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### **Robert A. Bobek, CPA**

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Bob Bobek is an assurance partner with over 35 years of public accounting experience who works with privately-owned companies across multiple industries, with a concentration in construction and manufacturing.

Bob speaks to groups on topics including; developing key financial ratios and using them to manage your business, understanding and developing contract price estimates, internal control and fraud risks, developing an accounting system for a small organization, treasury management and the fiduciary responsibility of a board.

Bob received his bachelor's degree in accounting from Bowling Green State University and his master's degree from The University of Toledo. He is a licensed CPA in both Ohio and Michigan. Bob is a member of the Finance Council to the Bishop of the Diocese of Toledo, a past member of the board of Pathway, Inc. and the Advisory Board to Ohio Auditors of State David Yost, Mary Taylor and James Petro.



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## **Bob Bethel, SPHR, SHRM-SCP**

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Bob is a graduate of the University of Toledo, with a Bachelor of Education, majoring in English. He began his career at The Andersons in retail management. After many years in retail management, he started his career in Human Resources as the Employment and Recruitment Manager for The Andersons. Since leaving The Andersons, he has served in Human Resource manager/director positions at S.E. Johnson, Michigan Paving and Materials, St. Vincent Mercy Medical Center, The Douglas Company, and Bittersweet Farms. During his career he has also served in leadership capacities of several organizations, including the Toledo Christian Schools Board of Directors, the Toledo Area Human Resource Association (TAHRA), Ohio Human Resource Conference Committee, and The Ohio SHRM State Council, serving as President or Chair of each organization. He is currently the VP of HR and Learning Services for the Employers' Association and is serving a fifth term as a Springfield Township Trustee. Bob holds professional certifications with the both the Human Resource Certification Institute (HRCI) and SHRM.



## Consolidated Appropriations Act, 2021: The Facts

- \$900 billion dollar stimulus for American economy
- 5,593 pages long
- Embedded in US government spending bill
- The law passed both the House of Representatives and Senate the night of December 21<sup>st</sup> and was sent to the President to sign into law
- The President signed the law last night, December 27th, but has made comments asking for larger stimulus payments to Americans
- The law passed the House by a vote of 327 to 85 and a second vote of 359 to 53 and the Senate by a vote of 91 to 7. Thus the bill has bipartisan overwhelming support

**Most of this presentation was written based upon the passed bill. We may have updates for our understanding of the final bill. The SBA will be issuing additional guidance.**

## The Act contains various provisions

- Ends the mandate to provide Emergency Paid Sick Leave (EPSL) and paid family leave, but allows employers to provide the paid leave
- Another round of direct payments to Americans
- Continuation of additional payments of unemployment insurance
- Continuation and expansion of the PPP forgivable loan program
- Various other provisions to provide much-needed liquidity to struggling sectors of our economy

## Emergency Paid Sick Leave and Expanded Family Medical Leave

- Ends employer mandate to provide EPSL and EFMLEA after 12/31/20
- Extends credit and paid leave through 3/31/21 for EPSL and EFMLEA for self-employed individuals
- Tax credit for employers offering EPSL and EFMLEA extended until 3/31/21
- Through some convoluted language, the opportunity to provide EPSL and EFMLEA is also allowed until 3/31/21

## Direct Payments to Americans

- One-time cash rebate of \$600 per eligible individual  
(A family of 4 can receive \$2,400)
- For income less than \$75,000 (\$150,000 for joint filers)
- Based on the Adjusted Gross Income from 2018 or 2019 tax filings
- Phased down as income increases, at a rate of \$5 per \$100 of additional income
- The amount paid will be non-taxable and will be direct deposited if the taxpayer provided that information when filing taxes
- Potential for a second check still being discussed



## Extension of Unemployment Insurance Program

- Extends the Pandemic Unemployment Assistance (PUA) and the Pandemic Emergency Unemployment Compensation (PEUC) programs until 3/14/21
- PUA is for independent contractors and others not ordinarily eligible for unemployment benefits; PEUC provides up to 13 weeks of additional unemployment to individuals who previously collected unemployment but exhausted those benefits
- Also provides an additional \$300 per week for 11 weeks
- Extends the number of weeks of benefits for eligible individuals from 39 weeks to 50 weeks; eliminates the waiting week
- In addition to the UI payments available through the state program
- For 11 specific coronavirus reasons, similar to FFCRA

## Paycheck Protection Plan Modification

- **Contains language to reverse the IRS position on the tax deductibility of expenses funded with forgiven PPP loan funds**
- This provision is made effective as of the date of the original CARES Act, so if you already received forgiveness you still will be able to deduct expenses
- No deduction shall be denied, no tax attribute shall be reduced and no basis increase shall be denied by reason of exclusion from gross income.
- Thus all expenses funded by PPP loans are tax deductible
- Income related to the forgiveness of the PPP is not included as taxable income
- Expenses used to create tax credits such as research & development tax credits are includable in the calculation of such credits

## The bill has many additional tax or extensions of existing tax provisions, a few are listed below

- 100% deductibility of business meal expenses (currently 50% deductible)  
Expenses incurred after December 31, 2020 through December 31, 2022
- Extends Section 179D deduction for energy-efficient commercial buildings
- Extends work opportunity tax credit

## Paycheck Protection Program Revisions

- Extends the period to apply for first-time borrowers under original program
- Original PPP program ended on August 31, 2020
- For this program you follow previous eligibility and calculation of maximum loan rules for PPP
- Borrowers that returned loans or received a loan for an amount less than what they were eligible for can reapply under the original program
- Expands eligible participants including additional nonprofits, such as 501© 6 organizations and churches
- If you received a EIDL grant of \$10,000 this is no longer a required deduction in the amount of the PPP loan forgiven

## Basic understanding of the Paycheck Protection Program (PPP loan) is as follows:

- Increased eligibility for certain small businesses that employ less than 500 (per physical location for accommodation & food service businesses)
- Loans can be no more than \$10,000,000, calculated on a formula of the average monthly payroll costs times 2.5
- Loans will have maturity of 2 to 5 years. PPP loans will have a 2 year term (loans issued after June 5<sup>th</sup> have a maturity of 5 years) at 1%
- Allowable uses of the loan are to fund a Company's payroll costs, group health insurance, interest on mortgage payments, rent, utilities and interest on other debt obligations incurred before the covered period
- Expanded use of funds to include covered operation expenditures, supplier cost, worker protection expenditures and property damage cost

- Good faith certification from the eligible recipient that the uncertainty of the economic conditions make the loan request necessary to support the ongoing operations of the recipient, acknowledge that the funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments and utility payments
- SBA will waive the guarantee fee required for a 7A loan
- SBA will eliminate the requirement that a small business concern is unable to obtain credit elsewhere
- To receive forgiveness at least 60% of the cost must be payroll cost, thus non payroll cost cannot be greater than 40% of the total cost

- Provide a process to allow borrowers to be eligible for loan forgiveness in amount equal to their payroll costs, health benefits, interest portion of mortgage payments, rent and utility costs for the **8 week through 24 weeks** period beginning on the date of origination of a covered loan. The amount of the debt forgiveness will be reduced proportionally by the number of employees laid off during this time. Any staffing reductions made after February 15, 2020 that are remedied no later than December 31, 2020 shall not impact the amount forgiven.
- Any amount forgiven that would normally be included in gross income shall be excluded from gross income.

## PPP Loans Round 2

- Act contains a second round of PPP loans to borrowers that participated in the first program with revised eligibility and other rules
- Congress has allocated \$284 billion for these loans
- Targeting smaller businesses and those companies more negatively impacted by the pandemic
- Eligible borrower must show a 25% reduction in revenue in the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> or 4<sup>th</sup> 2020 quarter as compared with the same quarter in 2019



- Reduced eligibility for certain small businesses that employ less than 300 employees (restaurant and hospitality business (NAICS codes starting with 72) per physical location businesses)
- Loans can be no more than \$2,000,000, calculated on a formula of the average monthly payroll costs times 2.5. For those in the restaurant and hospitality business calculated on a formula of the average monthly payroll costs times 3.5
- Allowable uses of the loan are to fund a Company's payroll costs, group health insurance, interest on mortgage payments, rent, utilities and interest on other debt obligations incurred before the covered period
- Expanded use of funds to include covered operation expenditures, supplier cost, worker protection expenditures and property damage cost

## Covered operation expenditures

Payments for business software or cloud computing service that facilitates business operation, product or service delivery, the processing, payment or tracking of payroll expenses, human resources, sale and billing function or accounting or tracking of supplies, inventory, records and expenses.

## Covered supplier cost

An expenditure made by an entity to a supplier of goods for the supply of goods that:

- Are essential to the operations of the entity at the time at which the expenditure is made; and
- Is made pursuant to a contract, order, or purchase order— “(I) in effect at any time before the covered period with respect to the applicable covered loan; or ‘(ii) with respect to perishable goods, in effect before or at any time during the covered period

## Covered period damage cost

A cost related to property damage and vandalism or looting due to public disturbances that occurred during 2020 that was not covered by insurance or other compensation

## Covered worker protection expenditure cost

Cost related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19; may include the purchase, maintenance, or renovation of assets that create or expand

- a drive-through window facility;
- an indoor, outdoor, or combined air or air pressure ventilation or filtration system;
- a physical barrier such as a sneeze guard;
- an expansion of additional indoor, outdoor, or combined business space;
- an onsite or offsite health screening capability

Current SBA guidance allowed a simplified forgiveness application for loans at \$50,000 or less

Under this law, the simplified forgiveness application will be simplified to one page and will be for loans under \$150,000.

Must retain relevant records records for four years

SBA must create a simplified application form within 24 days of the bill enactment

Includes a set-aside to support PPP borrowers with 10 or fewer employees, first time PPP borrowers that recently have gained eligibility and for loans made by community lenders.

## **\$2,000,000 Loans Questionnaire**

New SBA guidance issued as a Q & A issued on December 9, 2020 in response to an AGC lawsuit. Question 53, Why are some borrowers receiving a Loan Necessity Questionnaire (SBA Form 3509 or 3510)?

Upon request from lender, borrower has 10 days to submit

The SBA as part of its review may take into account the borrowers circumstances and actions before and after the date of the loan application and uncertainty certification

Appears response on questionnaire must stand on the contents included in the questionnaire and not rely on supporting documents, which may be requested if the SBA deems necessary to complete their review

## Extension of the debt relief program on SBA 7(a) loans

Expires on September 30, 2021

For loans that have not yet received relief, borrower may be eligible for 6 payments of principal and interest paid by SBA

Other loans may be eligible for 3 months of SBA payments, with an additional 5 months for hard hit industries

## **\$82 billion in funding for colleges and schools, including:**

- Direct support for HVAC repair and replacement to mitigate virus transmission
- And \$10 billion in child care assistance

\$7 billion for broadband expansion

\$69 billion for vaccines, testing and health providers

\$13 billion for emergency food assistance and a 15% increase for six months for SNAP program

\$22 billion for health related expenses incurred by state & local governments

## **\$25 billion in emergency rental aid**

- Extends the national eviction moratorium through January 31, 2021
- Small landlords have been hardest hit after going months without collecting rental payments



**Thank you!**



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