



Small Business Survival 101: COVID-19 Edition

Step 1 | SBA Stimulus Plan - Do this today!



**I WANT YOU
TO STAY HOME**

AND KEEP THE ECONOMY AFLOAT

*Be at the head
of the line for the
small business
benefits of the
economic stimulus
package. The
future of your
business may
depend on it!*

We believe that the following information has the potential to save small businesses who may not otherwise survive for long in the current Covid-19 climate.

The \$2 trillion coronavirus stimulus package is an 840-page maze that many will find very hard to navigate. We are in no way legal or tax experts and the following information is to be considered opinion. We are here to help, but please consult your lawyer or CPA for further guidance.

Your SBA Stimulus Q & A

Who can get a loan?

Small businesses that have fewer than 500 employees and have paid payroll and paid payroll taxes or filed 1099-misc(s) for contractors prior to March 1, 2020 are eligible.

What kind of loan do I need to get?

CARES Act 7 (a) Paycheck Protection Program or SBA 7 (a) Loan with forgiveness and cancellation for eligible expenses.

What are the benefits of this loan?

The eligible expenses you pay during the first 8 weeks after loan origination will be forgiven and canceled (meaning you will not need to pay this money back and it will not count against you or your company for tax purposes).

Where should I get this loan?

Almost all FDIC insured banks will be accepting applications. The best place to go is probably wherever your company has the best banking relationships.

How much of a loan am I eligible for?

2.5x your company's average monthly payroll (w2 and 1099)

EXAMPLE

ELIGIBLE LOAN	12 MONTHS	AVG. MO.	x2.5
W2 Payroll (see exceptions)	\$600,000	\$50,000	\$125,000
1099 Payroll (see exceptions)	\$150,000	\$12,500	\$31,125
TOTALS	\$750,000	\$62,500	\$156,250

How do I figure out the correct numbers and are there caveats?

W2 employees: Run a 1099 transaction detail report for the previous 12-month period - very easy to do in QuickBooks or a comparable program.

Remove the following:

- Federal taxes paid by the company
- Federal taxes paid by the employee
- Withholding tax paid by the employee
- Federal unemployment tax
- Salaries over \$100,000 per year will be calculated at no more than \$8,333.33 per month

1099 contractors: Run a 1099 transaction detail report for the previous 12-month period - very easy to do in QuickBooks or a comparable program.

- Count only the Independent Contractors or Sole Proprietors that you sent Misc-1099 forms to for 2019.
- Use only the amount paid in wages, commissions, etc. and not goods.

The important part is to get the information together into a format that you can easily prove and come to a number ready for submission.

What can the loan be used for?

The loan can be used to cover payroll, mortgage interest, rents and utility expenses between February 15th 2020 and June 30 2020.

EXAMPLE

ELIGIBLE EXPENSES	FEB 15-29	MARCH	APRIL	MAY	JUNE	TOTAL
W2 Payroll (see exceptions)	\$25,000	\$50,000	\$50,000	\$50,000	\$50,000	\$225,000
1099 Payroll (see exceptions)	\$12,500	\$25,000	\$25,000	\$25,000	\$25,000	\$112,500
Corporate Mortgage Interest	\$834	\$1,667	\$1,667	\$1,667	\$1,667	\$7,502
Rents	\$1,250	\$2,500	\$2,500	\$2,500	\$2,500	\$11,250
Utilities	\$1,042	\$2,083	\$2,083	\$2,083	\$2,083	\$9,374
Totals	\$40,625	\$81,250	\$81,250	\$81,250	\$81,250	\$365,625

What portion of the loan would be forgiven and canceled?

Very important! Only the expenses paid in the first 8 weeks after loan origination may be eligible for forgiveness and cancellation. Eligible expenses such as payroll, mortgage interest, rents, and utilities including energy, water, telephone, internet, and transportation should be carefully logged specifically during the 8 week period.

EXAMPLE

ELIGIBLE EXPENSES	WK 1	WK 2	WK 3	WK 4	WK 5	WK 6	WK 7	WK 8	TOTAL
W2 Payroll (see exceptions)		\$25,000		\$25,000		\$25,000		\$25,000	\$100,000
1099 Payroll (see exceptions)			\$12,500				\$12,500		\$25,000
Corporate Mortgage Interest	\$1,667				\$1,667				\$3,3354
Rents	\$2,500				\$2,500				\$5,000
Utilities	\$2,083				\$2,083				\$4,166
Totals									\$137,500

For maximum benefit of loan cancellation:

- Don't pay any payroll, rent or utility bills without accounting for them appropriately and time them to coincide with loan origination.
- Make sure the timing of the loan origination coincides with the payroll period (3rd of April or 17th, for instance) to get full pay periods included in your 8 weeks.
- Communicate with your landlords and ask them about paying to coincide with loan origination.

Don't Wait - Get Started With Your Stimulus Plan TODAY

Please don't wait. Call your banker to set up a meeting ASAP. Get your paperwork together and start the process. As small businesses ourselves, we recognize the importance of information at this challenging time. We strive to serve you we hope this will help your business through the Pandemic.