



Afina, LLC
CPA & Business Advisors

PPP & EIDL LOAN UPDATES

CPA FELIPE J. CRESPO CLAUDIO, MBA
MANAGING MEMBER AT AFINA, LLC – CPAs & BUSINESS ADVISORS



AFINACPA

DISCLAIMER

We have prepared this presentation on how to effectively plan for Paycheck Protection Program (PPP) loan forgiveness and evaluate requesting an Economic Injury Disaster Loan. With PPP loan payments starting to be disbursed to approved borrowers, now is the time to begin planning how you will spend the funds, and document that spending over the next eight weeks to ensure you receive the full loan forgiveness you are entitled to. Regulations continue to evolve and be published. Afina, LLC and its Managing Partner's goal is to provide the most up to date information, along with our insights and current understanding of these programs and regulations to help you navigate your business response to COVID-19. The rules regarding SBA programs are constantly being refined and clarified by the SBA and other agencies. In certain instances, the guidance being provided by the agencies and/or the financial institutions is in direct conflict with other competing guidance, regulations and/or existing laws. Due to the evolving nature of the situation and the lack of final published rules, Afina, LLC and its Managing Partner cannot guarantee that additional changes or updates won't be needed or forthcoming and the original advice given by Afina, LLC and its Managing Partner may be affected by the evolving nature of the situation. You need to evaluate and draw your own conclusions and determine your Company's best approach relative to participation within these programs based on your Company's specific circumstances, cash flow forecast and business strategy. In situations where resources are provided by third parties, those services should be covered under a separate agreement directly with that service provider. Afina, LLC and its Managing Partner is not responsible for the actions of any other third party. Afina, LLC and its Managing Partner encourages you to contact your legal counsel to address the legal implications of the impact of the CARES Act and specifically your participation in any of the SBA programs.

PERSPECTIVE ON PPP LOAN

PPP LOAN PEST ANALYSIS

Political

Economic

Social

Technology

Number of loans awarded in Puerto Rico: **33,573**

Total amount of loans: **\$1,747,031,385**

Remaining funds: **\$129,753,635,070**

Total disbursed in loans: **\$512,271,684,146**

Overall average loan size is: **\$112,000**

PPP LOAN

(AS OF 6/12/2020)

PAYCHECK PROTECTION PROGRAM

The NEW Loan Forgiveness Application Revised June 16, 2020 includes:

PPP Loan Forgiveness Calculation Form

PPP Loan Representations & Certifications

PPP Schedule A

- **Full-Time Equivalency (FTE) Reduction Calculation**
 - **No reduction in employees or average paid hours**
 - **FTE Reduction Safe Harbor 1 (Affected operations due to COVID-19 compared to 2019)**
 - **FTE Reduction Safe Harbor 2 (Avg FTE during CP or ACP/Chosen period)**

PPP Schedule A Worksheet

- **Table 1 (employees <= to \$100k)**
- **Table 2 (employees > than \$100k)**
- **FTE Reduction Safe Harbor 2 (2/15 through 4/26 furloughs); and**

The (optional) PPP Borrower Demographic Information Form

PAYCHECK PROTECTION PROGRAM

The NEW EZ Loan Forgiveness Application Revised June 16, 2020 includes:

- ❑ PPP Loan Forgiveness Calculation Form 3508EZ

- ❑ PPP Loan Representations & Certifications

- ❑ ~~PPP Schedule A~~

- ❑ ~~Full-Time Equivalency (FTE) Reduction Calculation~~

- ❑ ~~No reduction in employees or average paid hours~~

- ❑ ~~FTE Reduction Safe Harbor 1 (Affected operations due to COVID-19 compared to 2019)~~

- ❑ ~~FTE Reduction Safe Harbor 2 (Avg FTE during CP or ACP/Chosen period)~~

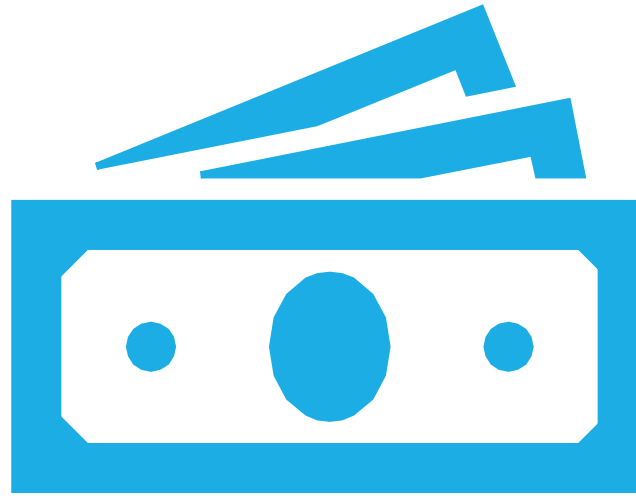
- ❑ ~~PPP Schedule A Worksheet~~

- ❑ ~~Table 1 (employees \leq to \$100k)~~

- ❑ ~~Table 2 (employees $>$ than \$100k)~~

- ❑ ~~FTE Reduction Safe Harbor 2 (2/15 through 4/26 furloughs), and~~

- ❑ The (optional) PPP Borrower Demographic Information Form



LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

Covered Period:

The Covered Period is either:

(1) the **24-week (168-day)** period beginning on the PPP Loan Disbursement Date, or

(2) if the Borrower received its PPP loan before June 5, 2020, the Borrower **may elect** to use an **8-week (56-day)** Covered Period.

For example, if the Borrower is using a 24-week Covered Period and received its PPP loan proceeds on Monday, April 20, the first day of the Covered Period is April 20 and the last day of the Covered Period is Sunday, **October 4**. In no event may the Covered Period extend beyond December 31, 2020.

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

Alternative Payroll Covered Period:

For administrative convenience, Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the 24-week (168-day) period (or for loans received before June 5, 2020 at the election of the borrower, the eight-week (56-day) period) that begins on the first day of their first pay period following their PPP Loan Disbursement Date.

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

Alternative Payroll Covered Period:

For example, if the Borrower is using a 24-week Alternative Payroll Covered Period and received its PPP loan proceeds on Monday, April 20, and the first day of its first pay period following its PPP loan disbursement is Sunday, April 26, the first day of the Alternative Payroll Covered Period is April 26 and the last day of the Alternative Payroll Covered Period is Saturday, **October 10**.

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

Eligible payroll costs. **No Changes!**

Borrowers are generally eligible for forgiveness for the payroll costs paid and payroll costs incurred during the 24-week (168-day) or 8-week (56-day) Covered Period (or Alternative Payroll Covered Period) (“payroll costs”). Payroll costs are considered **paid** on the day that paychecks are **distributed**, or the Borrower originates an ACH credit transaction. Payroll costs are considered **incurred** on the day that the employee’s pay is **earned**.

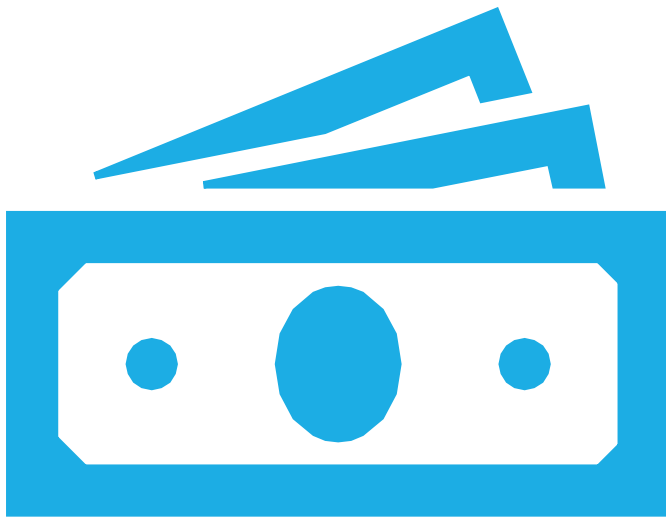
Payroll costs incurred but not paid during the Borrower’s last pay period of the Covered Period (or Alternative Payroll Covered Period) are eligible for forgiveness if paid on or before the next regular payroll date. Otherwise, payroll costs must be paid during the Covered Period (or Alternative Payroll Covered Period).

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

For each individual employee, the total amount of cash compensation eligible for forgiveness **may not exceed an annual salary of \$100,000**, as prorated for the Covered Period. Count payroll costs that were both paid and incurred only once.

For information on what qualifies as payroll costs, see Interim Final Rule on Paycheck Protection Program posted on April 2, 2020 (85 FR 20811) (as amended by the Revisions to First Interim Final Rule, posted on June 11, 2020). Include only payroll costs for employees whose principal place of residence is in the United States.

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS



Cash Compensation:

Enter the sum of gross salary, gross wages, gross tips, gross commissions, paid leave (vacation, family, medical or sick leave, not including leave covered by the Families First Coronavirus Response Act), and **allowances for dismissal or separation paid or incurred during the Covered Period or the Alternative Payroll Covered Period**. For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of \$100,000, as prorated for the Covered Period. For an 8-week Covered Period, that total is \$15,385. For a 24-week Covered Period, that total is \$46,154.

Compensation to Owners (Line 9, Schedule A): For Borrowers using a 24-week Covered Period, this amount is capped at \$20,833 (the 2.5-month equivalent of \$100,000 per year) for each individual or the 2.5-month equivalent of their applicable compensation in 2019, whichever is lower. For Borrowers using an 8-week Covered Period, this amount is capped at \$15,385 (the eight-week equivalent of \$100,000 per year) for each individual or the eight-week equivalent of their applicable compensation in 2019, whichever is lower.

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS



Salary/Hourly Wage Reduction (Calculation Form, Line 5 - Schedule A, Line 3): **No changes!**

This calculation will be used to determine whether the Borrower's loan forgiveness amount must be reduced due to a statutory requirement concerning reductions in employee salary and wages. Borrowers are eligible for loan forgiveness for certain expenditures during the Covered Period or the Alternative Payroll Covered Period. However, the actual amount of loan forgiveness the Borrower will receive may be less, depending on whether the **salary or hourly wages** of certain employees during the Covered Period or the Alternative Payroll Covered Period was less than during the period from January 1, 2020 to March 31, 2020.

Nonpayroll costs eligible for forgiveness consist of: **No changes!**


- (a) covered mortgage obligations: payments of mortgage interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before February 15, 2020 (“business mortgage interest payments”);
- (b) covered rent obligations: business rent or lease payments pursuant to lease agreements for real or personal property **in force before February 15, 2020** (“business rent or lease payments”); and
- (c) covered utility payments: business payments for a service for the distribution of electricity, gas, water, telephone, transportation, or internet access for which service began before February 15, 2020 (“business utility payments”).

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

An eligible nonpayroll cost must be **paid during the Covered Period or incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period.**

Eligible nonpayroll costs **cannot exceed 40% of the total forgiveness amount.** Count nonpayroll costs that were both **paid and incurred only once.**



Maximum forgivable amount depending on the amount expensed in payroll costs.

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

Documents that Each Borrower Must Submit with its PPP Loan Forgiveness Application

- PPP Loan Forgiveness Calculation Form
- PPP Schedule A
- Payroll Documentation
- FTE Documentation
- Non-Payroll Expenses

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

Documents that Each Borrower Must Maintain but is Not Required to Submit

- PPP Schedule A Worksheet **or its equivalent**
- Documentation supporting the listing of **each individual employee** in PPP Schedule A Worksheet Table 1
- Documentation supporting the listing of **each individual employee** in PPP Schedule A Worksheet Table 2
- Documentation regarding any employee **job offers and refusals**
- Documentation supporting the certification, if applicable, that the Borrower was unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before (**Memorial Explicativo, Minutas, Resolución Corporativa, etc.**)
- The Borrower must retain all such documentation in its files for **six years after the date the loan is forgiven or repaid in full**, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request.

PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here ☐ and enter 0 on line 3.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid or incurred by Borrower for employer contributions for employee health insurance:

Line 7. Total amount paid or incurred by Borrower for employer contributions to employee retirement plans:

Line 8. Total amount paid or incurred by Borrower for employer state and local taxes assessed on employee compensation:

Compensation to Owners

Now, 2019 wages or net income/12 x 2.5

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:

This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):

Full-Time Equivalency (FTE) Reduction Calculation

If you satisfy any of the following three criteria, check the appropriate box, skip lines 11 and 12, and enter 1.0 on line 13; otherwise, complete lines 11, 12, and 13:

No reduction in employees or average paid hours: If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here ☐. ←

FTE Reduction Safe Harbor 1: If you were 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, check here ☐. ←

FTE Reduction Safe Harbor 2: If you satisfy FTE Reduction Safe Harbor 2 (see PPP Schedule A Worksheet), check here ☐. ←

Line 11. Average FTE during the Borrower's chosen reference period:

Line 12. Total Average FTE (add lines 2 and 5):

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if any of the above criteria are met:



By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:

The authorized representative of the Borrower certifies to all of the below by initialing next to each one.

- _____ The dollar amount for which forgiveness is requested:
- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
 - includes all applicable reductions due to decreases in the number of full-time equivalent employees and salary/hourly wage reductions;
 - includes payroll costs equal to at least 60% of the forgiveness amount;
 - if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and
 - if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.
- _____ I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.
- _____ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.
- _____ I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.
- _____ The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 U.S.C. 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 U.S.C. 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 U.S.C. 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- _____ The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.
- _____ I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.
- _____ If the Borrower has checked the box for FTE Reduction Safe Harbor 1 on PPP Schedule A, the Borrower was 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 of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

Signature of Authorized Representative of Borrower

Date

Print Name

Title

Por favor, léala con
detenimiento antes de
someterla.

TABLE 1 — SCHEDULE A WORKSHEET

PPP Schedule A Worksheet

Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
		Gross	24 wks	
			—	\$1 to \$1
		wages	—	—
		—		
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

TABLE 2 — SCHEDULE A WORKSHEET

Table 2 contains information for employees that are not in Table 1 and are not owner-employees, self-employed or partners. Essentially, those employees that had at least one pay period in 2019 with an annualized salary of more than \$100,000 are listed in this table. These employees factor into the FTE calculation **but not the salary reduction calculation**—thus you find no salary/wage reduction column in this table.

Table 2: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of more than \$100,000 for any pay period in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Totals:		Box 4	Box 5



FTE REDUCTION CALCULATION

Full-Time Equivalency (FTE) Reduction Calculation

If you satisfy **any** of the following three criteria, check the appropriate box, skip lines 11 and 12, and enter 1.0 on line 13; otherwise, complete lines 11, 12, and 13:

No reduction in employees or average paid hours: If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here ☐ ←

FTE Reduction Safe Harbor 1: If you were 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, check here ☐ ←

FTE Reduction Safe Harbor 2: If you satisfy FTE Reduction Safe Harbor 2 (see PPP Schedule A Worksheet), check here ☐ ←

Line 11. Average FTE during the Borrower's chosen reference period: _____

Line 12. Total Average FTE (add lines 2 and 5): _____

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if any of the above criteria are met: _____

FTE REDUCTION CALCULATION — SCHEDULE A WORKSHEET

FTE Reduction Safe Harbor 2:

- Step 1. Enter the borrower's total average FTE **between February 15, 2020 and April 26, 2020**. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter:

- Step 2. Enter the borrower's total FTE in the Borrower's **pay period inclusive of February 15, 2020**. Follow the same method that was used in step 1:_____
- Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, FTE Reduction Safe Harbor 2 is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
- Step 4. Enter the borrower's total FTE **as of the earlier of December 31, 2020, and the date this application is submitted**:_____
- Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor 2 has been satisfied. Otherwise, FTE Reduction Safe Harbor 2 does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

Cómputo 1: Si el **FTE** correspondiente a la nómina que incluye feb/15/20 (periodo base) no es menor al **FTE** correspondiente al periodo de feb/15/20 hasta abril/26, **no hay "safe harbor"**. Si por el contrario, hay una reducción en el FTE durante este periodo en comparación con el periodo base, tiene hasta 12/31/20 para reponer estos FTEs. Son 2 cálculos!!

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

+ Line 2. Business Mortgage Interest Payments:

+ Line 3. Business Rent or Lease Payments:

+ Line 4. Business Utility Payments:

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

- Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

= Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:

x

% Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):

Potential Forgiveness Amounts

9 = Line 8. Modified Total (multiply line 6 by line 7):

Line 9. PPP Loan Amount:

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60):

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):

↓
100%!!!

[HTTPS://HOME.TREASURY.GOV/SYSTEM/FILES/136/PPP-IFR--REVISIONS-TO-THE-THIRD-AND-SIXTH-INTERIM-FINAL-RULES.PDF](https://home.treasury.gov/system/files/136/PPP-IFR--REVISIONS-TO-THE-THIRD-AND-SIXTH-INTERIM-FINAL-RULES.PDF)

Loan Forgiveness – No Cliff!!!

While the Flexibility Act provides that a borrower shall use at least 60 percent of the PPP loan for payroll costs to receive loan forgiveness, the Administrator, in consultation with the Secretary, interprets this requirement as a proportional limit on nonpayroll costs as a share of the borrower's loan forgiveness amount, **rather than as a threshold for receiving any loan forgiveness.**

[HTTPS://HOME.TREASURY.GOV/SYSTEM/FILES/136/PPP-IFR--REVISIONS-TO-THE-THIRD-AND-SIXTH-INTERIM-FINAL-RULES.PDF](https://home.treasury.gov/system/files/136/PPP-IFR--Revisions-to-the-third-and-sixth-interim-final-rules.pdf)

Owner compensation replacement

Calculated based on **2019 net profit** as described in Paragraph 1.b. above, with forgiveness of such amounts limited to eight weeks' worth (8/52) of 2019 net profit (up to \$15,385) for an eight-week covered period or 2.5 months' worth (2.5/12) of **2019 net profit** (up to \$20,833) for a 24-week covered period, but excluding any qualified sick leave equivalent amount for which a credit is claimed under section 7002 of the Families First Coronavirus Response Act (FFCRA) (Public Law 116-127) or qualified family leave equivalent amount for which a credit is claimed under section 7004 of FFCRA;

[HTTPS://HOME.TREASURY.GOV/SYSTEM/FILES/136/PPP-IFR--REVISIONS-TO-THE-THIRD-AND-SIXTH-INTERIM-FINAL-RULES.PDF](https://home.treasury.gov/system/files/136/PPP-IFR--Revisions-to-the-third-and-sixth-interim-final-rules.pdf)

Sole Proprietors Compensation

The Administrator, in consultation with the Secretary, has determined that it is appropriate to **limit the forgiveness of owner compensation replacement for individuals with self-employment income who file a Schedule C or F (Schedule M or 1040-PR for PR recipients)** to either eight weeks' worth (8/52) of 2019 net profit (up to \$15,385) for an eight-week covered period or 2.5 months' worth (2.5/12) of 2019 net profit (up to \$20,833) for a 24-week covered period per owner **in total across all businesses.**

PPP LOAN NOTES: 36308 FEDERAL REGISTER / VOL. 85, NO. 116 / TUESDAY, JUNE 16, 2020 / RULES AND REGULATIONS

Deferral Period for PPP Loans

If you submit to your lender a loan forgiveness application within 10 months after the end of your loan forgiveness covered period, **you will not have to make any payments of principal or interest on your loan before the date on which SBA remits the loan forgiveness amount on your loan to your lender** (or notifies your lender that no loan forgiveness is allowed).

If you do not submit to your lender a loan forgiveness application within 10 months after the end of your loan forgiveness covered period, you must begin paying principal and interest after that period. For example, if a borrower's PPP loan is disbursed on June 25, 2020, the 24-week period ends on December 10, 2020. If the borrower does not submit a loan forgiveness application to its lender by October 10, 2021, the borrower must begin making payments on or after October 10, 2021.

PPP LOAN NOTES: 36308 FEDERAL REGISTER / VOL. 85, NO. 116 / TUESDAY, JUNE 16, 2020 / RULES AND REGULATIONS

Maturity Date for PPP Loans

Flexibility Act provides a minimum maturity of **5 years** for all PPP loans made **on or after** the date of enactment of the Flexibility Act (**June 5, 2020**), and permits lenders and borrowers to extend the maturity date of earlier PPP loans by mutual agreement.

Bank Notifications

Your lender must notify you of remittance by SBA of the loan forgiveness amount (or notify you that SBA determined that no loan forgiveness is allowed) and the date your first payment is due. Interest continues to accrue during the deferment period.



SBA FORM 3508EZ

Checklist for Using SBA Form 3508EZ

You (the Borrower) can apply for forgiveness of your Paycheck Protection Program (PPP) loan using this SBA Form 3508EZ if you can **check at least one of the three boxes below**. Do not submit this Checklist with your SBA Form 3508EZ.

- ☐ The Borrower is a **self-employed individual, independent contractor, or sole proprietor who had no employees** at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483).

-
- ☐ The Borrower **did not reduce annual salary or hourly wages of any employee by more than 25 percent** during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower **did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period.** (Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee’s hours that the Borrower offered to restore and the employee refused. See [85 FR 33004](#), 33007 (June 1, 2020) for more details.

-
- ☐ The Borrower **did not reduce annual salary or hourly wages of any employee by more than 25 percent** during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower **was unable to operate during 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 of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs:

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:



No adjustments!!!!



Potential Forgiveness Amounts

Line 5. Add the amounts on lines 1, 2, 3, and 4:

Line 6. PPP Loan Amount:

Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60):

Forgiveness Amount

Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7):

The background of the slide is a blurred image of a pen writing on a document. A line graph is visible, with a line trending upwards. Some numbers are faintly visible, such as '2.5' and '2.47'. The overall color scheme is a muted blue-grey.

EIDL LOAN SUMMARY

EIDL LOAN

The EIDL loan program enables you to receive money from the Small Business Administration (SBA) if you have suffered economically as a result of a crisis, such as the current pandemic.

On June 15, the Small Business Administration announced it was again accepting applications from small businesses for its Economic Injury Disaster Loan (EIDL) and EIDL Advance. The program was closed to new applications in mid-April due to a lack of funding, but the Paycheck Protection Program and Health Care Enhancement Act passed on April 24 appropriated an additional \$60 billion to the program. In late April, the SBA began accepting applications again, but only from agricultural businesses, which had been excluded from eligibility in the initial round of funding.

EIDL LOAN

The program provides loans of up to ~~\$2 million~~ **\$150,000** for recovery from economic injury resulting from COVID-19.

The loans support **working capital** and may be used to pay:

- fixed debts,
- payroll,
- accounts payable, and
- other bills that would otherwise have been paid if the COVID-19 crisis had not occurred.

Loans are awarded on a first-come, first-served basis.

EIDL LOAN

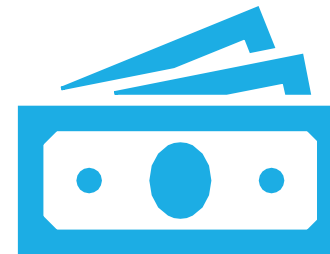
The loans come with an amortization period of up to 30 years.

Loans to small businesses carry a 3.75 percent interest rate; for non-profit organizations, the rate is 2.75 percent.

An emergency advance or grant of up to \$10,000 will be provided to borrowers who request it.

While the advance does not need to be repaid, it will reduce forgiveness on the borrower's Paycheck Protection Program loan if the borrower is using both programs.

Loans over \$25,000 may require collateral, and loans over \$200,000 may require personal guarantees.



Eligibility

In addition to the entities that are already eligible for SBA disaster loans (small businesses, private non-profits, and small agriculture cooperatives), eligibility is temporarily expanded to include:

- Business entities with 500 or fewer employees:
- Sole proprietorships, with or without employees
- Independent contractors
- Cooperatives and employee owned businesses
- Tribal small businesses
- Private non-profits of **any** size

EIDL LOAN

EIDL LOAN

New eligibility: Agriculture enterprises with less than 500 employees.

- Additionally, you must have been in business as of January 31, 2020. Expanded eligibility criteria and the emergency advance are only available between January 31, 2020 and December 31, 2020.
- Self-employed individuals and non-profits are also eligible for this program
- To apply for an EIDL, visit:
<https://covid19relief.sba.gov/#/>

EIDL LOAN

SOP (page 186) lists “owner’s draw/salary when the draw is both normal and essential” under “normal obligations, which the business would not be able to meet throughout the remainder of the injury period.”

EIDL proceeds **may not** be used for:

1. Payment of any dividends or bonuses;
2. Disbursements to owners, partners, officers, directors, or stockholders, except when directly related to **performance of services** for the benefit of the applicant;
3. Repayment of stockholder/principal loans, except when the funds were injected on an interim basis as a result of the disaster and non-repayment would cause undue hardship to the stockholder/principal;
4. Expansion of facilities or acquisition of fixed assets;
5. Repair or replacement of physical damages;

EIDL LOAN

EIDL proceeds **may not be used for:**

6. Refinancing long term debt (see below);
7. Paying down (including regular installment payments) or paying off loans provided, or owned by another Federal agency (including SBA) or a Small Business Investment Company licensed under the Small Business Investment Act. Federal Deposit Insurance Corporation (FDIC) is not considered a Federal agency for this purpose;
8. Payment of any part of a direct Federal debt, (including SBA loans) except IRS obligations. (Additional requirements regarding the payment of federal debt start on page 75 of the SOP.)
9. Pay any penalty resulting from noncompliance with a law, regulation or order of a Federal, state, regional, or local agency.
10. Contractor malfeasance; and
11. Relocation

Does this debt get reported to my credit?

Individual lenders report SBA loans (including 7(a) loans which the PPP program falls under) to credit bureaus, the SBA itself doesn't report to credit reporting agencies. Since these loans are made by the SBA, EIDLs should not appear on personal or business credit reports. However, for loans of \$25,000 or more, the SBA files a UCC-1 filing which can appear on business credit reports and may impact your ability to get other financing.

<https://www.estado.pr.gov/wp-content/uploads/2014/12/UCC1.pdf>

EIDL LOAN



LEY 57 DEL 14 DE JUNIO DE 2020 (PC-2468)

LEY 57

➤ Artículo 5, Sección (i)

Se **excluirá del ingreso bruto** para propósitos de contribución sobre ingresos, incluyendo la **contribución básica alterna** o la **contribución alternativa mínima**, y del ingreso sujeto al pago de **patente municipal** la cancelación de deuda y las cantidades recibidas por concepto de cualquier subsidio o estímulo federal bajo la Ley de Ayuda, Alivio y Seguridad Económica de Coronavirus (“CARES Act”) o bajo cualquier otra legislación federal para atender el COVID-19 o bajo un cualquier subsidio o estímulo estatal otorgado a consecuencia del COVID-19, incluyendo los créditos contributivos reembolsables, y otras ayudas económicas dispuestas en esta Ley.

LEY 57

➤ Artículo 5, Sección (i)(1)

Disponiéndose, además, que el contribuyente podrá reclamar como deducción al ingreso neto los gastos ordinarios y necesarios incurridos en la operación del negocio, **aun cuando dichos gastos sean pagados con fondos recibidos por concepto de cualquier subsidio o estímulo federal bajo el CARES Act o bajo cualquier otra legislación federal para atender el COVID-19 o bajo un cualquier subsidio o estímulo estatal otorgado a consecuencia del COVID-19,** incluyendo la cancelación de deuda y créditos contributivos reembolsables, y otras ayudas económicas dispuestas en esta Ley.



¡GRACIAS!

“La fe crece en la caridad concreta y apaga nuestras necesidades”. — Papa Francisco