the PPP. Again, though, please consult your accountant about this specific scenario.

It has been 3 weeks since I submitted my application for additional funds through the CARES Provider Relief Fund, but I haven't heard anything yet. I was under the impression that we were supposed to hear something within 2 weeks. Are others also seeing a delay in getting a response?

Initially, HHS indicated that they intended to provide the payment within 10 business days. Given various issues, HHS has acknowledged that they are unable to retain that timeframe but are sending out new payments on a weekly basis.

Please specify the state and local taxes that can be taken as part of the payroll costs.
Only state and local taxes imposed on the compensation of employees.

When is the deadline to apply for PPP forgiveness?

You can apply for forgiveness at the end of the covered period, which is either 8 weeks or 24 weeks after loan origination. After that, you have up to ten months to apply for forgiveness before repayment begins.

For Phase 2 of HHS Stimulus payments: when will those payments be distributed?

HHS has not provided a definitive timeframe for the distribution of funds.

For PPP Loan forgiveness does medical insurance include dental insurance also?

Yes, it includes dental insurance payments.

Do you have to bring back the same employees? Can you hire new employees to maintain the same level of FTEs?

You can hire new/different individuals to end up at the same headcount.

In loan forgiveness, when calculating average FTE, can you subtract employees that have voluntarily resigned or have refused rehire and can you give us an example?

Yes. Please see the loan forgiveness application to view potential examples.

There is no data that sneeze shields make any difference in transmission of COVID-19. The data that exists is mask and hand washing.

CDC recommendations include installing physical barriers such as clear plastic sneeze guards if feasible - <https://www.cdc.gov/coronavirus/2019-ncov/hcp/non-covid-19-client-interaction.html>. The physical barrier also keeps patients back from the receptionist. In addition to the barrier, the front desk staff have masks, hand sanitizer and disinfectant wipes.