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The Source for Freedom and Self-Reliant Information¹

Thomas Jefferson defined *rightful liberty* as “unobstructed action according to our will within limits drawn around us by the equal rights of others—I do not add ‘within the limits of the law,’ because law is often but the tyrant’s will, and always so when it violates the right of an individual.”

Update

Coronavirus Assistance – Paycheck Protection Program

YOU MUST CONTACT YOUR BANK

Why Contact Bank – Why Banks Are Slow in Implementation – Don’t Commit Fraud – Look to Your State for Assistance

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Why Contact Bank

For those of you who applied online with the SBA following our advice last week, that application may get you a \$10,000 payment and pre-qualify you to apply later for a Coronavirus Assistance Loan of up to \$2,000,000; furthermore, we were hoping that the Application Number received from your submission would tie directly into the Paycheck Protection Program application, which apparently it does not.

We then directed you to immediately contact your Bank and inquire as to how to apply for the Paycheck Protection Program, since the money for this program must come directly from the Banks.

Here's what Wells Fargo, one of the biggest SBA Approved Lenders stated on its website: "When we begin taking applications [for the Paycheck Protection Program], you will only be able to apply online, not by phone or in a branch."

If you haven't already done so, immediately contact your Bank and find out how and when you can apply online.

Why Banks Are Slow in Implementation of the Paycheck Protection Program

The smaller local banks seem to be moving forward quickly since they know their customers and are not such a large bureaucracy. The big Banks (e.g., Wells Fargo) are dragging their feet because they do not trust the Government; and, they believe that if they release money to businesses that are committing fraud, the Banks will be on the hook for the money disbursed.

The actual application approved by the SBA requires NO documentation, only a certification by the Business Owners that the information is correct; Congress approved this to get the money into the system as quickly as possible, but, the big Banks don't trust that they will be protected if fraud is committed.

As of late Friday night, Wells Fargo, one of the biggest SBA Approved Lenders, was encouraging their business clients to go elsewhere: "When we begin taking applications, you will only be able to apply online . . . The program is open until June 30, 2020. Because we are expecting significant interest in the program from the start and longer processing times, customers may also visit the SBA website to identify other SBA lenders."

The big Banks are waiting for guidance from the U.S. Treasury early next week (week beginning April 6th); if not received, they will most likely require us to submit supporting documentation with the online application, which is not required under the approved SBA application.

Again, if you have not been able to apply online, keep in touch with your Bank; if they are not willing to help, find another lender. Even though the program is open until June 30, 2020, the funding may run out before then. However, The AICPA has been informed that the Trump Administration will ask Congress for additional funding for small businesses if the initial \$350 billion runs out.

Don't Commit Fraud

There are three reasons not to commit fraud when you complete your online application. First, the minimum penalty is up to 5-years in prison and/or a \$250,000 fine; the maximum penalty is 30-years in prison and/or a \$1,000,000 fine.

Second, you may have to provide documentation for the loan amount before it is disbursed. If the Bank does not like your documentation, e.g., 2019 payroll records (W-3, W-2's, Form 941) and 2019 independent contractor documents (Form 1096 and attached Forms 1099-MISC, Nonemployee compensation), you will most likely be denied the Loan/Grant that you need and are applying for.

Finally, if the Bank denies the Loan/Grant, they are required to submit a suspicious transaction report to the IRS. Also, your funds on deposit may be frozen, along with any personal accounts; and, you may be subject to the penalties discussed above.

To conclude, when you are entering the Average Monthly Payroll on the Paycheck Protection Application Form, which determines the amount of the Loan/Grant you are entitled to receive, make sure you can support that number with the payroll and independent contractor records you filed with the Internal Revenue Service last year; or, your gross earnings from self-employment on Schedule C of your Form 1040.

Look to Your State for Assistance

The State of Florida is offering the Florida Small Business Emergency Bridge Loan Program, where certain Florida-based small businesses can apply for \$50,000; the loan is interest-free for a term of one year, with an interest rate of 12% per annum on the unpaid balance until it is paid back. The State of Florida expects the loan to be temporary and paid back by future SBA Disaster Loan funding, other Federal Aid, Insurance Proceeds, or from a Bank or other loans.

The Florida Small Business Emergency Bridge Loan requires the completion of an online application, which can be printed out and signed, along with submission of two years of business tax returns, payroll returns, personal income tax returns for each owner, etc.

If you don't live in Florida, check with your State; they may offer a similar program. If you are interested in this type of program, look into it now, Florida's Application Deadline is May 8, 2020.

Will the Paycheck Protection Loan be Forgiven

Generally, if the Paycheck Protection Loan is used for Payroll, Rent, and Utilities during the eight-week period from the date of the loan, that amount will be forgiven or converted to a grant. The amount of forgiveness will be reduced if there is a reduction in the number of employees (from January 31, 2020) or a reduction of greater than 25% in wages paid to employees.

However, reductions in employment or wages, beginning February 15, 2020, can be made up by eliminating the reduction in employees or a reduction in wages by June 30, 2020. This gives you time to rehire employees, or add new employees, equivalent to the numbers and wages paid through January 31, 2020. Don't wait until the last minute; better to make up for any employment differences as soon as possible.

Update on Computation of the Amount of Your Loan

The AICPA has been in contact with the Treasury Department and the SBA and has concluded, based on the wording and intent of the law, that, in determining the Average Monthly Payroll Cost—based on 2019 data—for the PPP loan application and forgiveness, tax expenses should be included.

Therefore, for those small businesses that had a payroll in 2019 and filed Form W-3 with Forms W-2, Wage and Tax Statement, attached, the computation is as follows: Locate your Form W-3; add the numbers in Box 1 (Wages, tips, other compensation) and Box 4 (Social security tax withheld) and Box 6 (Medicare tax withheld); divide the sum of Boxes 1, 4 & 6 by 12 (months); then multiply the result by 2.5, which results in the Loan Amount.

For those who had employees that were paid in excess of \$100,000, you must exclude the gross salary and tax expenses for each such individual that exceeds \$100,000. You DO include the first \$100,000 of their salary and related tax expenses.

Stay Tuned for More Information

Please visit our website (www.jeffersoniangroup.com) often to keep informed through our Blogs and Free Newsletters. **SIGN UP NOW, so you never miss important updates!**

Best of luck and stay safe,

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