



YOUR PAYCHECK PROTECTION PROGRAM LOAN QUESTIONS, ANSWERED

GNYADA DEALER WEBINARS



Greater New York
Automobile Dealers
Association



MARK SCHIENBERG
GNYADA PRESIDENT



Greater New York
Automobile Dealers
Association



SUSAN BIEBER
VICE PRESIDENT — DEALER SERVICES



Greater New York
Automobile Dealers
Association

WITH US TODAY

Edward McWilliams, CPA

- Tax Director at Cerini and Associates, LLP
- 10+year experience
- Industry expertise includes Healthcare, Financial Services, Technology, Professional Services, State and Local Taxation, & International Taxation
- Contact Information:
 - emcwilliams@cerinicpa.com



Welcome to our Webinar

- ▶ Copies of this presentation and other resources can be found at <https://ceriniandassociates.com/coronavirus-updates/>
- ▶ Our presentation is based on all information and is current as of April 8, 2020. Any key changes that have occurred may not be reflected in this presentation.
- ▶ The information provided is based on our interpretation of the CARES Act after reviewing the law and consulting with other sources.
- ▶ This webinar & information is for educational purposes only and cannot be used to contest any IRS, SBA or other penalties or assessments. We make no guarantees regarding your eligibility for these programs or any related benefits.
- ▶ We will make every effort to answer questions at the end of the webinar, time permitting.
- ▶ Thank you for your attendance!

Paycheck Protection Program Loans

- ▶ Expansion of 7(a) SBA Loan program to provide quick and immediate capital to businesses to cover payroll costs.
- ▶ Loans maximums are calculated at 2.5x average monthly payroll or \$10,000,000
- ▶ Applications were available to be submitted starting on Friday April 3rd
- ▶ Loans can potentially be forgiven
- ▶ Currently \$349,000,000,000 allocated to the program
 - ▶ Congressional and Executive support to increase allocation

1. Are All Banks Participating?

- ▶ The Treasury and SBA “delegated authority” to allow all SBA eligible lending banks to originate these loans.
- ▶ While not “every” bank is participating, most banks are as they offer SBA Lending.
 - ▶ Many banks are not accepting new customers for this program, which has limited borrowers whose banks are not participating.
- ▶ Chase, Bank Of America, TD Bank, Citibank, Wells Fargo, Santander

2. Common Application Questions

- ▶ Jobs created or retained?
 - ▶ If you will add new payroll, add the number to jobs created. For jobs retained enter number of jobs this loan will support.
- ▶ How to count the number of employees?
 - ▶ SBA rule is to count all full-time, part time and other basis.
 - ▶ Average employees per pay period/# of pay periods in last 12 months (or 2019)
- ▶ What documentation is required?
 - ▶ There is no one set standard, many banks have different requests. Below are the most common

Commonly Requested Bank Documents	
Document	Source
SBA Form 2483 - Loan Application	Self-Prepared
Internal Bank Application	Self-Prepared
Internal Bank Addendum	Self-Prepared
1st - 4th Quarter 2019 Form 941	Payroll Processor
2019 Form 940	Payroll Processor
2019 Form W-2	Payroll Processor
2019 Form W-3	Payroll Processor
Payroll Journal near February 15, 2020	Payroll Processor
Calculation of Payroll Costs	Self-Prepared or Payroll Processor
2019 Interim Financial Statements	Internal Finance Team

3. Does My Dealership need a Franchise Identifier Code To Apply?

- ▶ Generally speaking ,yes.
- ▶ Used to prevent affiliation with other franchisees or corporate parents.
- ▶ SBA List is available online at <https://www.sba.gov/sba-franchise-directory>
- ▶ Many OEMs are already in the list, with more being added. Examples:
 - ▶ Ford S4155
 - ▶ Chrysler S2818
 - ▶ Dodge S2811
 - ▶ Nissan S4995
- ▶ If you are unable to find it on the online directory, you should contact your representatives. They may have it.

4. What Costs Should Be Calculated for “Payroll Costs”?

- ▶ Wages, salaries, commissions or other compensation, up to \$100,000 per employee on an annualized basis.
- ▶ Group Health Benefits
- ▶ Retirement Contributions
- ▶ State and Local Taxes on compensation
 - ▶ State unemployment insurance and MCTMT
- ▶ The \$100,000 cap is for cash compensation only, does not limit any health benefits or retirement benefits above this amount.
- ▶ 1099 contractors are excluded.
- ▶ Despite prior reports & information, payroll is calculated on a gross basis.
- ▶ Can use either prior 12 months or calendar year 2019 to calculate payroll.

5. What happens if a dealer uses a PEO?

- ▶ Under a PEO arrangement, only the employees under your agreement are counted. Employees of the borrower are not considered employees of the PEO.
- ▶ A PEO likely will not be able to provide you with copies of Form 940 or 941. Some have provided Schedule R.
- ▶ Guidelines indicate alternative documentation, such as payroll journals or reports, are acceptable substitutes.

6. What are the permitted uses of the loan proceeds?

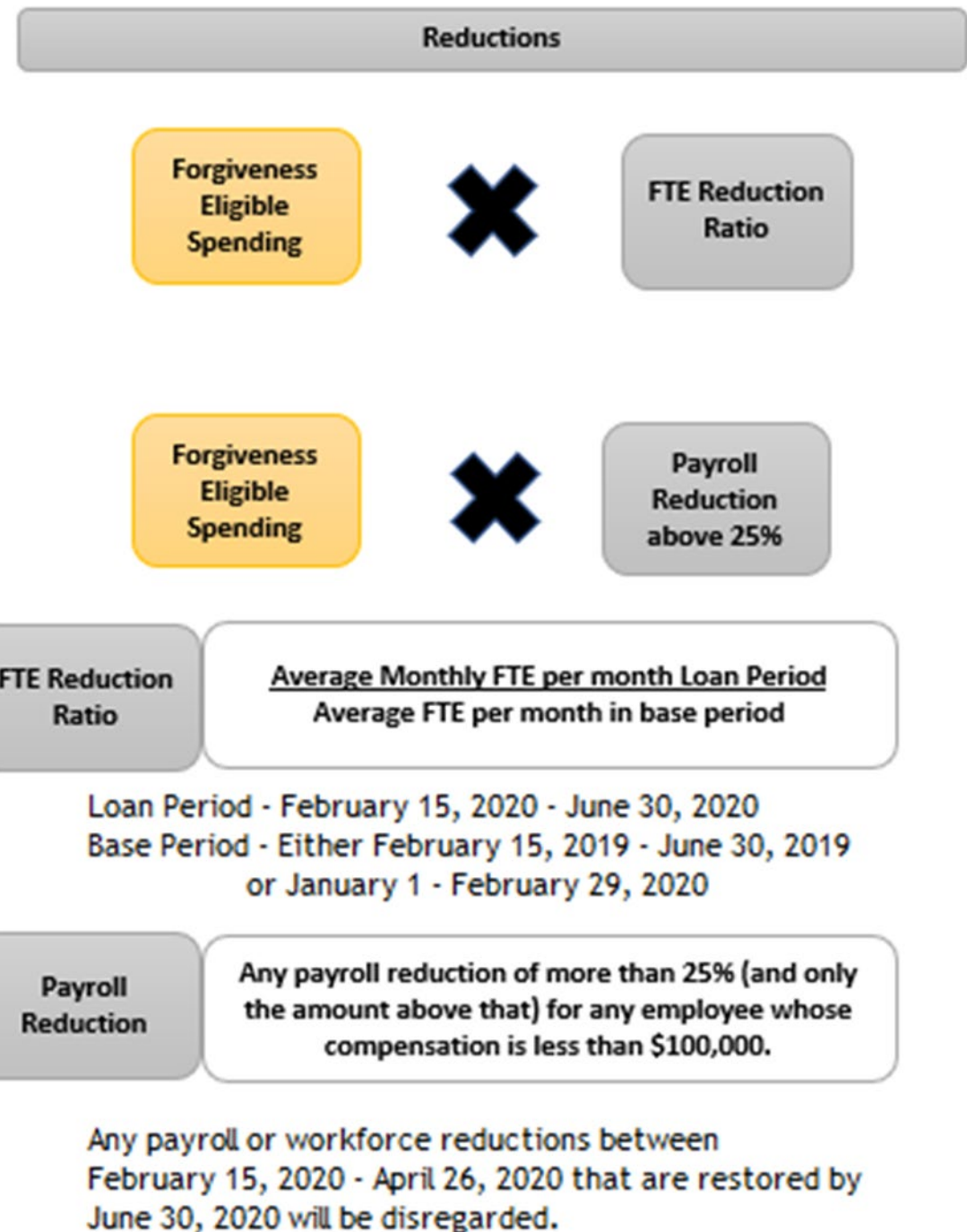
- ▶ Per SBA and Treasury Guidelines, at least 75% of the loan proceeds must be used for Payroll Costs.
- ▶ The remaining 25% can be used for other permitted expenses.
- ▶ No longer this ratio just for forgiveness, but for uses as well!

Permitted Uses of Payroll Protection Loan Program Proceeds
Payroll Costs
Interest (but not principal) of mortgage obligations
Rent
Payments for Utilities (Electric, Gas, Water, Telephone, Internet)
Interest (but not principal) on prior debt obligations

7. How much of the loan will be forgiven?

- ▶ There is limited guidance on this available; most of the focus has been on getting the loans out.
- ▶ The forgiveness is based first on eligible uses of the loan
 - ▶ 75% on payroll costs, 25% non-payroll costs
 - ▶ Amounts paid in the first 8 weeks after disbursement.
- ▶ Forgiveness can be reduced for reductions in FTE vs a base period (either prior year or January/February 2020)
- ▶ Forgiveness can be reduced for reductions in salary of staff making less than \$100,000 per year by more than 25%.
- ▶ Uncertainty still remains
 - ▶ Does the dealership need to remain at “full employment” through June 30th?
 - ▶ Voluntary exits?

Loan Forgiveness



8. Best practices & general forgiveness questions.

- ▶ We have had lay offs in March. How will this impact the amount of the loan?
 - ▶ Any layoffs between February 15, 2020 and April 26, 2020 will not adversely impact your forgiveness calculation if restored by June 30th
- ▶ With the forgiveness uncertain, we advise to look at this as a loan that may need to be repaid as a business practice.
- ▶ The goal of the program is to keep payroll running; don't lose sight of that goal.
- ▶ Consider if possible to maintain payroll through June 30th, 2020 if required by program to maximize potential forgiveness.
 - ▶ Likely only need to keep employment through 8 weeks (covered period) but there are varying interpretations and little, sometimes conflicting guidance.

9. What are the terms for any loans not forgiven?

- ▶ Loans have a 2 year term.
- ▶ 1.0% annual interest rate
 - ▶ Change from original terms
- ▶ No prepayment penalties.
- ▶ No personal recourse, except for unpermitted uses.
- ▶ No collateral requirements.
- ▶ Unknown remedies of default.
- ▶ No Payments for 6 months.



10. What other programs are available for relief?

- ▶ Employer Retention Tax Credit
 - ▶ Up to \$5,000 per employee tax credit if still on payroll but organization isn't fully functional.
 - ▶ Cannot claim both PPP and this credit
- ▶ Economic Injury Disaster Loans
 - ▶ Less limit on size and use.
 - ▶ Grants are still not flowing, believed to now be limited to \$1,000 per employee.
 - ▶ Longer period to obtain.
 - ▶ Above \$25,000 will have collateral, above \$200,000 will require personal guarantee
- ▶ Treasury Exchange Stabilization Fund for Mid-Size Organizations (500+ employees)
 - ▶ Exists in law, but no details as of yet.

Questions?

Thank you for your attendance. If you have any questions or comments or potentially need assistance with these programs, please feel free to reach out to us