

NFIB UPDATE

Weekly Briefing for Small Business

Beth Milito and Holly Wade, NFIB

Special Guest - CPA and Tax Expert Martin Abo

October 14, 2020 - Tax Advice, New 3508S PPP Loan Forgiveness Application Form and Q&A



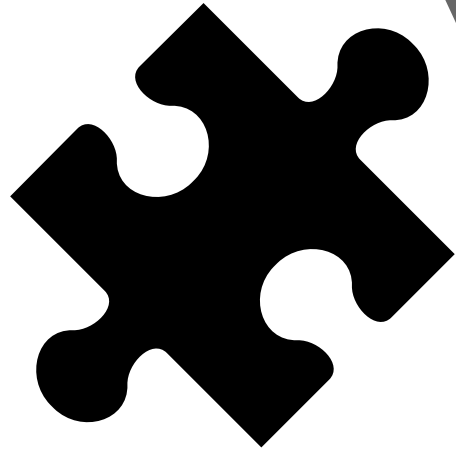
DISCLAIMER

- The materials and information provided in this webinar and on NFIB's website are for informational purposes only and not for the purpose of providing legal or tax advice. You should contact your attorney and/or tax professional to obtain advice with respect to any particular issue or problem.
- This is based on information available by 10/14/20.

Agenda

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- Covid-19 Small Business Resources
 - Form 3508S PPP Forgiveness Application
 - CPA and Tax Expert Martin Abo
 - Q&A

Covid -19 Small Business Resources



Upcoming NFIB Webinars

***Reminder that we have converted NFIB's
formerly weekly Covid-19 webinars to every
other week:***

October 28

Covid-19 employer requirements, PPP loan forgiveness, Q&A

November 11

Legislative update, PPP loan forgiveness, Q&A

Send questions to info@nfib.org

COVID-19 Resources

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- [PPP Loan Forgiveness Form 3508S Application Instructions](#)
 - [PPP Loan Forgiveness Form 3508S Application](#)
 - [PPP Loan Forgiveness Form 3508EZ Application Instructions](#)
 - [PPP Loan Forgiveness Form 3508EZ Application](#)
 - [PPP Loan Forgiveness Form 3508 Application Instructions](#)
 - [PPP Loan Forgiveness Form 3508](#)
 - [AICPA PPP Loan Forgiveness Calculator \(updated 9/2/20\)](#)
 - [NFIB Coronavirus Resources](#)
 - [NFIB FFCRA Tax Credit Tip Sheet](#)
 - [NFIB FFCRA Back-To-School Tip Sheet \(new!\)](#)
 - [NFIB EIDL Tip Sheet](#)



Get support for your small business through **The MBA Response**


We are an organization of MBA students from across the U.S. offering **pro bono consulting support** to help small businesses respond to the economic fallout from the pandemic.

Our volunteers are prepared to help you with:

- Applying for PPP Loan Forgiveness
- An Online Presence Assessment providing feedback on your website, social media, and review sites
- Our Ask an MBA service: students provide general support for what matters most to you

To learn more about The MBA Response and to get matched with an MBA student, email Elizabeth.Milito@nfib.org





Beware of Malicious COVID-19 Phishing

Protect yourself from identity theft and fraud during pandemic recovery.

Confirm any SBA disaster assistance emails by contacting **(800) 659-2955**, TTY **(800) 877-8339**, or **disastercustomerservice@sba.gov**.

Avoid scams and fraud, visit
sba.gov/COVIDfraudalert



U.S. Small Business
Administration



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ABO AND COMPANY ENCOURAGES YEAR-END TAX PLANNING ... START NOW



2020 has been quite a challenge, to say the least. The COVID-19 crisis brought massive unemployment, business closures, and an enormous amount of uncertainty. All of this has made 2020 seem like the year that never ends. In fact, we at Abo and Company and Abo Cipolla Financial Forensics are sure some of us can't wait for it to be over. As we approach the end of the year, it's time to discuss steps that can be taken to help reduce your 2020 tax bill.

The past 12 months have seen several major tax law changes. In response to the COVID-19 emergency, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law in March. In addition, the Taxpayer Certainty and Disaster Tax Relief Act (Disaster Act) and the Setting Every Community Up for Retirement Enhancement (SECURE) Act were passed in December 2019. The Disaster Act extended many beneficial provisions that had expired or were set to expire. Barring additional extenders, many of these will expire again at the end of the year. The SECURE Act, on the other hand, made significant changes to the retirement rules. We'll attempt here to highlight planning techniques stemming from these recent bills, as well as other year-end planning ideas.

Let's not forget that there is an election in November. While we don't anticipate significant tax law changes if President Trump is re-elected, a victory by Joe Biden would almost certainly lead to tax reform (with potentially higher tax rates). It's also possible that we'll see additional COVID-19 legislation. As always, we're paying close attention to the ever-changing tax environment to discover tax planning opportunities. In fact, just yesterday we learned President Trump ordered his negotiators to halt talks over a new stimulus package, after the two sides have struggled for months to reach a deal. Our leader(?) tweeted.... "I have instructed my representatives to stop negotiating until after the election when, immediately after I win, we will pass a major Stimulus Bill that focuses on hardworking Americans and Small Business."

Year-end Planning Moves for Individuals

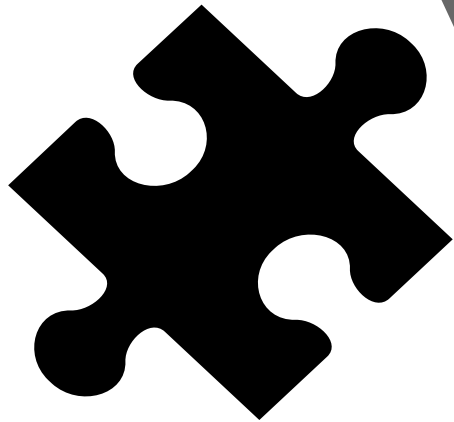


Helping Business Cope with COVID-19-Related Closures

- Dealing with COVID-19-Related Closures
- Claiming Losses on Asset Sales
- Abandoning Depreciable Property
- Losses on Non-depreciable Property
- Claiming Losses from Abnormal Retirements
- Determining the Loss Amount
- Claiming Losses as Disaster Losses



Form 3508S



PPP loan forgiveness application forms

- **3508S** borrowers with loans of \$50,000 or less
- **3508EZ** borrowers who have
 - ✓ No reduction in FTEs and wage/salary levels OR
 - ✓ No reduction in wage/salary levels and had reduced business activity due to Covid related government business restrictions or guidance
- **3508** all other PPP loan borrowers



PPP Loan Forgiveness Application Form 3508S

- Borrowers with loan of \$50,000 or less can use the 3508S application form.
- Borrowers using the 3508S form are exempt from reductions in loan forgiveness amounts based on reductions in FTEs or in salaries or wages.
- Required documentation
 - Verifying cash and non-cash payroll payments
 - Verifying non-payroll eligibility (Feb. 15th) and payments



**Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508S**

OMB Control No. 3245-0407
Expiration date: 10/31/2020

**A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$50,000 OR LESS.
A Borrower that, together with its affiliates, received PPP loans totaling \$2 million or greater cannot use this form.**

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
		Primary Contact	E-mail Address

SBA PPP Loan Number: _____ Lender PPP Loan Number: _____
 PPP Loan Amount: _____ PPP Loan Disbursement Date: _____
 Employees at Time of Loan Application: _____ Employees at Time of Forgiveness Application: _____
 EIDL Advance Amount: _____ EIDL Application Number: _____
 Forgiveness Amount: _____

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:

The Authorized Representative of the Borrower certifies to all of the below by **initialing** next to each one.

_____ The dollar amount for which forgiveness is requested does not exceed the principal amount of the PPP loan and:

- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

_____ I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

_____ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness, and has accurately calculated the forgiveness amount requested.

_____ I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.

_____ The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

_____ The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.

_____ I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.



Signature of Authorized Representative of Borrower

Date

Print Name

Title



**Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508S**

OMB Control No. 3245-0407
Expiration date: 10/31/2020

A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$50,000 OR LESS. A Borrower that, together with its affiliates, received PPP loans totaling \$2 million or greater cannot use this form.

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
			() -
		Primary Contact	E-mail Address

SBA PPP Loan Number: _____

Lender PPP Loan Number: _____

PPP Loan Amount: _____

PPP Loan Disbursement Date: _____

Employees at Time of Loan Application: _____

Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____

EIDL Application Number: _____

Forgiveness Amount: _____



By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:

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- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness, and has accurately calculated the forgiveness amount requested.

I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.

The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.

I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.



Signature of Authorized Representative of Borrower

Print Name

Date

Title

What if you have an FTE or salary/wage reduction and you're not eligible to use the 3508S or 3508EZ?

If you have a reduction in FTEs, use the 24-week covered period and calculate your eligible expenses during the entire 24-week period (including all eligible payroll) as directed on the instruction form.

The total amount of eligible expenses during the 24-week covered period will likely be more than your loan amount.

The FTE reduction is subtracted from the total eligible expenses during the 24-week period, not your loan amount.



3508 LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

Forgiveness Amount Calculation (see Summary of Costs Eligible for Forgiveness below):

Line 1: Enter total eligible payroll costs incurred or paid during the Covered Period or the Alternative Payroll Covered Period. To calculate these costs, complete PPP Schedule A. Enter the amount from PPP Schedule A, line 10.

Line 2: Enter the amount of business mortgage interest payments paid or incurred during the Covered Period for any business mortgage obligation on real or personal property incurred before February 15, 2020. Do not include prepayments.

Line 3: Enter the amount of business rent or lease payments paid or incurred for real or personal property during the Covered Period, pursuant to lease agreements in force before February 15, 2020.

Line 4: Enter the amount of business utility payments paid or incurred during the Covered Period, for business utilities for which service began before February 15, 2020.



PPP Schedule A Worksheet

Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here and enter 0 on line 3.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid or incurred by Borrower for employer contributions for employee health insurance:

Line 7. Total amount paid or incurred by Borrower for employer contributions to employee retirement plans:

Line 8. Total amount paid or incurred by Borrower for employer state and local taxes assessed on employee compensation:

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):



Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):



Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):



Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):

Line 9. PPP Loan Amount:

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60):



Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):



The smallest # will likely be your loan amount.

Important Forgiveness Reminders

- Borrowers can use their entire PPP loan on payroll (enter 0 for all other expense categories not used on forgiveness application).
- The SBA will subtract the EIDL advance or grant (not the EIDL loan) from your total forgiveness amount.
- Eligible essential and non-essential employer and non-employer businesses can use the EZ application. (EZ application still requires borrowers to submit supporting documents.)
- Your lender will likely have their own online portal to submit the application. Very few are currently accepting them.

Important Forgiveness Reminders (continued):

Owner payments are capped:

- Owner-employees
 - Self employed
 - General partners
- During the 24-week period, the cap is: \$20,833 or 2.5 months (2.5/12) of 2019 compensation/net profit/SE earnings (lesser of).
- During the 8-week period, the cap is: \$15,384 or 8 weeks (8/52) of 2019 compensation/net profit/SE earnings (lesser of).

Important Forgiveness Reminders (continued):

Owner noncash compensation is also capped:

- C corporation owner-employee: Include state and local taxes, employer contributions for health insurance, and retirement contributions (capped at 2.5/12 of 2019 amount).
- S corporation owner employee: Include state and local taxes, and employer retirement contributions (capped at 2.5/12 of 2019 amount).
- Self-employed or Schedule C filers – N/A

CPA and Tax Expert Martin Abo

