



Tips & Advice for Businesses During COVID-19



Agenda for Webinar

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Loan Programs (PPL vs. EIDL)

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Loan Application Process

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Live Q&A

The inDinero Family

When it comes to your finances, you need a partner who gives you the tools and insights you need to scale, at a cost that won't break the bank. As your company grows, your accounting and tax operations should scale along with you.

At inDinero, we're dedicated to being your finance partner from seed to exit. In order to give you all the services you need at each stage, we've teamed up with industry experts.

Combined, we are the inDinero family, the only financial solution that scales with you from inception to exit. With our vast resources of experienced professionals, you get a team of accountants, controllers, tax experts, and CFOs working together and using cutting-edge technology to help you grow your business.



tempCFO, Silicon Valley's go-to outsourced CFO and accounting solution for the last 20 years, specializes in growing start-ups, emerging high-growth and established companies—like Slack and Pinterest— from seed to exit.



mAccounting, an innovative financial solutions group with 15 years in the nonprofit and tech markets, specialized in strategic CFO advice, disruptive technology, and financial reporting solutions for entrepreneurs to grow their business.



The Accountkeepers is not your typical outsourced accounting firm. Combining automation technology and a human touch, The Accountkeepers saves you time and money over hiring an in-house bookkeeper or staff accountant.



Nomad, the East Coast's leading financial service provider for high-growth companies, delivers a complete tailored finance solution—including accounting, tax, HR, CFO, and advisory services—for VC-backed and PE-owned companies.

Corporate Locations



As your outsourced finance team, we don't need a physical office to get work done. But for those who want some facetime with our CFOs, we have offices throughout the country from sunny California to bustling New York and a few places in between.

Meet the Panelists



Johnnie Walker
VP - Sales
New York Office



Jason Hendricks
Managing Director
Portland Office



Beau Parsons
SBA Specialist
Indianapolis



Doug Carpenter
Senior Tax Director
Indianapolis Office

SBA Programs

What Loan Programs are Available?

- Focus discussion on the primary two loan options
 - Economic Injury Disaster Loan (EIDL)
 - Existing program expanded to include COVID-19
 - Paycheck Protection Program (PPP) Loan
 - New program created in recent CARES act
- Both generous loan programs, significantly better than commercially available sources of capital
 - For comparison, business lines of credit run from 7% to over 15%
- Both are SBA programs with similar qualifications
 - Qualify as a Small Business, with less than 500 employees
 - Exception: Food and Hospitality with 500 empl per location
 - Must meet the Affiliation Rule*

Brief Understanding the Affiliation Rule

- A company qualifies as a 'small business' based on its number of employees including those of all its domestic and foreign [affiliates](#)
- Affiliation exists when one business controls or has the power to control another, or when a third party controls both
- Affiliation could include:
 - Ownership:
 - **Black & white:** VC/PE owns 51% of the voting shares
 - **Grey area:** Even if a third party doesn't own a majority...
 - If the largest shareholder's ownership is notably larger than others: 45%, but next largest is 25%
 - Multiple minority parties hold equal shares; 3 parties each hold 20% - affiliation exists for EACH of those
 - Management, or other relationships:
 - Board membership (3 of 5 Board seats) and officers/directors that hold positions at other companies

Economic Injury Disaster Loan (EIDL)

- Program Overview

- Must demonstrate a financial impact
 - Can be loss of revenue/profit or increased costs (supply chain disruption)
- Amounts between \$25,000 - \$2,000,000
 - Based on actual economic injury and company's financial needs
- 3.75% interest (2.75 for non-profit), up to 30 year term, 12 month deferral

- Benefits and Restrictions

- \$10,000 emergency advance that does not need to be repaid - even if the SBA loan is rejected
 - Paid within 3 days of application
- Broader usage of funds: fixed debts, payroll, accounts payable, and other bills that otherwise could not be paid due to COVID-19
 - Essentially, any legitimate ongoing business expense
 - May not be used to expand your business operations, pay cash dividends or bonuses, or disburse payments to owners, partners, officers or stockholders
- Loans may require collateral and/or personal guarantees, depending on amount

Paycheck Protection Program (PPP)

- Program Overview

- Must certify that “economic uncertainty makes this loan request necessary”
 - With Q2 GDP estimates ranging to -34%, this includes every business
- 2.5 times average monthly payroll (10 weeks), up to \$10M
 - US Employees only, capped at \$100K
 - Payroll includes salary, bonuses, PTO, retirement, and healthcare
 - Includes State and Local Payroll taxes, Excludes Federal Payroll Taxes
- **0.50% interest!** (CARES caps at 4.0%), principal and interest 6-12 month deferral

- Benefits and Restrictions

- The loan amount will be **forgiven** if:
 - The loan proceeds are used to cover payroll costs, and mortgage interest, rent, and utility costs over the 8 week period after the loan is made;
 - Employee and compensation levels are maintained
 - Amount proportionally reduced if employee count or pay rate lowered
 - Any actions taken prior to loan may be reversed to comply
 - No more than 25% may be used for non-payroll costs

Which Program is Right for Me?

- Regardless of financial position, **EVERY** company should take advantage of the PPP Loans
 - If used as designed, 80-90% of this loan will be forgiven outright
 - 10 weeks of payroll loaned, 8 weeks of forward payroll paid, plus other allowed expenses (rent, utilities)
 - Amount not forgiven can be repaid at 0.5% up to 10 years
 - With \$1,000,000 borrowed, assuming 90% forgiven, the remaining \$100,000 could be repaid over 2 years for approximately \$750.00 in interest...
- Submission for forgiveness is made through lending institution and the decision should be made within 60 days of submission
 - Two months before the earliest deferment date
 - It will be crucial to track these costs carefully to provide documentation of each expense in compliance with PPP

Take Advantage of Both, But Do Not Duplicate

- Companies may participate in multiple programs
 - Each program only once
- Companies that enroll in the PPP Loan program may still apply for an EIDL to cover expenses excluded from the PPP loan, or covering the period after the 8 weeks covered by PPP Loan
 - Using this approach would allow time better assess the financial impact caused by COVID-19, as required by EIDL
- **Important: Ensure you do not pay for the same expense twice**
 - Example: sick leave (explicitly for COVID-19) paid in 2020 may be recovered through refundable tax credits
 - Ensure that these costs aren't also paid by funds received through PPP Loan
- **Misuse of funds through either program may result in financial and legal consequences**
 - The penalty for misusing EIDL funds is immediate repayment at one and a half times the original amount of the loan

Loan Application Process

Bank Relationship



Payment Deferrals/Forgiveness

Auto, Mortgage, Business Loans
504, SBA Express, SBA 7a,
Conventional



Current Bank Capability for Every Day Business

By Appointment Only
Expanding Technology to Continue
Business as Usual
Resource Information



Credit Impact of Deferment and Loans



Direction- My Bank vs Your Bank



Bank Approach for EIDL (Emergency Injury Disaster Loan)

Payroll Protection Loan- Bank Role



Fee and Rate



Preparation

Assistance
Action Items



Going Live Date/Time



Conflicting Information



Funds Availability (\$349B)



Timing of Funding Loan



Applying at Multiple Institutions



Credit Qualifications (Credit Score, Cash Flow, Lending Ratios)

CARES Act & Tax Relief

Families First Coronavirus Response Act

The Families First Coronavirus Response Act (FFCRA or Act) requires certain employers to provide employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19. The Department of Labor's Wage and Hour Division (WHD) administers and enforces the new paid leave requirements. These provisions apply from April 1, 2020 through December 31, 2020.

- **Sick Pay Requirement:** 2 weeks of paid sick leave at regular rate of pay or up to \$511 per day (\$5,110 max) when the employee is unable to work because the employee is quarantined and/or experiencing COVID-19 symptoms or 2 weeks of paid sick leave at two-thirds the employee's regular rate of pay because the employee needs to care for an individual subject to quarantine or to care for a child (under 18).
- **Expanded Family Medical Leave Act** - Up to an additional 10 weeks of paid expanded family and medical leave at two-thirds the employee's regular rate of pay where an employee, who has been employed for at least 30 calendar days, is unable to work due to a bona fide need for leave to care for a child whose school or child care provider is closed or unavailable for reasons related to COVID-19.

Families First Coronavirus Cares Act

Refundable Payroll Tax Credits

- Employers can begin taking advantage of two new refundable payroll tax credits provided under the Families First Coronavirus Response Act (Act) that is designed to immediately and fully reimburse them, dollar-for-dollar, for the cost of providing Coronavirus-related sick pay leave to their employees.
- Every eligible dollar paid can be claimed as a payroll tax credit to offset your current payroll. If the credit is too large to be taken as a credit on that scheduled payroll run, then you can request accelerated relief that will be paid as a reimbursement from the IRS within 2 weeks.

Important Items to Know:

- Taxpayers need to be diligent about tracking the Sick Pay and expanded FMLA so it can be reimbursed through the payroll tax credit program
- Do not use funds from a Paycheck Protection Loan to pay these wages since they will be reimbursed via tax credit.

Other Tax Relief Provisions - Businesses

- **Employer Retention Credit** - Employers are eligible if operations were fully or partially suspended during a calendar OR if the business' gross receipts for a calendar quarter are less than 50% of gross receipts from the same quarter in the prior year (ending the first calendar quarter after they rise back to above 80% of gross receipts for the same quarter during the prior year) Maximum of \$5,000 Tax Credit per Employee.
- **Delay of Deposit for Employer Portion of Payroll Taxes** - Businesses may postpone employer portion of payroll taxes due from 3/27/2020 through to 12/31/2020. 50% of those employer portion deferred taxes are due by 12/31/2021; the remaining employer portion deferred taxes are due by 12/31/2022

These Provisions DO NOT APPLY if Using Payroll Protection Loan

Other Tax Relief Provisions - Businesses

- **Changes to Net Operating Loss Rules**
 - Losses from 2018, 2019, and 2020 will be permitted to be carried back up to five years.
 - Losses carried to 2019 and 2020 will be permitted to offset 100% of taxable income, up from 80% under prior law.
- **Qualified Improvement Property** - changed to 15 year, eligible for Bonus depreciation. Retroactively applied to 2018 (ability to amend 2018 and 2019 tax returns)
- **Modifications to Interest Limitations Rules** - interest deduction limit increased from 30% to 50% of AGI
- **Exclusion from Income of Employer Payment of Employee Student Loan Debt** - Employers can pay up to \$5250 of an employee's student loan obligation, tax free to employee
- **Filing and Payment Deadlines Extended** - 2019 income tax filing and payment deadlines extended from 04/15/2020 to 07/15/2020 for Individuals and Corporations. Most states are providing filing and payment relief as well.

Other Tax Relief Provisions - Individuals

- **Recovery Rebate** - Taxpayers can receive up to \$1,200 and additional \$500 per qualifying child.
 - Rebates are phased out after adjusted gross income (AGI) in excess of \$75,000 if single, (\$110,000 if filing head of household, and \$150,000 if married filing jointly).
 - Phase out means you'll lose \$5 of payment for every \$100 your AGI exceeds those thresholds, complete phased out at \$99,000/\$146,500/\$198,000 (Single/HOH/MFJ).
 - IRS will computer rebate amounts based on the taxpayer's 2019 tax return. If 2019 tax return has not been filed, the 2018 tax return will be used instead.
- **Special Rules for Using Retirement Funds for Coronavirus**
 - Early Distributions of up to \$100K not subject to 10% early withdrawal penalty and can be included in gross income over 3 years (or paid back).
- **Modification of Charitable Contributions Limits**
 - Taxpayers who claim standard deduction in 2020 is allowed a \$300 "Above-the-Line" deduction
 - Gross income limitation increased from 50% to 100% of AGI
 - For Corporations, the 0% taxable Income limitation increased to 25%
 - Net Income Limitation for Qualified Charitable Food is increased from 10% to 25% for 2020

Q&A