

Welcome

Thank you for joining today's webinar. The meeting will start momentarily. A couple reminders while you wait:

- Participants will be muted during the session
- We encourage you to type your questions in the question box
- The webinar recording and PowerPoint slides will be shared widely



Participating in today's call

Attendee Control Panel

The image displays two screenshots of the Attendee Control Panel. The left screenshot shows the 'Audio' section with 'Computer audio' selected and a 'MUTED' indicator. The right screenshot shows the 'Audio' section with 'Phone call' selected, displaying dialing information such as 'Dial: +1 (962) 247-8421', 'Access Code: 849-028-198', and 'Audio PIN: 00'. Below the screenshots is a text input field for questions and a 'Send' button.

Listen in through computer audio. Headset recommended.

or

Select Phone Call to see the number to call, Access Code and PIN

Type your questions or just say hello here.

File View Help

Audio

Computer audio
Phone call

MUTED

Transmit (Plantronics Savi 7xx)

Speakers (Plantronics Savi 7xx)

Questions

[Enter a question for staff]

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Audio

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Dial: +1 (962) 247-8421

Access Code: 849-028-198

Audio PIN: 00

Already on the call? Press #00# now.

United States

Problem dialing in?

Agenda

- Welcome
- Remarks by First Lady Pamela Northam
- Overview of the Paycheck Protection Program Opportunity
- Guidance for Application and Specific Detail for Home-based Providers
- Q&A

First Lady Pamela Northam



Paycheck Protection Program

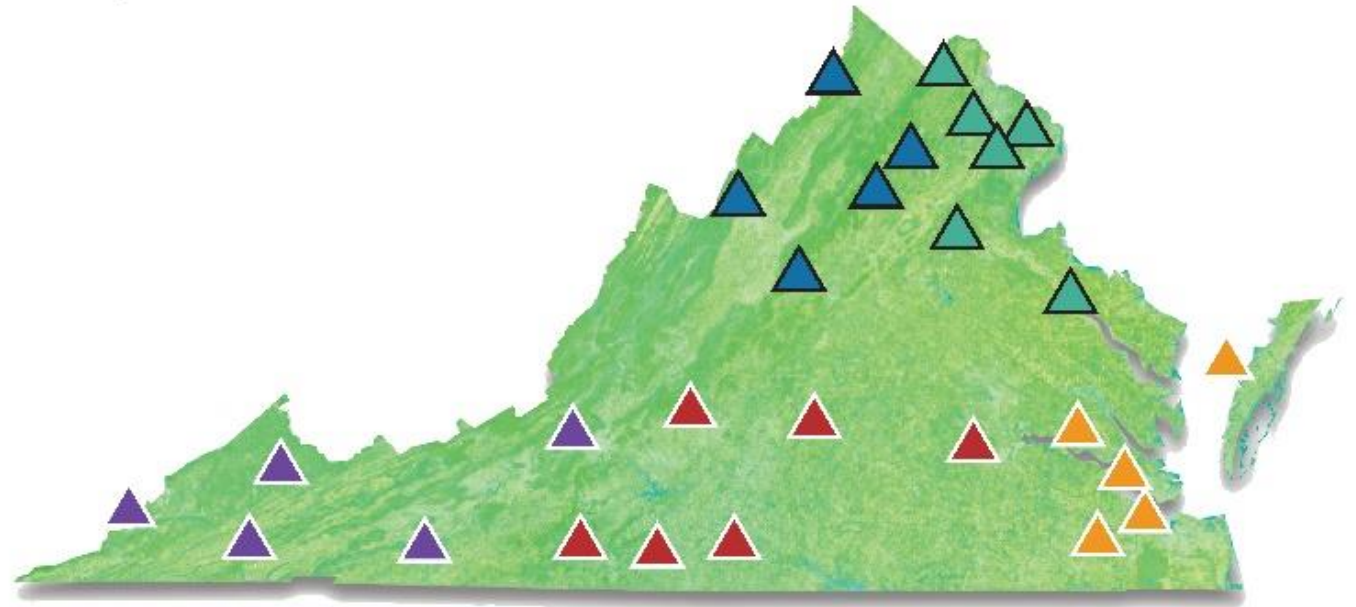
Mike Austin

Hampton Roads Small Business Development Center
Access to Capital Adviser



7/16/2020

Virginia Small Business Development Center (SBDC) Network



<https://www.virginiasbdc.org/locations/>

Home Grown Child Care PPP Technical Assistance Team



<https://homegrownchildcare.org/ppp-resources>

Paycheck Protection Program



- ❖ What is the Virginia Small Business Development Center Network
- ❖ Payroll Protection Program (PPP)
 - ❖ Brief History of the PPP
 - ❖ General Terms and conditions
 - ❖ Does a PPP make sense for you, and are you eligible?
 - ❖ A quick review of the application form
 - ❖ Review of the documentation required
- ❖ Conclusion/Questions

<https://www.virginiasbdc.org/recoveryresourcecenter//>

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PPP loans:

- Goal: retain employees at comparable wage levels to pre-COVID levels
- Goal: provide funds for other basic operating expenses
- 60% of proceeds used for payroll-related expenses
 - Salaries/wages
 - Group health insurance, paid sick leave, state unemployment
- 40% of proceeds used for other operational expenses
 - Rent
 - Utilities
 - Mortgage interest
 - Interest on other debts as of 2/15/2020



- PPP loans are offered by banks and other lenders (including “Fintech” firms)
- One loan per borrower
- Personal credit can be an issue
- Have up to 24 weeks or 12/31/2020 to spend proceeds
- Forgiveness of some or all of the loan is possible
- Critical for borrower to maintain and retain separate record keeping for all uses of PPP loans, including bank statements, payroll records, 941 tax filings, etc. These documents are a critical part of the initial application process as well as the forgiveness process

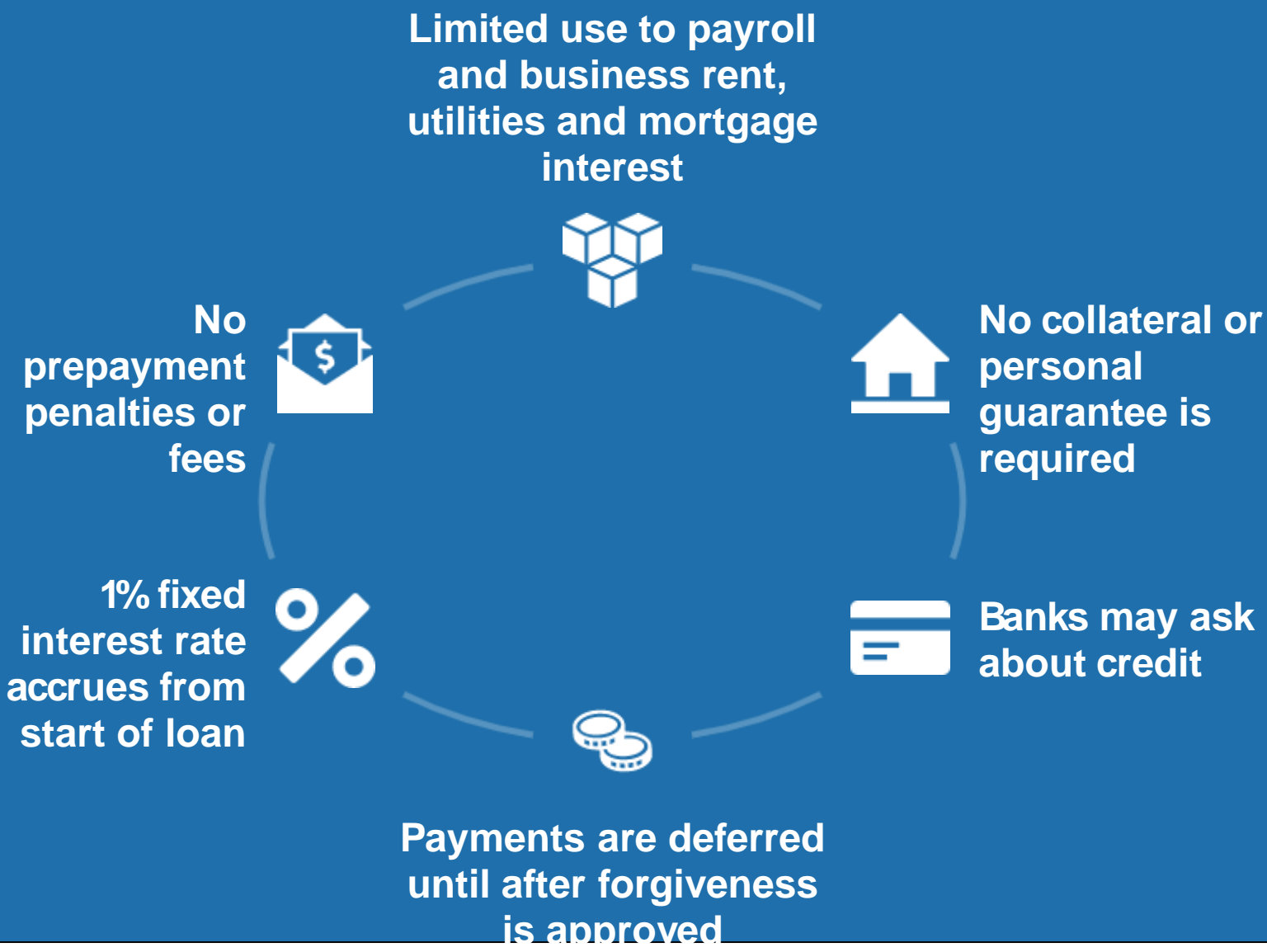


Payroll Cost Variables:

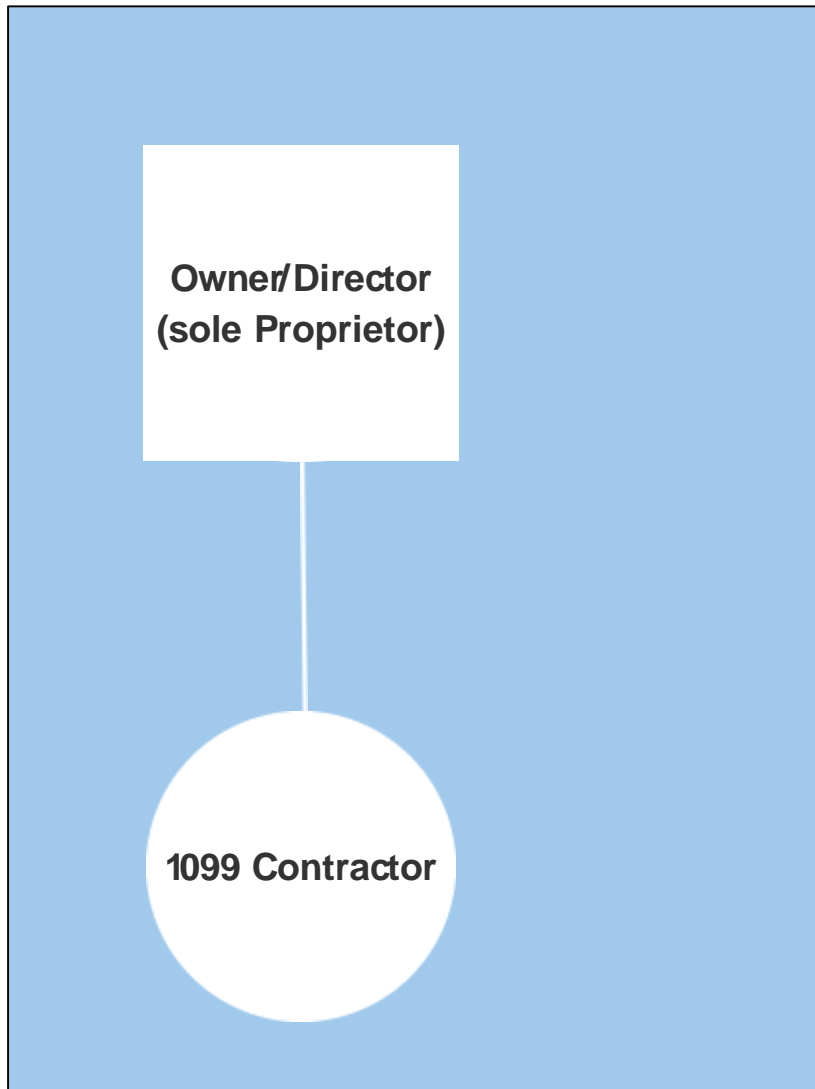
- Legal structure of your business and how business taxes are paid
- The number of W2 employees
- Other benefits paid by business, including health insurance, retirement contributions, vacation pay, sick pay, and severance payments
- Date the business started and/or other income
- Maximum salary of \$100,000 per employee (pro-rated)
- Note that the following may impact the PPP maximum:
 - Owner draws do not count as payroll
 - Dividends paid to shareholders do not count as payroll



Other Key Points



Sole Proprietorships/Independent Contractors



- The PPP is for you!
- Home Based Child care is a business and the PPP is for businesses
- Sole proprietorship and Self-employed (one person counts!)
- The PPP is already funding home-based child care providers!

Limited Liability Company (LLC)

- Your payroll cost will be the earnings on which you are taxed, which is the full amount of your net profit, not your owner draws
- Be sure to omit all draws, and if the amount reported is 0 or less, do not apply for a PPP loan
- Look at your 2019 tax return and the Schedule K-1, line 14 to find the information
- If you have employees, compile their W2 information or use your quarterly 941 filings for the supporting documentation needed to support the amount of your PPP application
- Also, be sure that your information is consistent with the tax treatment your firm receives based on your IRS filing



Partnerships

- Calculated each partner's salary, capped at \$100,000 (pro-rated)
- Look at the 2019 K-1, line 14a, for each partner
- Add up total partner income and multiply by .9235
- Add gross wages and tips to employees
- Add employer contributions for employee health insurance, employee retirement plans (IRS form 1065, line 18)
- Add 2019 State and local payroll taxes
- Follow format for sole proprietor with employees



S Corporation

- As an S Corporation, the business' profits or losses flow through to the stockholders (owners), who reports them in their personal tax returns
- If the S Corporation does not pay salaries through payroll and therefore does not pay employment taxes, your business is not eligible for a PPP loan
- Shareholder distributions are not considered payroll, so although the shareholder pays income taxes on the amount paid, no payroll taxes have been paid, and as a result, these are not eligible for inclusion in a PPP loan amount
- Where to find the information:
 - Use your 2019 tax return or your payroll records for 2019
 - For all W2 employees, be sure to include wages, commissions, tips, and all payroll taxes, as well as State unemployment taxes paid
- LLCs that file as an S Corporation should follow these guidelines



C Corporation

- Owners are considered employees
- Owner draws and shareholder dividends and loans to shareholders do not count as payroll and cannot be calculated in your eligible PPP costs
- Owner draws are considered a loan from the business that the owner will need to repay, which is why they cannot be included
- For W2 employees, be sure to include all employee wages, commissions, tips, and payroll taxes, pro-rating income to \$100,000 per employee
- The information can be found in your 2019 form 940 or compile your payroll records for 2019



Not-for-Profit

- These entities are typically not eligible for SBA financing, but legislation has provided CARES Act funding for not-for-profit agencies that file 990 tax filings
- Documentation Needed to Apply:
 - 2019 quarterly 940, 941, or 944 payroll tax reports
 - Itemized 1099s for 2019 and January & February 2020 (lender may require this)
 - Form 990
 - Articles of organization/incorporation and bylaws/operating agreement
 - Driver's license for primary application signer
 - Last 12 months of payroll reports, to include:
 - Gross wages for employees and officers if paid W-2 wages
 - Paid time off, vacation pay, and family medical leave for each employee
 - State and local taxes for each employee, and state unemployment insurance premiums
 - Proof of health insurance premiums and retirement plan payments made



Where to go next? If you want to proceed and you believe you qualify

- Find out if the bank you use for your deposit account(s) is offering PPP loans
- If not, do an Internet search for lenders participating, including “stick and brick” lenders and Fintech lenders
- The SBDC is working to compile a list but we’re finding that many of the lenders that participated in providing earlier funding of PPP have not re-opened their lending portals
- All known lending sources are using online lending portals
- When approved, loan funds are deposited in your bank account. It is highly recommended that you then establish a separate accounting system or open a separate account just for the PPP loan
- Be prepared to provide supporting documentation as part of your application and continue to do so to track all ways proceeds are used to maximize forgiveness



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You will need to provide:

- 2019 1040 Schedule C or K-1 (1065) for Partnership
- Quarterly 941s for 2019
- Quarterly state unemployment tax filings
- All supporting information
- Proof of operation on 2/15/2020
- If you have employees you will need a payroll statement dated 2/15/2020
- Color copy of front & back of government issued ID
- Email address of all 20%+ owners
- Social security numbers of all 20%+ owners
- Organizational documents
- Any other documentation required by your lender



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Free Help From Home Grown Child Care

- Webinars & Step by Step guide in English and Spanish
- <https://homegrownchildcare.org/pp-resources/>
- Email Technical Assistance



Final Points

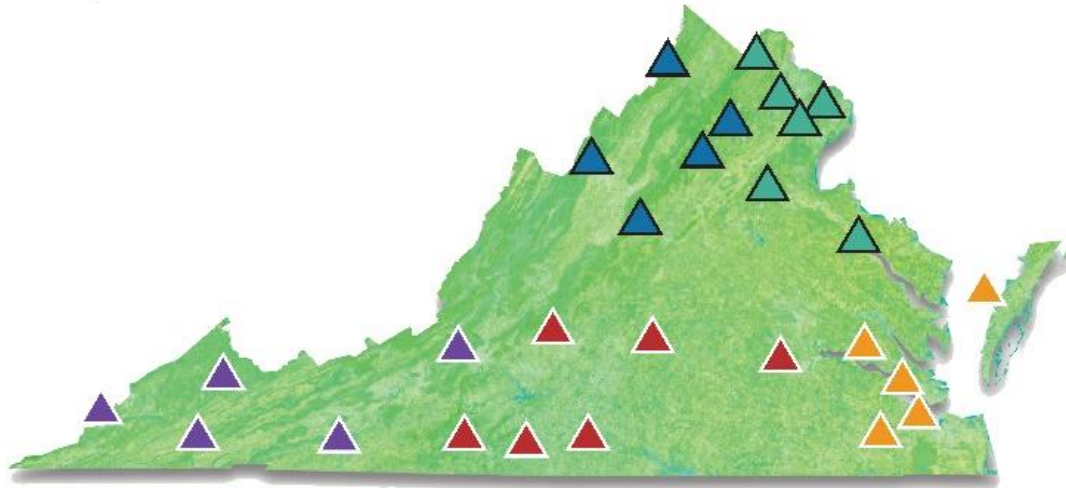
- The benefit is real
- Banks will have requirements and vary in speed
- Email TA is available at PPP@Civstrat.com

Ends Aug. 8, 2020



7/16/2020

Questions?



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