

# WOODARD™

## COVID-19 Round Table

March 31, 2020



- Education
- Coaching
- Community
- Resources



## Joe Woodard

- Published author McGraw Hill, *Accounting Today*, *CPA Practice Advisor*, *AccountingWEB*, *The Journal of Accountancy* and *Insightful Accountant*.
- Career Trainer to over 125,000 accounting professionals
- 2012, 2014 – 2019 – Top 100 Most Influential People by *Accounting Today*



- Advisory
- Business Measurements
- Financial Analysis Software



## Fred Parrish

- Co-Author *E-Myth Chief Financial Officer* with Michael Gerber
- CEO, The Profit Experts – a Fractional CFO and Advisory Firm Based out of Dallas TX
- 38 Years of Corporate Leadership Experience Including Accounting, CEO and CFO Roles
- Public Speaker – Including Being a Multi-Year Veteran Speaker at Scaling New Heights and a Faculty Member of Woodard Institute's Financial Advisory Certification Course
- Founder – The Profit Beacon Software for Financial Reporting and Analysis

## Agenda:

- Woodard's Response to the COVID-19 Crisis
- Funding Options for You and Your Clients During the Crisis
- 10 Critical Steps for You and Your Clients during the Crisis
- Interactive Q&A



# Woodard's Response to the COVID-19 Crisis

# Woodard's Response to the COVID-19 Crisis

- **Sobriety and Intentionality:** We are monitoring this crisis closely and taking necessary measures to protect our team members, their family members, our clients and the advisors we support.
- **Taking Care of Our Team:** We converted to a 100% remote office environment on Monday of this week, while maintaining the same (or higher) levels of support and accessibility. Also, as of January 1 – prior to COVID-19 – Woodard began offering unlimited PTO to all its full-time employees.
- **Continuance of Free Virtual Education:** We believe virtual education is critically important during this time of social distancing, so we are going to continue full force with our virtual training programs and platforms like webinars and the Scaling New Heights podcast.
- **Special Three-Part Webinar series** next week on specific ways you can advise your clients during the crisis. Registration opens tomorrow with a maximum capacity of 1,000 per live event.
- **This RoundTable Series**

# Woodard's Response to the COVID-19 Crisis

## Scaling New Heights 2020

We are monitoring the situation with COVID-19 very closely and taking the matter very seriously. We are actively working with the convention center and the hotels in St. Louis to prepare for all possible contingencies to ensure that we can *safely* deliver the education, inspiration and technology exploration you are expecting from us. We will provide regular updates to you over the coming weeks and months leading up to the conference.

As of March 31, 2020



Conducted in Cooperation with

**intuit.**

ScalingNewHeights.com

# Woodard's Response to the COVID-19 Crisis



Expanded Trial Period for Small Business Advisors for 60 Days

## WHAT IS THE OFFER?

- Enroll at No Cost and No Commitment
- Your membership is free for 60 days from the date of your enrollment
- Our system requires a credit card to activate your membership. We will notify you before your 60-day window closes to give you plenty of time to deactivate your membership (which you can do with a simple email reply)

## WHY ARE WE MAKING THE OFFER?

- Virtual, online collaboration is critically important during this period of social distancing
- Peer to peer information exchange is a great way to stay current on the crisis and to get answers you and your clients need
- Giving advisors access to our exclusive community of kind, supportive accountants and bookkeepers is one the best ways we can give back during this difficult time.



# Woodard's Response to the COVID-19 Crisis



## HOW TO ACCEPT THE OFFER

Go to [Woodard.com/Alliance](https://www.woodard.com/alliance)  
Takes about 5 Minutes

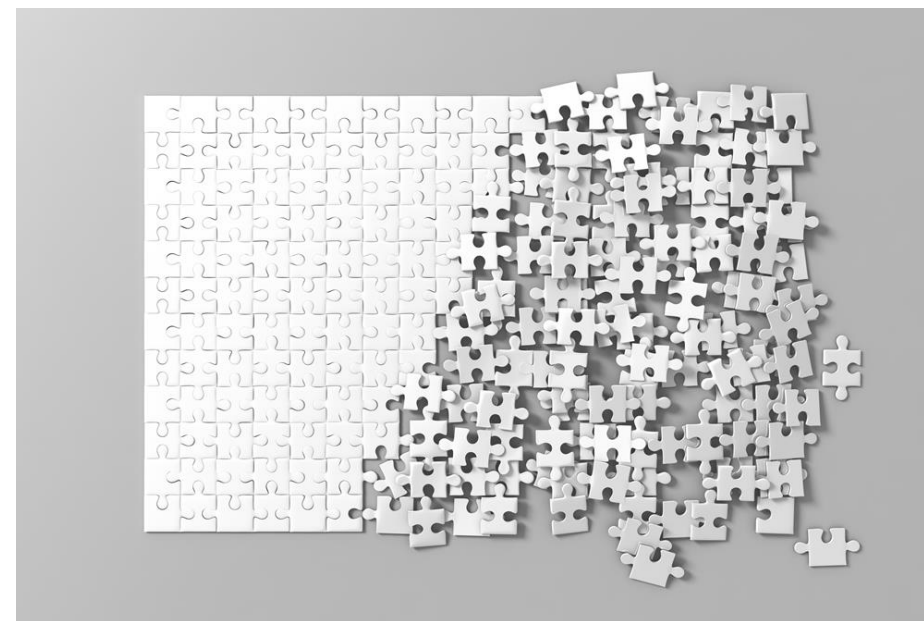


# Funding Options for You and Your Clients

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

# Are there definitive answers on PPP yet?

- **Through April 7, 2020** there have been numerous updates regarding the PPP program.
- Little guidance was given by Congress to the SBA on administering these programs and the SBA is continuing to work with multiple parties on administrative processes and terms of the PPP agreement.
- The information presented here reflect the most recent information, to the best of our knowledge, **as of April 7, 2020**.



# The Paycheck Protection Program (PPP)

Businesses with fewer than 500 employees — including sole proprietors, independent contractors, and nonprofits— will have access to nearly \$350 billion in loans under Section 7 of the Small Business Act during the “covered period,” which runs from February 15, 2020 through June 30, 2020.

## Generally limited to the LESSER OF:

- The sum of 1) 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 2) ~~any disaster loan taken out after January 31, 2020 that has been refinanced into a paycheck protection loan~~, the outstanding amount of any Economic Injury Disaster Loan (EIDL) received by the prospective borrower between Jan. 31 and April 3, less the amount of any advance (up to \$10,000) under an EIDL (because such advance does not have to be repaid, even if the EIDL application is not accepted)
- \$10 million

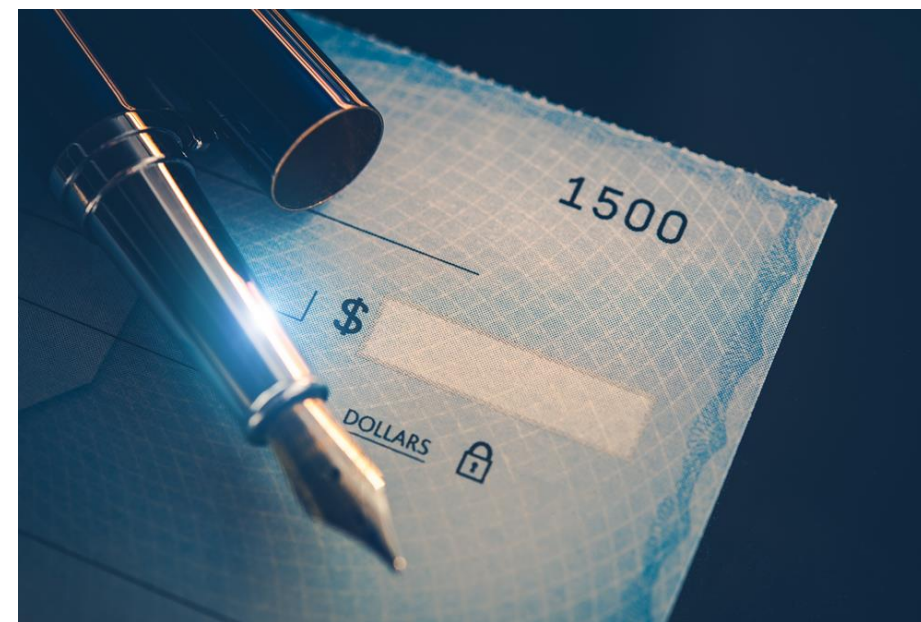


Last Updated April 7, 2020

# The Paycheck Protection Program

Payroll costs to compute the amount of the PPP loan are the sum of the following:

- Wages, commissions, salary, or similar compensation to an employee ~~or independent contractor,~~
- Payment of a cash tip or equivalent,
- Payment for vacation, parental, family, medical or sick leave,
- Allowance for dismissal or separation,
- Payment for group health care benefits, including premiums,
- Payment of any retirement benefits, and
- Payment of state or local tax assessed on the compensation of employees.

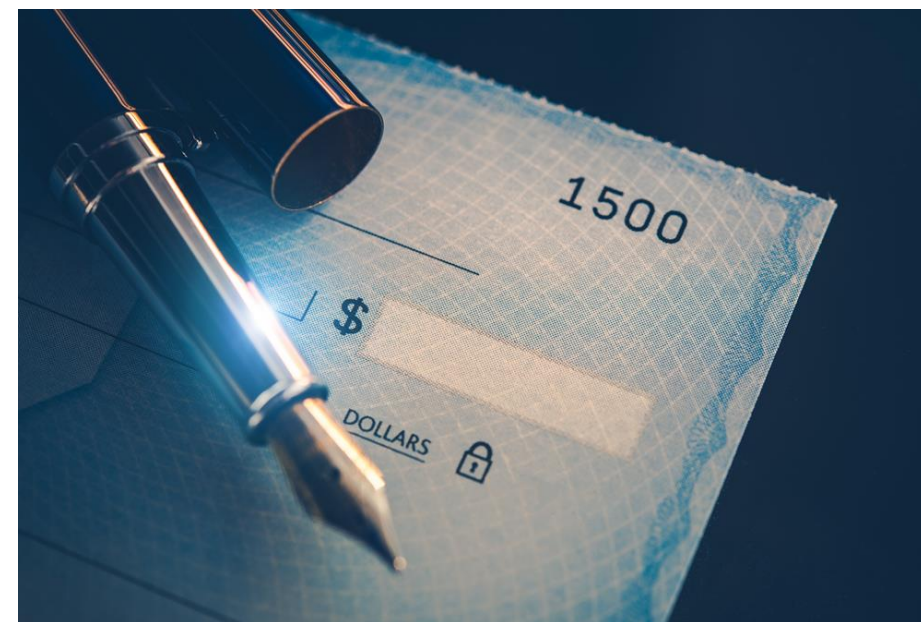


Note: Original guidance included independent contractors. Subsequent guidance eliminated them.

# The Paycheck Protection Program

Payroll costs do not include, however:

- The compensation of any individual employee in excess of an annual salary of \$100,000,
- ~~Payroll Taxes~~
- Any compensation of an employee whose principal place of residence is outside the U.S., or
- Any qualified sick leave or family medical leave for which a credit is allowed under the new Coronavirus Relief Act passed last week.



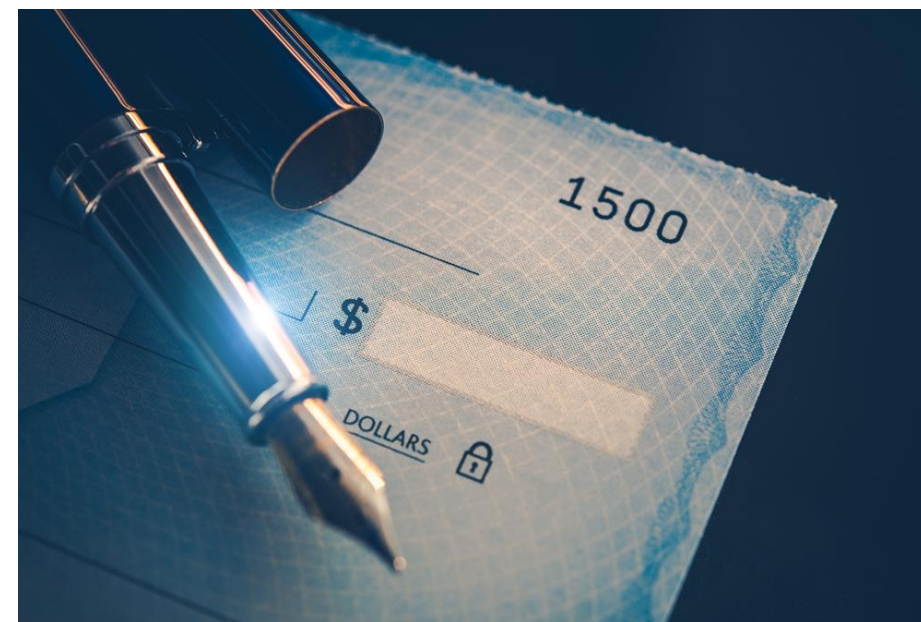
Note: Original guidance exclude all payroll taxes from the calculation.  
New guidance provided on April 6 from the Treasury Department clarified the guidance to include the employee portion of payroll taxes.  
The empower portion is still excluded from the calculation.

Last Updated April 7, 2020

# The Paycheck Protection Program

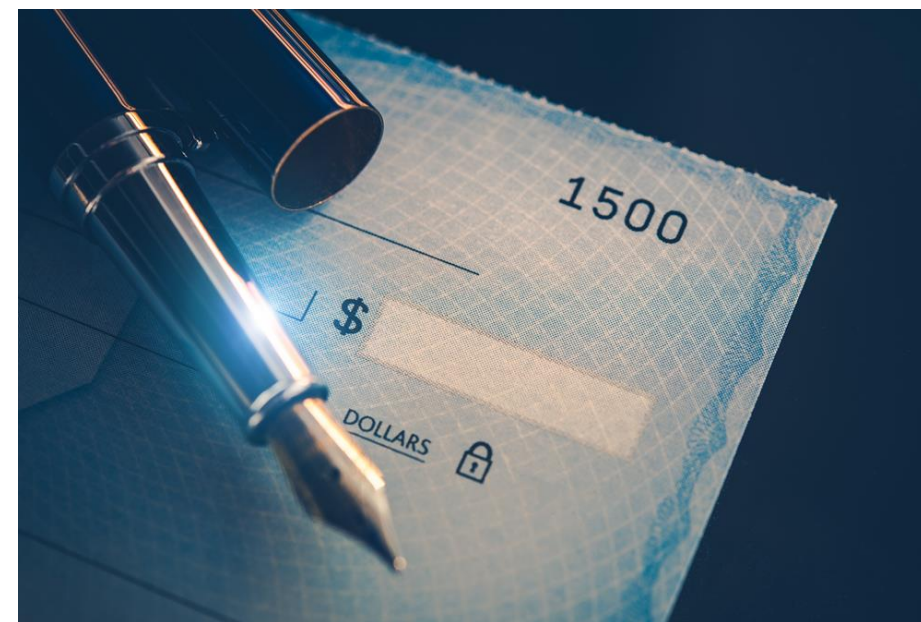
Example. Joe's Car Wash applies for a paycheck protection loan on May 1, 2020. The business had \$1.2 million in payroll costs for the period May 1, 2019 through May 1, 2020, for a monthly average of \$100,000. Joe's Car Wash is entitled to a fully guaranteed federal loan — assuming it's made before December 31, 2020 — equal to the LESSER OF:

- \$250,000 ( $\$100,000$  in average payroll costs \* 2.5), or
- \$10 million.



# The Paycheck Protection Program

- Maximum maturity of ~~10 years~~ **two years**
- **Interest rate fixed at 1%**
- Proceeds may be used to cover:
  - Payroll
  - Rent
  - Utilities
  - Any other debt service requirements

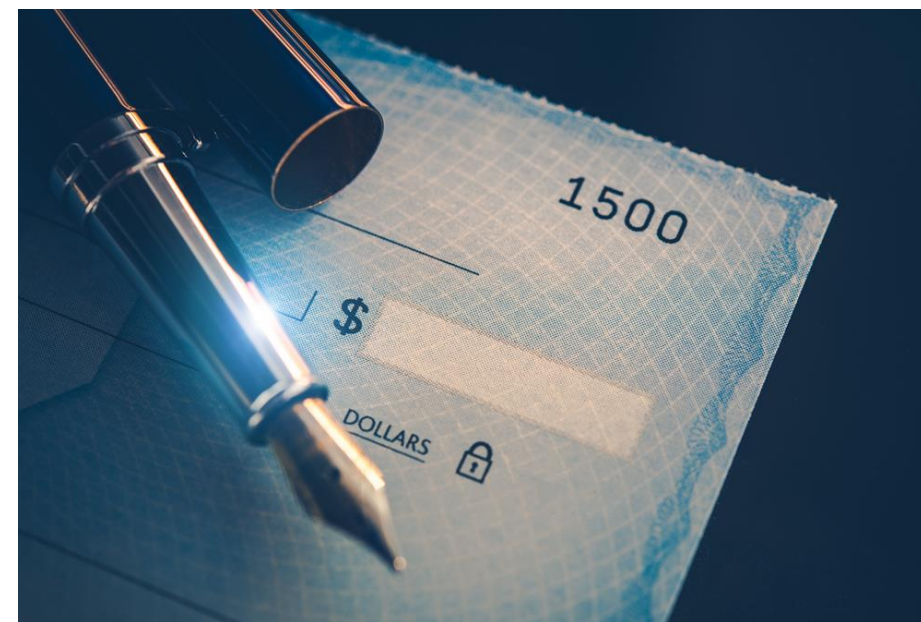


Note: (1) Original guidance place the maturity of 10 years; however the SBA and Treasury Department determine that a two-year loan term is sufficient. (2) Original guidance capped the rate 4% and some sources stated a .5% fixed rate. The most guidance provide by the SBA, as confirmed by Bank of America, sets the fixed rate at 1%.



# The Paycheck Protection Program

- Standard fees imposed under Section 7 of the Small Business Act are waived
- No personal guarantee is required by the business owner
- Possible deferment of repayment of the loans for a period of at least six months, ~~but not to exceed a year~~

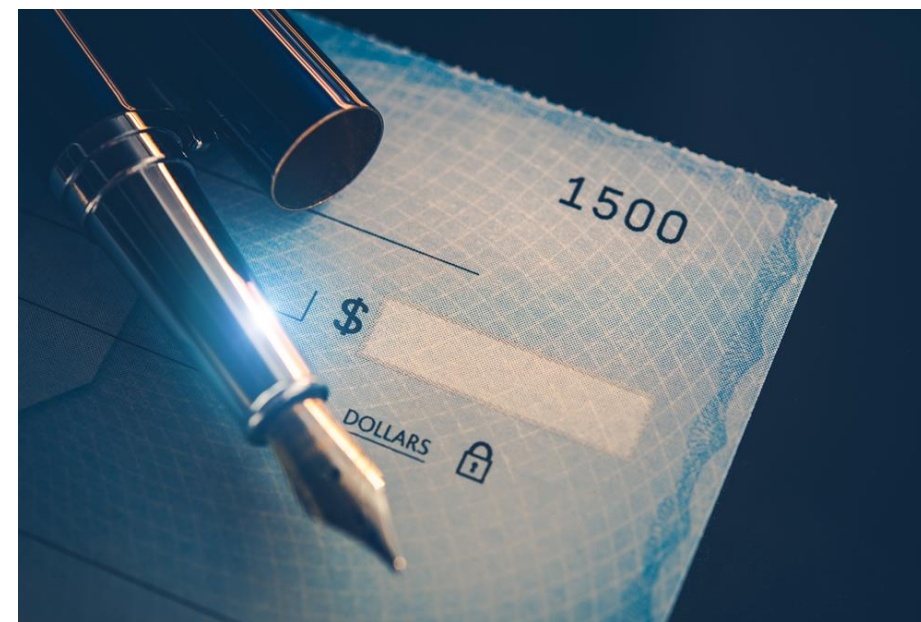


Note: Per the final rule by the SBA, the CARES act permits the SBA to defer payments for up to one year, but the SBA decided to extend to no more than 6 months given the forgivable nature of the loan and the 1% interest rate.

# The Paycheck Protection Program

- Program **opened April 3, 2020**
- To apply, small business owners will be able to go to:
  - Existing Small Business Administration lenders
  - Banks, credit unions, and
  - Financial technology lenders

**Woodard advises you to work with your client's bank where the client holds one or more checking accounts. Some banks do not accept applications from non-account holders. Other banks that accept applications from non-account holders may prioritize the applications from their existing customers.**



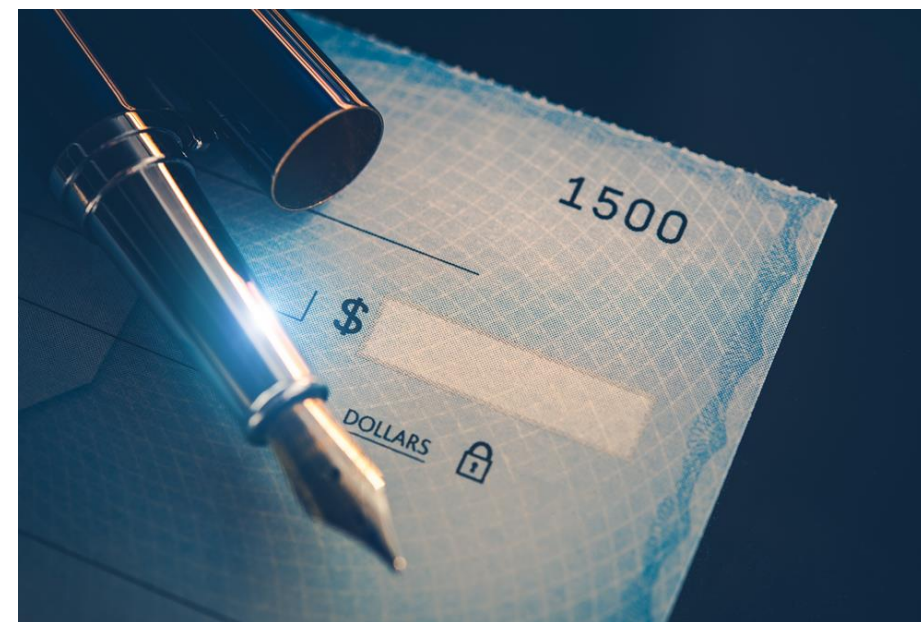
# The Paycheck Protection Program

## Difficulty in accessing lenders

- Some lenders haven't started taking applications yet
- Some banks that were taking applications have already stopped taking applications
- Many (if not most) are only lending to their current clients
- Does not know of a single SBA Lender who is able to take applications yet. Only banks are able to take them at this time. If you get something from a SBA Lender to sign up through them, it may just be lead generation at that time.

## Hang in there

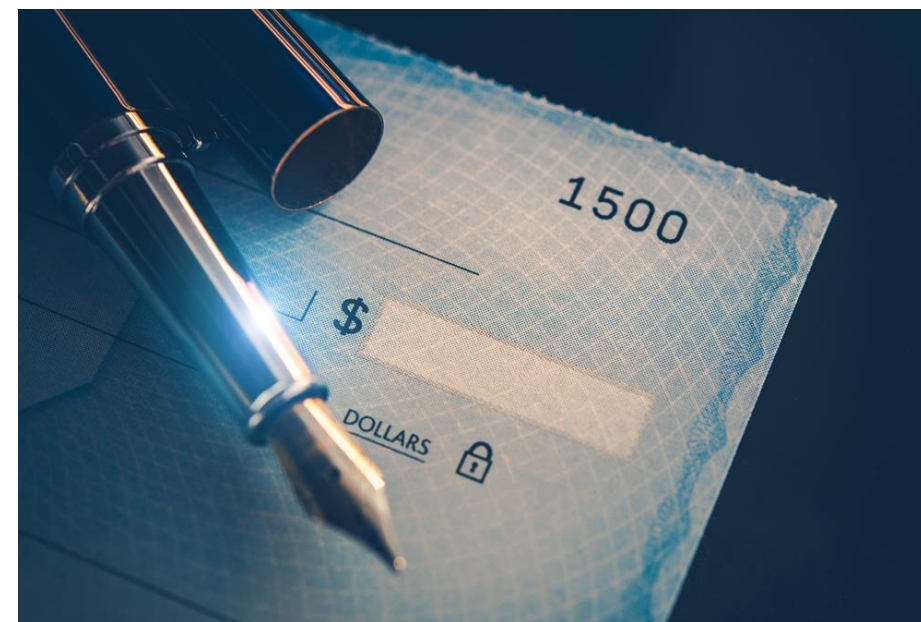
- Many lenders will begin taking applications soon; they waiting for guidance to become clearer & were building infrastructure.
- Some lenders who stopped taking applications are doing so to slow the influx of applications. They may start taking applications again.



# The Paycheck Protection Program

Note: If a business has **previously** taken out an Emergency Injury Disaster Loan (EIDL), it can be refinanced with a Paycheck Protection Program Loan

- Businesses **are able to** receive both a Paycheck Protection Loan **and** an Emergency Injury Disaster Loan depending on the purpose of the EIDL. The loans must be used for separate purposes.
- Businesses cannot receive multiple Paycheck Protection Loans

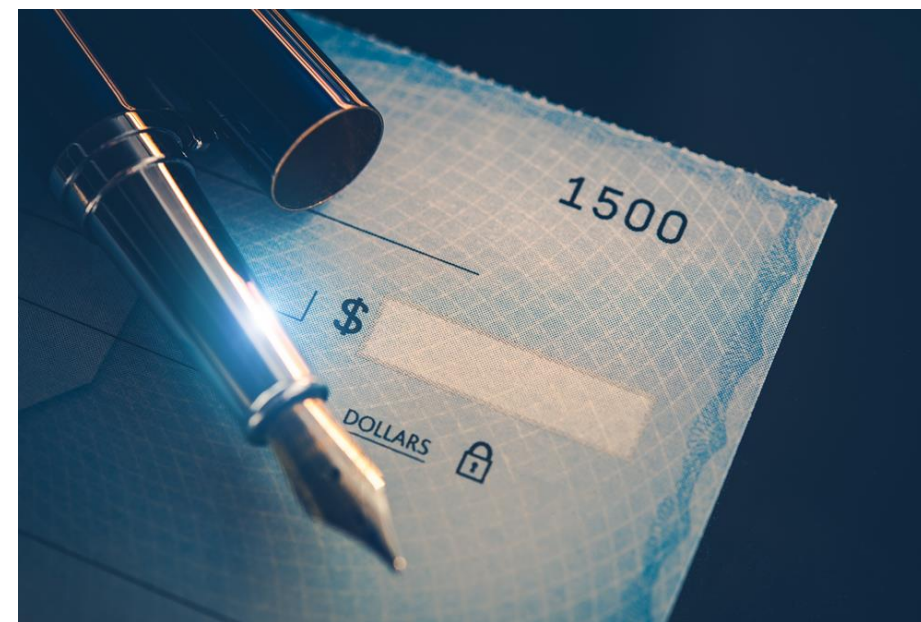


Note: A borrower that receives an EIDL from Jan. 31 to April 3 may still apply for a PPP loan. If the EIDL is not used for payroll costs, it does not affect a borrower's eligibility for a PPP loan. If an EIDL is used for payroll costs, a borrower must use the PPP loan to refinance the EIDL. However, for purposes of determining the percentage of loan proceeds used for payroll costs, the amount of a refinanced EIDL will be included in the 75 percent of the loan proceeds that must be used for payroll costs.

# The Paycheck Protection Program

Checklist of items that may be needed to apply:

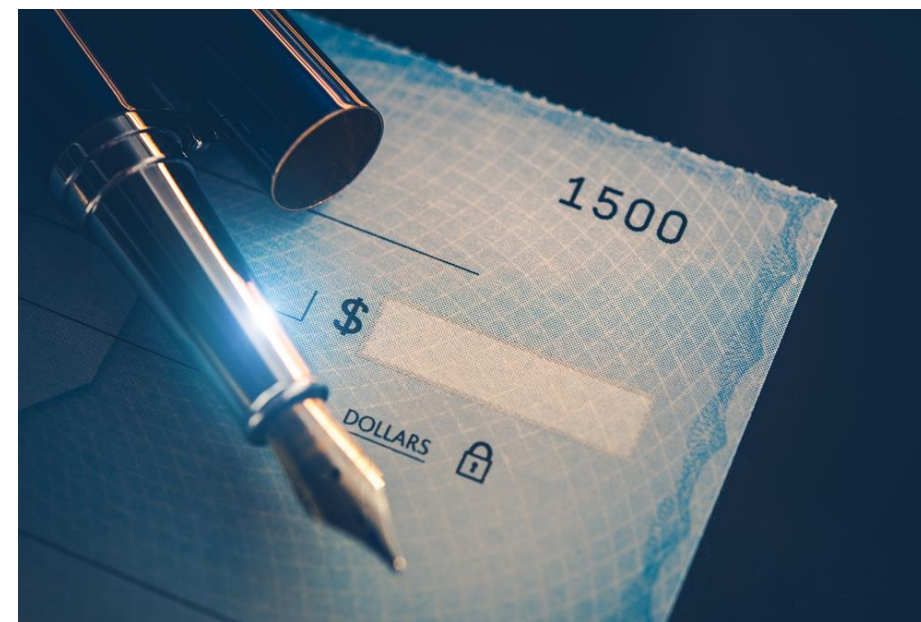
- Documents proving entity type (articles of organization, by laws, etc.)
- Proof of existence (i.e. 2019 tax return) as of March 1, 2020
- Payroll summary reports & Detail by Employee & details of vacation, severance, health benefits, retirement benefits, etc.
- 2019 and 2020 Q1 940s & 941s
- 2019 W-3
- 2019 W-2 for anyone earning over 100,000 or for out of country residents
- Voided Check
- Owner's/Applicant's Driver's License
- Mortgage statements or Lease Agreements and proof of payment
- Utility bills



Last Updated April 7, 2020

# Loan Forgiveness of The Paycheck Protection Program

- A separate section of the CARES Act call for a portion of the paycheck protection loans to be forgiven on a tax-free basis.
- The amount to be forgiven is the sum of the following payments made by the borrower during the 8-week period beginning on the date of the loan:
  - Payroll costs
  - Mortgage interest,
  - Rent,
  - Certain utility payments



# Loan Forgiveness of The Paycheck Protection Program

## To Apply for Loan Forgiveness

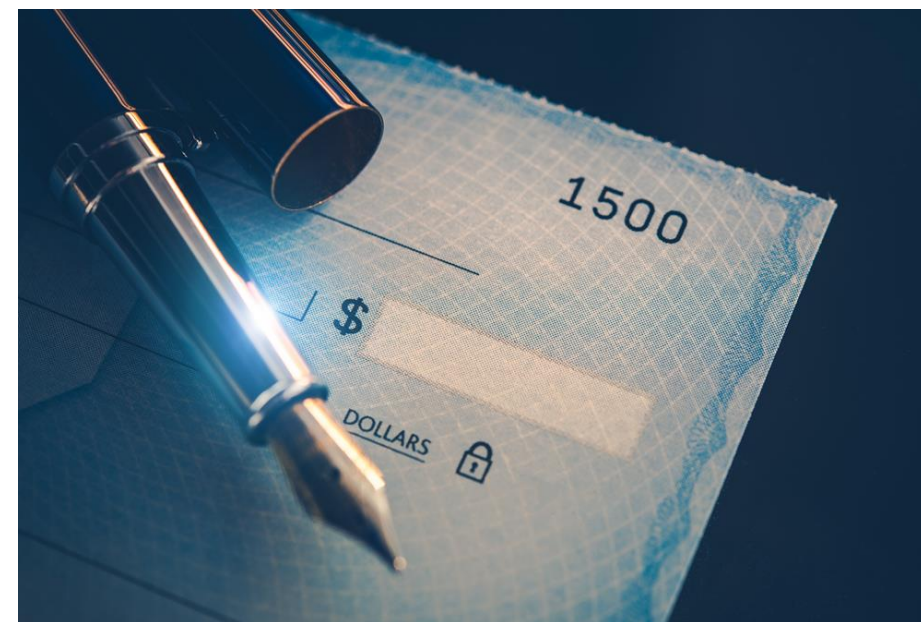
- Borrower must apply to the lender that includes:
  - Documentation verifying the number of employees and pay rates
  - Cancelled checks showing mortgage, rent, or utility payments
- Lender will make decision on loan forgiveness within 60 days



# Loan Forgiveness of The Paycheck Protection Program

## Example

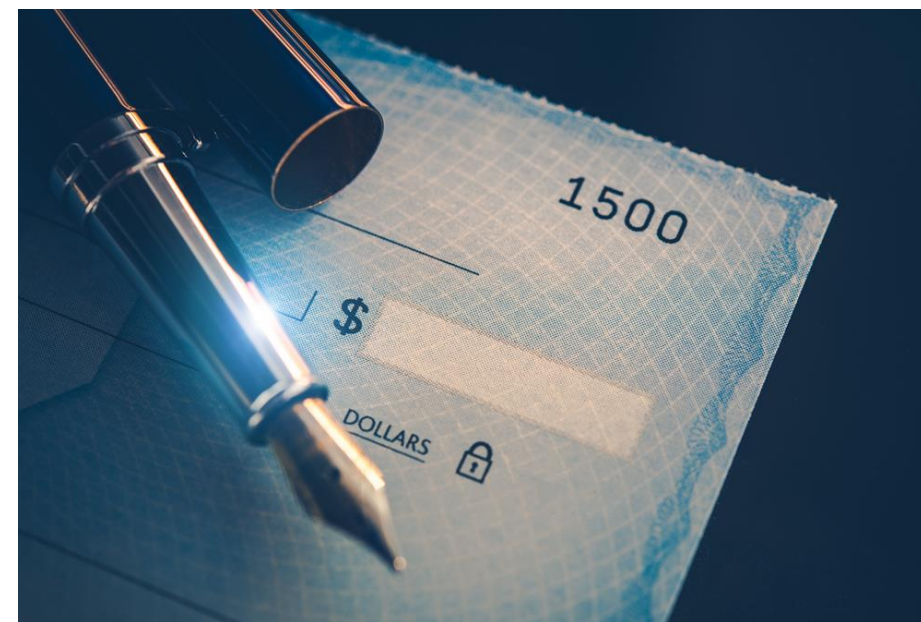
Continuing the previous example with Joe's Car Wash, in the first 8 weeks after the business borrows the \$250,000, the business pays \$200,000 in payroll costs, mortgage interest, and utility payments. Joe's Car Wash is eligible to have \$200,000 of the \$250,000 loan forgiven. The forgiveness will not create taxable income. In addition, because of the deferment rules in the CARES Act, any payments due on the remaining \$50,000 will not be due for six months.





# Loan Forgiveness of The Paycheck Protection Program

- There is a provision, however, that reduces the amount that may be forgiven if the employer either:
  - Reduces its workforce during the 8-week covered period when compared to other periods in either 2019 or 2020, or
  - Reduces the salary or wages paid to an employee who had earned less than \$100,000 in annualized salary by more than 25% during the covered period.
- This reduction can be avoided, however, if the employer rehires or increases the employee's pay within an allotted time period.



# Emergency Government Disaster Loan & Grant

- The CARES Act expands access to Economic Injury Disaster Loans under Section 7(b)(2) of the Small Business Act. To include not only businesses with fewer than 500 employees but also sole proprietors and ESOPs
- Loans made under this program before December 31, 2020 will not require a personal guarantee on loans below \$200,000
- Allows a disaster loan to be taken out between January 31, 2020 and the date on which a paycheck protection loan is available for reasons “other than paying payroll costs”



# Emergency Government Disaster Loan & Grant

- New Emergency Grant to allow a business that has applied for a disaster loan to get an immediate advance of up to \$10,000
- This can be used to maintain payroll, COVID-19 related sick pay, certain operational expenses, rent/mortgage
- Is not required to be repaid (even if the borrower's request for a loan is denied)
- Disbursed within 3 days



# Subsidy for Certain Loan Payments

Benefits provided to those with loans under Section 7(a) of the Small Business Act OTHER THAN the new paycheck protection loans in the form of a government subsidy whereby the SBA will pay 6 months of principal, interest and fees on qualifying loans



# Employee Retention Credit

One-year only credit against the employer's 6.2% share of Social Security payroll taxes for any business that is forced to suspend or close its operations due to COVID-19 but continues to pay its employees during the shut-down.



# Employee Retention Credit

## Eligibility

The operation of the business was fully or partially suspended during any calendar quarter during 2020 due to orders from an appropriate government authority resulting from COVID-19

...or...

The business remained open, but during any quarter in 2020, gross receipts for that quarter were less than 50% of what they were for the same quarter in 2019. The business will then be entitled to a credit for each quarter, until the business has a quarter where it's recovered sufficiently that its receipts exceed 80% of what they were for the same quarter in the previous year.



# Employee Retention Credit

For each eligible quarter:

- The business receives a credit against its 6.2% share of Social Security payroll taxes equal to 50% of the “qualified wages” paid to EACH employee for that quarter
- Ends December 31, 2020

Note: if an employer takes out a payroll protection loan under Section 7(a) of the Small Business Act, no employee retention credit will be available



# Delay of Payment of Employer Payroll Tax & Self-Employment Tax

- Allows the employer's share of the 6.2% Social Security tax that is due December 31, 2020 to be paid:
  - December 31, 2021 (50%)
  - December 31, 2022 (50%)
- Self Employed taxpayer's can defer paying 50% of their self-employment tax that would be due:
  - End of 2021 (25%)
  - End of 2022 (25%)







# 10 Critical Steps for You and Your Clients during the Crisis

# 10 Critical Steps for You and Your Clients

## Step 1

Conduct Immediate Financial  
Triage



# 10 Critical Steps for You and Your Clients

## Step 2

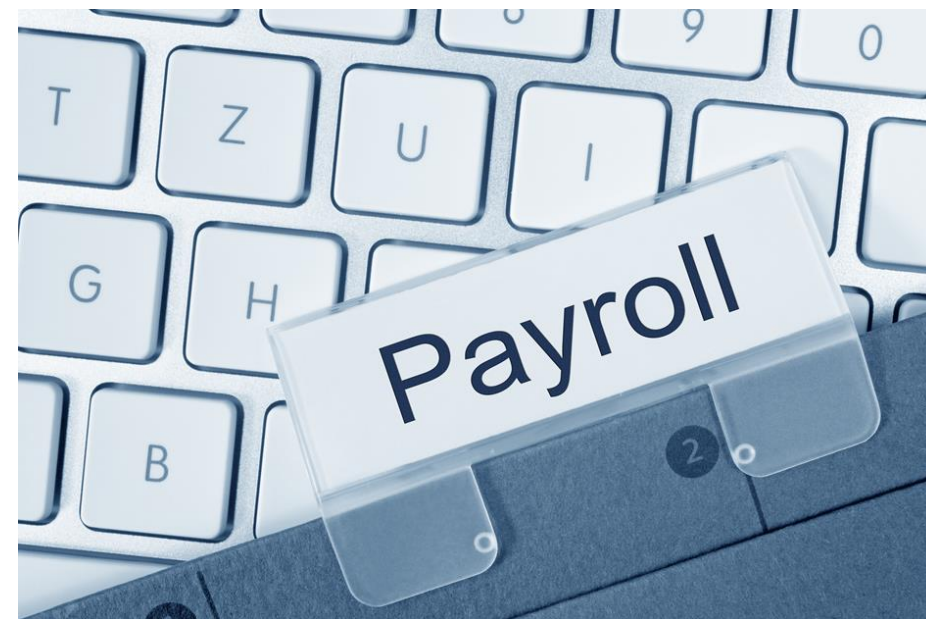
### Review Current Revenue



# 10 Critical Steps for You and Your Clients

## Step 3

### Review Current Payroll



# 10 Critical Steps for You and Your Clients

## Step 4

Review Current Material  
Requirements



# 10 Critical Steps for You and Your Clients

## Step 5

### Review for True Fixed Costs



# 10 Critical Steps for You and Your Clients

## Step 6

### Manage Remote Work



# 10 Critical Steps for You and Your Clients

## Step 7 Adjust Operations





# 10 Critical Steps for You and Your Clients

## Step 8

Stay Current on SBA and  
Government Assistance  
Programs and Proactively Guide  
Clients



# 10 Critical Steps for You and Your Clients

## Step 9

Develop (New) Forecasts Based  
on Current Factors



# 10 Critical Steps for You and Your Clients

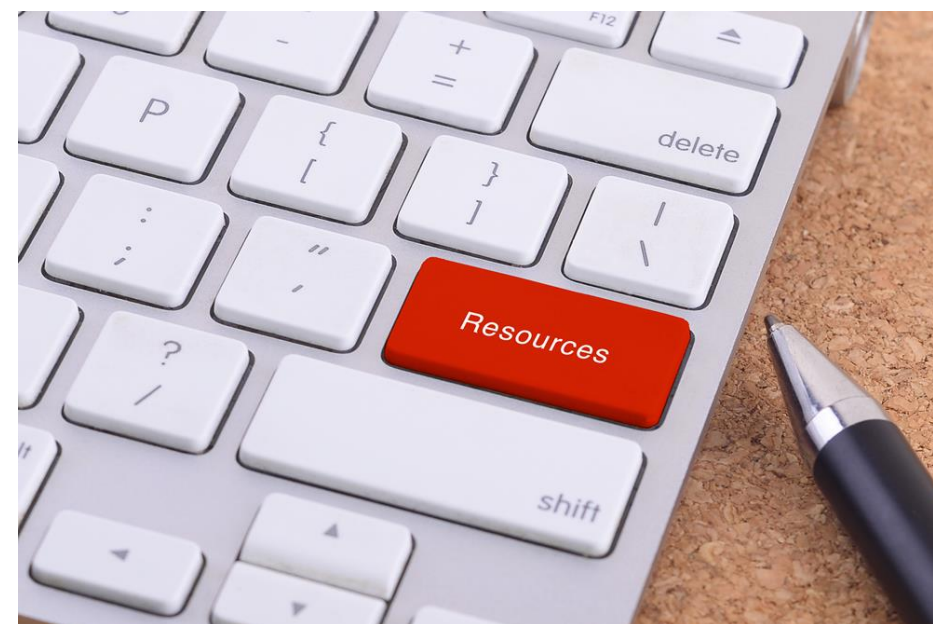
## Step 10

Review, review, review and constantly update the information for clarity



# Resources

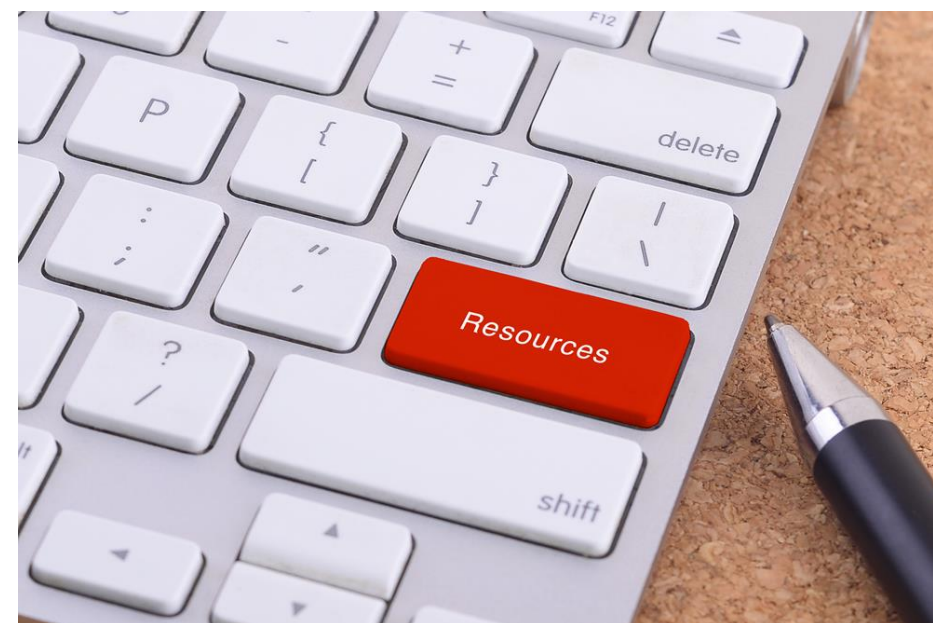
- SBA guidance: Coronavirus planning and loans for small businesses  
<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
- SHRM (Society for Human Resource Management) -  
<https://www.shrm.org/resourcesandtools/pages/communicable-diseases.aspx>
- WHO -  
<https://www.who.int/emergencies/diseases/novel-coronavirus-2019>



View these links on the COVID-19 Resource Page at Woodard.com.

# Resources

- Intuit - <https://proconnect.intuit.com/coronavirus/>
- IRS - <https://www.irs.gov/coronavirus>
- US DOL - <https://www.dol.gov/coronavirus>
- US Chamber of Commerce - [https://www.uschamber.com/sites/default/files/023595\\_comm\\_corona\\_virus\\_smallbiz\\_loan\\_final.pdf](https://www.uschamber.com/sites/default/files/023595_comm_corona_virus_smallbiz_loan_final.pdf)
- CDC - <https://www.cdc.gov/coronavirus/2019-ncov/index.html>



View these links on the COVID-19 Resource Page at Woodard.com.

# WOODARD™

## Questions

We incorporated the questions from this Round Table into the FAQ section of the COVID-19 Resource Page on our website at [Woodard.com](https://www.woodard.com)

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## COVID-19 Roundtable

March 31, 2020