

Healey & Associates
Certified Public Accountants and Consultants

To My Clients and Friends

This correspondence is meant to assist you in preparing to submit for a “Covered Loan” under the Paycheck Protection Program (PPP) of the Cares Act. The loan period for this program starts on February 15, 2020 and ends on June 30, 2020 and generally only covers businesses with fewer than 500 employees.

This loan program falls under the Federal (7a) Programs already administered by the SBA. The parties who make these loans are private banking institutions federally insured under FDIC – likely a bank with which you already conduct business.

Under the “PPP”, the maximum loan amount for “Non-Seasonal” employers is 2.5 times the average total monthly payroll costs during the one-year period before the loan is made. “Seasonal Employers”, such as restaurants in our desert community, may utilize either of two periods, February 15, 2019 to June 15, 2019 or March 1, 2019 to June 30, 2019, to determine their average monthly payroll costs. This will typically produce a higher monthly average and resultant higher maximum loan amount.

What is used to determine “Payroll Cost” as defined in the Cares Act is employee gross wages, with an annual cap of \$100,000 for those employees earning more than \$100,000 (excess amount is excluded), health insurance premium payments, retirement plan contributions paid and state payroll taxes paid on those gross wages.

Note: The loan proceeds can be used to pay any business expenses but only the following are considered expenses eligible for loan forgiveness:

- Employee Wages
- Health Insurance Premiums
- Mortgage Interest
- Business Loan Interest
- Rent
- Utilities

The portion of the loan used to pay the above listed expenses during the 8 week period beginning on the loan origination date may be forgiven. The loan forgiveness expense period ends at the end of 8 weeks from the loan date.

While forgiveness of debt is generally taxable, the amount forgiven under this “PPP” program may be excluded from income and not taxable to the borrower.

Payments of principal and interest on the portion of the loan that is not forgiven may be deferred until 6 months after the loan origination date. The interest rate will not exceed 4% and the term can be for up to ten years. There is no collateral required.

The likely documents a borrower will need to include:

- Payroll Reports (possibly also quarterly payroll returns).
- Documents to Support Health Insurance Premiums.
- Documentation to Support Retirement Plan Contributions.

Please be advised that this is my interpretation of the law and by no means includes any and all specific forms, documentation, requirements and the like that the bank or the SBA may impose. However, I felt the strong need to facilitate this process for you by providing various items which you will need to gather. I have attached the following as samples for you to use while working with your bank:

- Sample Letter to Bank.
- Sample “Non-Seasonal” Payroll Cost and Loan Worksheet.
- Sample “Seasonal” Payroll Cost and Loan Worksheet.

I truly care about you, your business and your family. There will be challenging days ahead, but together with God’s blessing, we will not only survive but come out stronger, better humans.

William J. Healey III

SAMPLE BANK LETTER

Letter to Bank [INSERT BANK INFORMATION]

Re: Covered Loan Request

Dear

Please see enclosed/attached the documents to provide support for my request of a Covered Loan under the Paycheck Protection Program of the Cares Act.

Included/attached are:

- Payroll costs as defined under the Cares Act.
- My business entity's ID number and (if applicable) my (BANK) account number.

Please notify me immediately of any additional items required to expedite funding of this Covered Loan.

I declare that [NAME OF BUSINESS] was in operation on February 15, 2020 and had employees to whom it paid salaries and payroll tax.

Further, I certify in Good Faith that the uncertainty of current economic conditions makes necessary the loan request to support ongoing operations of my company; I acknowledge that funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments and utility payments; I further declare that [NAME OF BUSINESS] does not have an application pending for a loan under this subsection for the same purpose and duplicative of amounts applied for or received under a Covered Loan and during the period beginning on February 15, 2020 and ending on December 31, 2020, that [NAME OF BUSINESS] has not received amounts under this subsection for the same purpose and duplicative of amounts applied for or received under a covered loan.

“NON-SEASONAL” EMPLOYER WORKSHEET

Gross Payroll Costs

(AA) Salary, wage, commission or similar compensation.

(BB) Payment of cash, tip or equivalent.

(CC) Payment for vacation, parental, family, medical or sick leave.

(DD) Allowance for dismissal or separation.

(EE) Payment required for the provisions of group health care benefits, including insurance premiums.

(FF) Payment of any retirement benefit.

(GG) Payment of State or Local Tax assessed on the compensation of employees gross annual payroll costs.

Adjustments

- Less employee compensation excess over \$100,000 annual
- Other adjustments (Partner, Self-Employed)

\$

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Net Annual Payroll Costs

Divide By 12

÷12

Average Total Monthly
Payroll Costs

\$

Times 2.5 Factor

Maximum Covered Loan

\$

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SEASONAL EMPLOYER

Gross Payroll Costs

For Period, either February 15, 2019 to June 15, 2019
or March 1, 2019 to June 30, 2019

(AA) Salary, wage, commission or similar compensation.

(BB) Payment of cash, tip or equivalent.

(CC) Payment for vacation, parental, family, medical or sick leave.

(DD) Allowance for dismissal or separation.

(EE) Payment required for the provisions of group health care benefits, including insurance premiums.

(FF) Payment of any retirement benefit.

(GG) Payment of State or Local Tax assessed on the compensation of employees gross annual payroll costs.

Adjustments

- Less employee compensation excess over \$100,000 annual as prorated
- Other adjustments (Partner, Self-Employed)

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Net Period Payroll Costs _____

Divide by 4 $\div 4$ _____

Average Total Monthly
Payroll Costs \$ _____

Times 2.5 Factor _____

Maximum Covered Loan \$ _____