

QUESTIONS & ANSWERS

Details from FML's CARES Act
Webinars April 6 & 9, 2020



EXPERIENCE THAT COUNTS
ASSURANCE · TAX · ADVISORY SERVICES

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EXPERIENCE THAT COUNTS

FML IS A THRIVING FIRM DESIGNED
FROM THE GROUND UP TO HELP
BUSINESSES EXCEL.

Our team of accountants, assurance experts, and seasoned advisors will work with you to ensure you are positioned to reach your next level of success and growth tailored to your unique business and circumstances.



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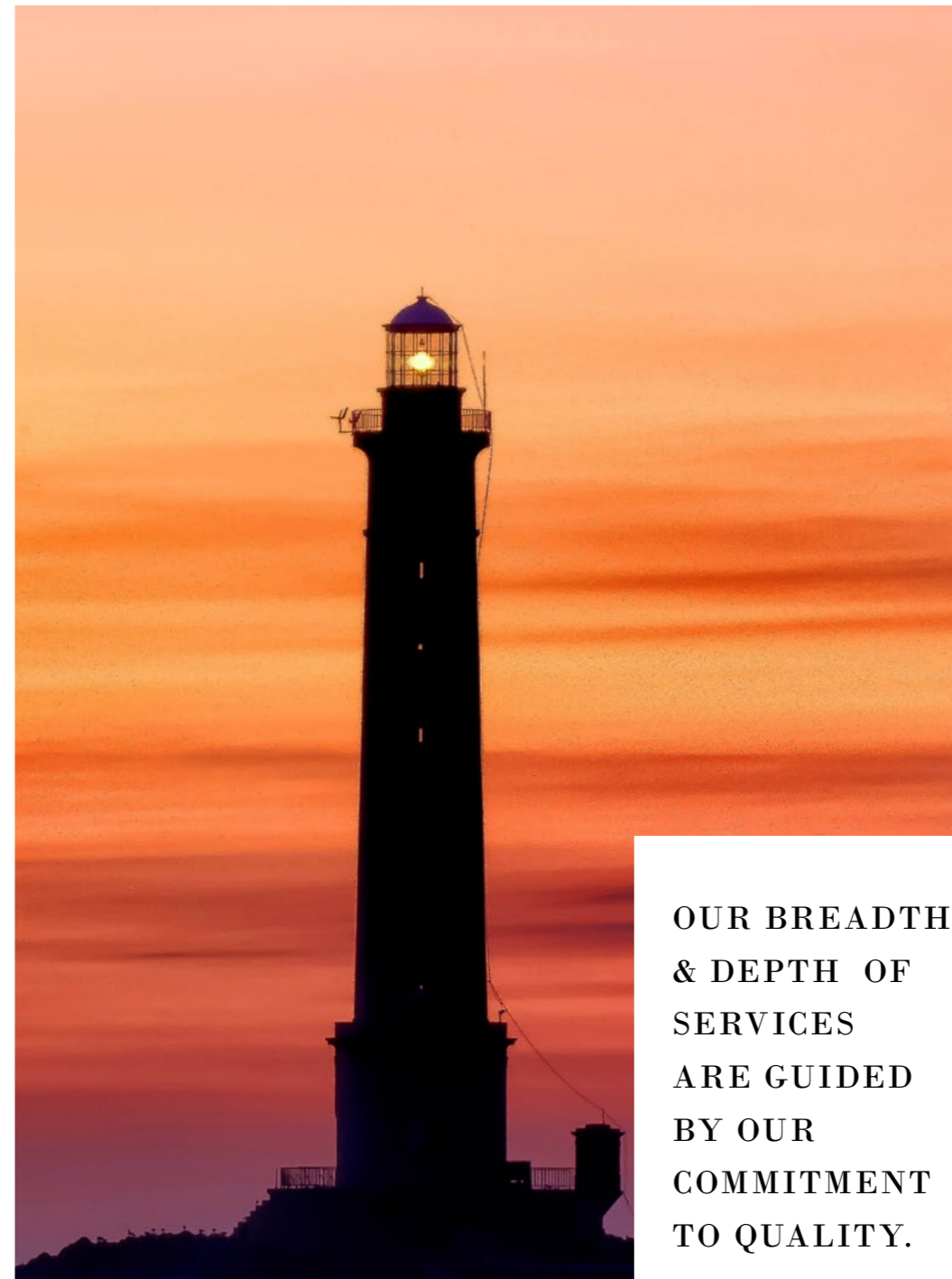
ABOUT OUR FIRM

Unique in the mid-size accounting and advisory firm space, Fiondella, Milone & LaSaracina LLP (FML) was founded in 2002 in the spirit of entrepreneurship.

We work tirelessly to establish a deep understanding of our clients, and we leverage our depth and breadth of knowledge to develop the most effective understanding of client needs. To that end, FML adds a layer of experience in helping clients—from start-ups to mature Fortune 500 companies—across a broad range of industries.

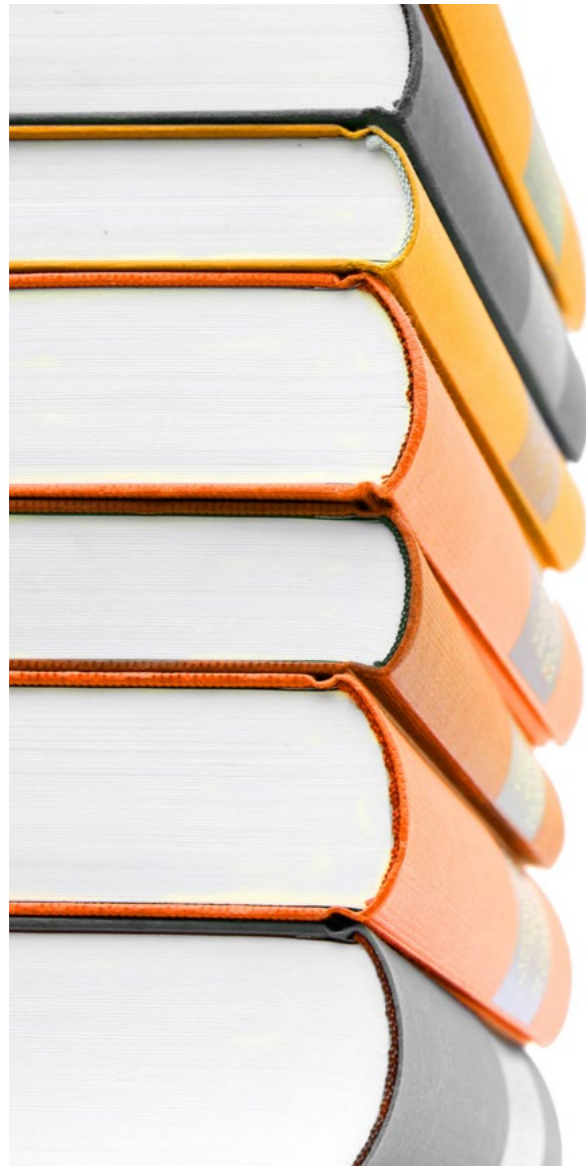
We at FML aim to provide exceptional service by simplifying the complex and turning uncertainty into confidence. All clients, regardless of size or stage, benefit from the expertise and involvement of our senior management – all of whom have worked on behalf of some of the most well-known corporations in the world. This hands-on approach by our staff at every level means our clients benefit from a proven history of excellence working within complex business scenarios and solving the most challenging problems.

FML offers a broad range of services comparable with larger national firms, paired with incomparable one-on-one relationships. Our services include specialty audit practices, international, federal, and state tax advisory and compliance, accounting services, transaction support and due diligence, Sarbanes-Oxley compliance expertise and much more.



**OUR BREADTH
& DEPTH OF
SERVICES
ARE GUIDED
BY OUR
COMMITMENT
TO QUALITY.**

QUESTIONS



1. How to complete the ownership info on PPP or EIDL app for nonprofit?

Guidance indicates leave that section blank.

2. Can you pay contractors/consultants with EIDL loan?

Based on updated guidance, payments to I/C's are not includible within payroll costs; eligible uses include: payroll costs, rent, utilities, health care payments, interest on mortgage obligations and interest on other debt into prior to 2/15/20. Accordingly, it does not appear so.

3. Can we get a copy of the presentation?

Yes, a copy of the both presentations (April 6 & April 9), FAQ's and these questions will be provided. See page 8 of this document.

4. Where do we go to get the NAICS code list you refer to?

You can find on SBA website, here's a link to direct size standard index by NAICS code. [https://www.sba.gov/sites/default/files/2019-08/SBA%20Table%20of%20Size%20Standards Effective%20Aug%202019%2C%202019.pdf](https://www.sba.gov/sites/default/files/2019-08/SBA%20Table%20of%20Size%20Standards%20Effective%20Aug%202019%2C%202019.pdf)

5. I'm a seasonal business, with about four or five months where my company makes very little/no money...for PPP's "average monthly payroll" those 4/5 months really weight the average down. Is there anything I can do about that?

Seasonal businesses can use either 2/15/19 - 6/30/19 OR 3/1/19-6/30/19 to compute average monthly payroll.

6. Should we include Health and Dental figures in Payroll costs?

Yes

7. How are employees that are let go due to poor job performance as opposed to layoffs treated under the PPP's loan forgiveness calculation?

I'm not aware of any different treatment.

8. Do they need our rent and utilities from last year or upcoming 8 weeks?

Only for the 8 week period where 'uses' are calculated.

9. What is the accounting of the PPP loan from loan to expenses to forgiveness? Tax and book purposes?

I believe book, but will update if I see guidance otherwise.

10. In the Total # of Employees on the PPP app, how is that calculated if you have FTEs and PTEs?

My understanding is that both should be counted. I expect SBA additional guidance to be issued regarding the loan forgiveness calculation and the computation of FTE's.

11. For health benefits, is it assumed you should net the employee contribution toward benefit costs when calculating those costs for the application?

If I'm understanding your question, yes.

12. How does a business with cash available to sustain a business still able to apply for this loan? How are applying businesses being vetted for those who need the funds and those who really don't?

There is a good faith certification "that the uncertainty of current economic conditions makes necessary the loan request to support ongoing operations". There are no revenue reduction requirements thus far.

13. Does the 8 wk time frame begin at loan approval date or can we set the date as long as it begins before June 30th?

The CARES Act states 'from the date loans are dispersed'. I would discuss with your lender if you wish to delay the date.

14. "Loan is necessary to support ongoing operations" isn't well defined. Does that mean almost out of cash? What if you have cash in bank, but would otherwise lay off employees if not receiving the PPL loan?

This is the biggest uncertainty, amongst many. How will this certification be evaluated, post hoc? I will update our website when more information comes in.

15. Can payroll cost include bonus payments?

Nothing precludes it as long as the employee is under the \$100k threshold.

16. What does a business do with employees already laid off because there is no work for them? Do they get paid to stay home?

The loan covers payroll costs incurred by the business. If they are laid off, they would not be payroll costs.

17. If the company is an LLC, and all employees have equity and are all Paid by Guaranteed Payments (no payroll), can the company apply for PPP?

Our position is yes. An issue may arise with the current CARES Act language regarding loan forgiveness. Can the partners be included as FTE's.

18. Even if that foreign owner question is not there, do I include them as affiliate as minority holder?

Yes

19. Why is my bank asking for personal information for the PPP app like total personal assets and personal liabilities (non-business related) broken down by category?

I'm not sure, I would ask your bank if you can put N/A.

20. What does the time frame look like for the SBA approving the PPP loans?

I've heard anywhere from "30 days" to "funds will be out this week."

21. For PPP calculation, can you only include Full time employees, not part-time?

You can include all payroll for purposes of the loan amount calculation.

22. Can you include independent subcontractors in the average monthly payroll calculation to determine the loan amount?

Guidance issued 4/6/20 states no, I/C's are not included. If you filed an application prior to 4/7, you may be able to include independent contractors. While the new guidance clarified this topic, it states that if an applicant filed prior to the date of the new guidance, they can rely on previous guidance.

23. The clause where they disallow payroll taxes after 2/15/20 seems erroneous. Companies that have not been in operation for 12 months need to use that time frame and it seems odd to have to do that.

Guidance issued 4/6/20 clarifies the payroll tax issue. Basically, employee taxes are included and federal employer taxes are not.

24. Is the loan amount based on the anticipated amount of lost revenue or all eligible costs? For instance, if the anticipated loss of revenue for the next 8 weeks is 50%, can a nonprofit receive a loan for greater than 50% and use the remaining loan funds to make up for revenue loss after the 8 week period?

The loan amount is based on average monthly payroll costs * 2.5. There is no revenue lost concept.

25. How about 1099s on an employment contract?

Guidance issued 4/6/20 states no, I/C's are not included.

26. Do LLC members count as employees? Guidance says owners are employees, but also says to be guided by IRS rules which would characterize them as self-employed and not employees (assuming partnership treatment of LLC).

See answer to question 25 above, while we believe GP's would be included in payroll costs, it's uncertain if partners would be considered FTE's for purposes of loan forgiveness quotient.

27. As the owner of a sole proprietorship that has two people on payroll, can I apply for PPP to keep them hired and apply for Unemployment Insurance for myself (since I'm not on payroll) at the same time?

Sole proprietorships are allowed to apply for PPP loans. I do not know the UI question.

28. Does the actual furlough have to occur by 4/26? Or just planned?

The CARES Act merely states that "there is a reduction" which makes us believe it must actually occur.

29. What is best way to document how money is allocated to meet 75% payroll and 25% other (benefits, lease)

I would defer to your bank, they should provide guidance on this.

30. How long does the loan approval take?

We are hearing anywhere between a few days to 30 days. I think this will depend on your specific loan application and your bank's ability to process.

31. One more, we are finding that for most, the PPP is the preferred program for most small businesses, correct?

I think that is the consensus. The PPP has loan forgiveness which the EIDL does not have. That said, it depends on what you need the loan for. If your intended uses are not for payroll, rent, utilities, etc., the EIDL may be better.

32. If you are an essential employer-can additional "hazard pay bonuses" paid during the 8 week time frame be included in the PPP loan forgiveness amount?

I'm not aware of restrictions for such pay.

33. Has there been an extension for filing the Form 990 for nonprofits?

Yes

34. If we did PPP and EIDL which do you use first for paying employees, Can you do PPL first 8 weeks and then use the EIDL?

I would suggest using the PPP first for the 8 week period to get the loan forgiveness maximized.

35. Can I furlough employee before I get the PPP loan?

The CARES Act allows for furlough back to 2/15/20, as long as employees brought back by 6/30/20.

36. How to apply hr6201 tax credit to offset deposit, any form to fill?

Form 7200.

37. So can we bring them back on payroll, use PPP but have them not physically working?

Yes, but remember that loan forgiveness will only be measured by actual cost in the 8 week period following loan origination and only allows 25% of such loan forgiveness to non-payroll costs.

38. If you already furloughed some FTEs prior to March 30, 2020; do you have to bring them back during the 8 week time frame?

The CARES Act, states that they need to be brought back prior to June 30, 2020.

39. Can I use FFCRA if our company has unlimited sick and personal leave?

Yes, but remember that it is only for the enumerated causes in the slides.

40. What if the employees left the company due to person reasons, not related to COVID 19?

If this relates to HR6201, then sick leave is not required.

41. Great job! I have been on many of these updates put on around the country, including our NAHB webinars, and you two were superb, ON POINT - BRAVO!

Thanks, the guidance is changing daily, sometimes hourly, we try to update our posts on the website as frequently as possible.

42. Are there restrictions on payments to owners related to forgiveness?

No, other than the amount must be 'payroll costs'; we believe the SBA will limit the amount that is payable to owners as a prorated monthly amount capped at \$100k (i.e. owners can't get a loan for \$100k related to 10 employees but then pay themselves the majority of the proceeds).

43. If we are shut down now so cannot bring employees back until that is lifted. Do we wait to apply for the PPP then? When is the deadline?

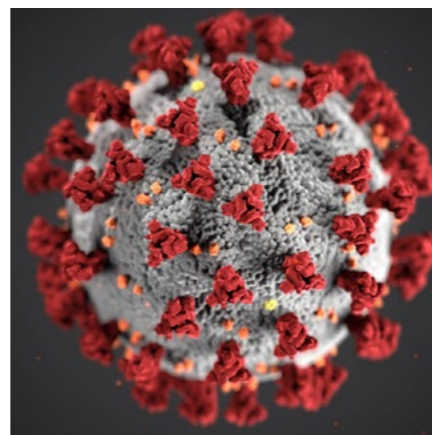
The PPP loan is effective through June 30, 2020, however, we expect the funds to be exhausted well before then.

44. For benefits figures for PPP do you include amounts employer pays or just employee?

Guidance issued 4/6/20 states employee taxes are included, employer taxes are excluded.

ADDITIONAL RESOURCES

As a firm, we are dedicated to serving our clients and the community to the fullest of our capabilities. In light of these unprecedented circumstances, we have compiled the most complete news and up-to-date interpretations of legislation and resources surrounding the fallout from COVID-19.



COVID-19 RESOURCES FOR BUSINESSES AND INDIVIDUALS

We are working to keep our clients and associates updated with the most accurate and timely information regarding rules and regulations that may affect your business as the Coronavirus/COVID-19 event continues. Here, find the latest on tax deadline changes, news to help your business thrive now, and pieces from our leadership to help you weather this storm.

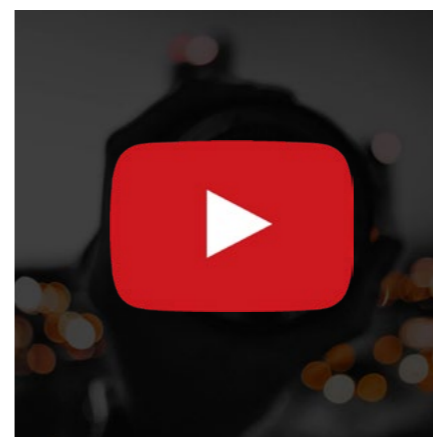
[Visit Our Coronavirus Resource Page](#)



APRIL 6, 2020 PRESENTATION SLIDES (AS PDF)

As regulations and interpretations have changed rapidly, we have worked hard to keep you informed. Our April 6 webinar was developed from the best possible information at the date of presentation, and adapted for our April 9 event, which took into account the changes and updates that emerged in that short span of time.

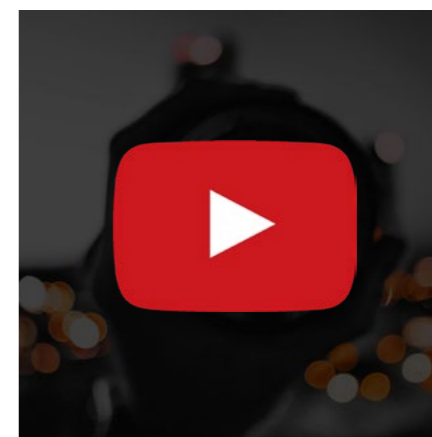
Click to download the slides and/or view the webinar(s) of your choice.



APRIL 6, 2020 WEBINAR

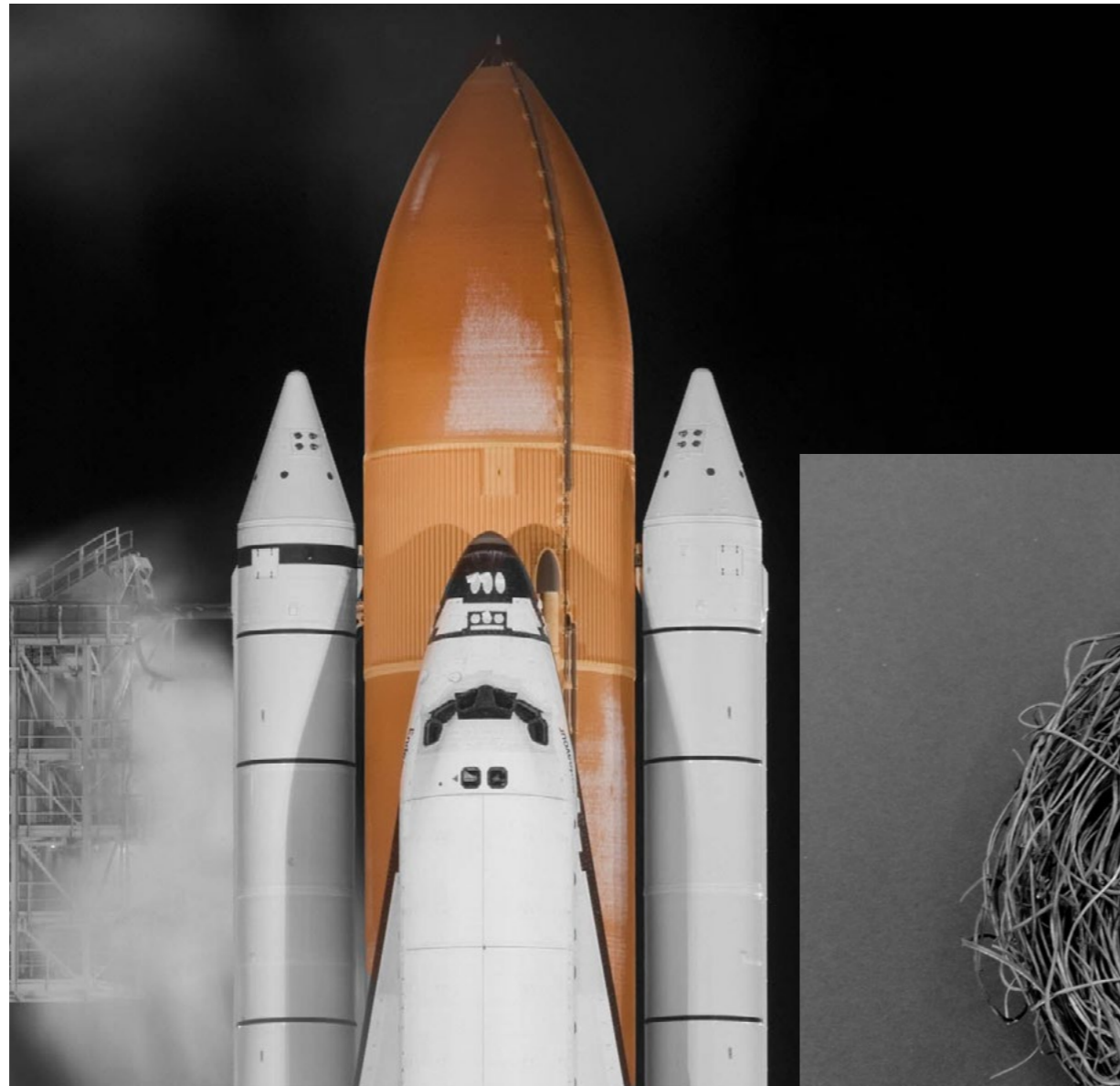


APRIL 9, 2020 PRESENTATION SLIDES (AS PDF)



APRIL 9, 2020 WEBINAR





THANK YOU

We appreciate your time and interest. If you have any questions or concerns, please do not hesitate to reach out to us.



FROM
PRE-LAUNCH
TO
SECURING
YOUR
COMPANY'S
FUTURE, FML
IS THERE.

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