

ALESSANDRO & ASSOCIATES, CERTIFIED PUBLIC ACCOUNTING, PLLC

Updates April 3, 2020 9:00 AM

The NYC Employee Retention Grant Program, open to businesses that have up to four employees, will officially stop accepting applications on Friday, April 3, 2020, at 5 p.m. Businesses still needing assistance can access the NYC Small Business Continuity Loan Fund.

We remain available to assist you in deciding which loan or loans are best for your particular situation and to assist with the application process.

For those no longer paying a retainer fee, your continuing investment in our services will be on an hourly basis. We believe this will minimize your investment vs. charging a flat fee to handle your applications, since many of you can handle the applications yourself with help and guidance and certain documents coming from us.

If you need us to prepare applications, we are happy to do that too.

SMALL BUSINESS RELIEF PROGRAMS:

PAYCHECK PROTECTION LOANS (PPP)

Through your bank starting 04/03/20

NOTE: Some banks may not have applications available by 04/03/20

SBA DISASTER LOAN & GRANT (EIDL)

Through the SBA

<https://covid19relief.sba.gov/#/>

NYC BUSINESS CONTINUITY LOAN:

Through NYC

<https://www1.nyc.gov/nycbusiness/article/nyc-small-business-continuity-loan-program>

NYC GRANT PROGRAM:

Reminder: for Employers with Less than 5 Employees.

If you are still operating for takeout and/or delivery only and have less than 5 employees, you are eligible under this program:

<https://www1.nyc.gov/nycbusiness/article/nyc-employee-retention-grant-program>

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We are advising all clients in need of financing that have not done so already to apply for all available programs because:

- There are generally no application fees
- You do not have to accept a loan even if you are approved for it
- The amount of the SBA Disaster loan that may be approved is undetermined
- You are permitted to accept both EIDL and PPP loans with some conditions

DOCUMENTATION:

You should generally be prepared to provide certain documents. What we have observed to date is that lenders are asking for minimal information initially. However, we fully expect further document requests as applications progress.

- 2018 and/or 2019 1065 or 1120S, all pages
- 2019 detailed P&L & Balance Sheet
- 2019 W-3
- 2019 Forms 941
- 2019 detailed P&L & Balance Sheet, marked draft, if the tax returns are not completed – consult with CPA
- Some lenders may request interim financial information for 2020

All banks will have their own process. Here is an excerpt from what Chase Bank has recently sent to their customers:

We encourage you to be prepared so that you have what you need when we open our website for applications. Have the following information:

- A Chase Business Online user ID and password – you'll need this to apply. If you don't have an active profile, click here to set up or update your online credentials.
- The date you started your business
- Detailed information to calculate the average monthly payroll costs.
- Your annual revenue
- Your business mailing address

PAYCHECK PROTECTION LOANS:

Potential loan forgiveness has had wide appeal since these loans were announced, but we urge strong caution about the forgiveness provisions. Recent guidance has been interpreted by some to mean that unless you spend at least 75% of the loan proceeds on labor, rent and utilities within 8 weeks of being funded, you would not be eligible for any loan forgiveness. We are expecting further guidance on this. There are also provisions that can significantly limit the amount forgiven.

The forgiveness provisions in the law are clearly designed to encourage employers to ramp up to full capacity in a very short period of time but it's unlikely that will make good business sense.

We encourage you to apply, but to assume that none of the loan will be forgiven and if some measure of forgiveness is achieved, it's a plus.

Terms:

Annual Interest Rate:	Initially 1% fixed, maximum 4%
Deferral:	All payments are deferred for 6 months (interest will accrue)
Term:	2 Years
Prepayment Penalty:	None
Collateral:	None
Personal Guarantee:	None

Our friend at Helbraun Levey reported last night the following:

As of April 2, the sample loan application released by the SBA and the U.S. Dept. of Treasury indicated that all applicants would need to certify that all individuals with more than 20% ownership interest were U.S. citizens or otherwise had lawful permanent residence in the U.S. (End of Article).

PPP's are generally limited to the LESSER OF the sum of:

- Average monthly "payroll costs" for the 1-year period ending on the date the loan was made (an alternative calculation is available for seasonal employers) multiplied by 2.5, and
- Any EIDL taken out after January 31, 2020 that has been refinanced into a paycheck protection loan, and

\$10 million.

Here are the latest details from the US Treasury Department:

<https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>

<https://home.treasury.gov/system/files/136/PPP%20--%20Overview.pdf>

<https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>

SBA DISASTER LOAN AND GRANT:

All New York businesses are eligible for EIDL's. In addition, the CARES Act creates a new Emergency Grant to allow a business that has applied for a disaster loan to get an immediate advance of up to \$10,000. The advance can be used to maintain payroll, and is not required to be repaid, even if the borrower's request for a 7(b) loan is denied.

Terms:

Annual Interest Rate:	3.75% fixed rate
Amount:	Up to \$2M
Term:	Up to 30 years
Prepayment Penalty:	None
Collateral:	None
Personal Guarantee:	None on loans less than \$200,00

NYC BUSINESS CONTINUITY LOAN:

Applications are now available, but the website has been mostly down.

<https://www1.nyc.gov/site/sbs/businesses/covid19-business-outreach.page>

If you have already applied, you should just be alert to email communications from NYC.

New York City is asking for two months comparative sales and many are asking if that means they should wait until they can show two months of sales declines greater than 25%. While this is the technical requirement, we are recommending that you provide sales by week 2020 vs. 2019 for all of 2020.

We have created and attached an Excel spreadsheet to assist you with this.

EMPLOYEE RETENTION CREDIT:

This only applies to any business that is forced to suspend or close its operations due to COVID-19, but that continues to pay its employees during the shut-down.

If an employer takes out a payroll protection loan under Section 7(a) of the Small Business Act as detailed above in this article, no employee retention credit will be available.

DELAY OF PAYMENT OF EMPLOYER PAYROLL TAX AND SE TAX:

Reminder that this is a deferral only, and presents certain complications. This deferral is not available to any business that receives any forgiveness under a payroll protection loan.

Because forgiveness is in question as stated earlier, this means businesses may choose to take advantage of the deferral now. Your payroll service would need to execute the mechanics of it.

Should you use this deferral now and obtain forgiveness of a PPP loan later, presumably the deferred taxes would become due and payable. We are happy to discuss this should you need further guidance.