



PPP Loan Forgiveness Can Pivot Your Practice Post Pandemic

*Make The PPP Loan Flexibility Act & Available Tax Credits
Work For Your Medical Practice*



You're Back To Work – What Now?

That's what we hear from our clients hardest hit by COVID-19!

97% of U.S. medical practices experienced a negative financial impact due to the pandemic, according to a recent survey by the MGMA. Many practices had to shut down completely or replace profitable procedures with COVID based care or Telemedicine which made it hard to pay the bills! So now you're back, putting new protocols in place and ramping up operationally, but still sorting through government assistance, PPP Loans, tax breaks and such.



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Position Your Practice Properly

Our passion is helping physician and healthcare practices financially, from navigating cash flow, budgets and debt restructuring to commercial loans, risk management and financial planning.

We understand the unique challenges you're facing and want to help you sort through EIDLs, PPPs, Cares Act Tax Credits and other governmental financial resources with this presentation.

Let us help you truly get back to practicing medicine!



The Basics – SBA \$\$\$

PPP Applications Now Open Until 8/08

EIDL Again Available To All Small Biz Thru 12/31



CARES ACT PROVIDES CASH TO SMALL BUSINESSES

PPP CARES ACT vs SBA DISASTER LOAN

Small Biz less than 500 employees, non-profits, veteran orgs, minority and women-owned biz, plus self-employed	ELIGIBILITY	Small Biz less than 500 employees, non-profits, veteran orgs, minority and women-owned biz, plus self-employed
Payroll, debt prior to 2/15, salaries, mortgage interest, rent & utilities	USES	Payroll, fixed debt, accounts payable, unpayable expenses due to COVID-19
2.5 X average monthly payroll costs, up to \$10 Million	\$\$\$	Up to \$150,000
1% fixed, regardless of entity type	RATE	3.75% Small Business 2.75% Non-Profits
5 Years	TERM	Up to 30 Years
Between 6 – 12 months for principal & interest	DEFERMENT	1 year for principal & interest
Up to 100% with approval	FORGIVENESS	0% is eligible for forgiveness



New PPP Loan Flexibility Act

The Paycheck Protection Flexibility Act triples the time allotted for loan recipients to spend the funds, and changes the threshold for the amount of PPP funds required to be spent on payroll costs to 60% to qualify for forgiveness.

- Current PPP borrowers can opt to choose the 8 week period, or extend to the 24 week period.
- New PPP borrowers will have a 24-week covered period, but the covered period can't extend beyond December 31, 2020.
- The payroll expenditure requirement drops to 60% from 75%. SBA and Treasury clarified on June 8 that the 60% threshold is not a cliff and that partial forgiveness is available under 60%.
- Borrowers can use the 24-week period to restore their workforce levels and wages to the pre-pandemic levels. This must be done by December 31, a change from the previous deadline of June 30.



New PPP Loan Flexibility Act, *con't*

- The legislation includes exceptions allowing borrowers to achieve full PPP loan forgiveness even if they don't fully restore their workforce:
 - Borrowers can exclude from calculations employees who turned down good faith offers to be rehired at the same hours and wages as before the pandemic.
 - The new bill also allows borrowers to adjust because: a) they could not find qualified employees; or b) were unable to restore business operations to February 15, 2020, levels due to COVID-19 related operating restrictions.
- New borrowers now have 5 years to repay the loan instead of 2. Existing PPP loans can be extended up to 5 years if the lender and borrower agree. The interest rate remains at 1%.
- For those seeking forgiveness, the bill allows businesses to delay payment of their payroll taxes, which was prohibited under the CARES Act.



What Stays The Same?

Funds from the PPP can be used for the following purposes:

- Payroll—salary, wage, vacation, parental, family, medical, or sick leave, health benefits.
- Mortgage interest—as long as the mortgage was signed before February 15, 2020.
- Rent—as long as the lease agreement was in effect before February 15, 2020.
- Utilities—as long as service began before February 15, 2020:

- Electrical
- Gas
- Water
- Telephone
- Internet
- Transportation???



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Accounting for the PPP Loan

Entity Accounting for a PPP Loan Received and Forgiven:

- Would initially record the cash inflow from the PPP loan as a financial liability and would accrue interest in accordance with the interest method under ASC Subtopic 835-30.
- Would not impute additional interest at a market rate.
- Would continue to record the proceeds from the loan as a liability until either (1) the loan is partly or wholly forgiven and the debtor has been legally released or (2) the debtor pays off the loan.
- Would reduce the liability by the amount forgiven and record a gain on extinguishment once the loan is partly or wholly forgiven and legal release is received.



Record Keeping for the PPP Loan


There are documents you will need to provide with your PPP forgiveness application. Your lender may have additional requirements:

- Documents verifying the number of full-time equivalents on payroll and their pay rates, to verify you met the staffing and pay requirements:
 - Payroll reports from your payroll provider
 - Payroll tax filings (Form 941)
 - Income, payroll, and unemployment insurance filings from your state
 - Documents verifying any retirement and health insurance contributions
- Documents verifying eligible interest, rent, and utility payments were active in February 2020
- Canceled checks, receipts, account statements verifying eligible interest, rent, and utility payments



Record Keeping for the PPP Loan


Sample Worksheets

			
{Borrower Legal Name}			
{Business TIN (EIN, SSN)}			
{Primary Contact}			
{E-mail Address}			
		Complete all colored cells	
SBA PPP Loan Number		1234567567	
Covered Period		8-Week	24-Week
Date PPP Loan disbursement was received		5/5/2020	5/5/2020
Covered period ends on this date		10/20/2020	10/20/2020
Election to use Alternative Payroll Covered Period, if applicable			
Date of first pay period		5/5/2020	5/5/2020
Alternative Payroll Covered Period ends		6/30/2020	6/30/2020
Loan Amount		\$ 72,500.00	\$ 72,500.00
Interest accrued during the covered period		111.54	334.62
Total Due prior to forgiveness		72,611.54	72,834.62
Amount NOT forgiven			
Reduction #1 - 60%/40%		(21,583.00)	-
Reduction #2 - Headcount		(4,538.22)	-
Reduction #3 - Salary & Wages		(4,898.46)	-
Total Amount Forgiven		\$ 41,591.86	57.3% \$ 72,834.62 100.0%
Amount Not Forgiven		\$ 31,019.68	\$ -
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Record Keeping for the PPP Loan

Sample Worksheets

{Borrower Legal Name}					
{Business TIN (EIN, SSN)}					
		8-Weeks		24-Weeks	
Loan Amount		72,500.00		72,500.00	
Less: The lesser of actual non-payroll costs or 25% of the loan amount		23,704.00		29,000.00	
A	Balance of loan after non-payroll costs	48,796.00	67.30%	43,500.00	60.00%
B	60% of Loan Amount (Minimum)	43,500.00	60.00%	43,500.00	60.00%
Payroll amount required to achieve maximum forgiveness					
Greater of A or B		48,796.00		43,500.00	
Payroll Costs					
Eligible Gross Payroll		18,600.00		69,750.00	
Eligible covered benefits		7,113.00		26,673.75	
Eligible state tax on employee earnings		100.00		375.00	
Eligible retirement contributions		1,400.00		5,250.00	
		27,213.00	37.54%	102,048.75	140.76%
Amount NOT forgiven		21,583.00		-	
Non-Payroll Costs (Maximum 25%)					
Rent expense		22,000.00		66,000.00	
Mortgage Interest		-		-	
Utility Expense		1,704.00		5,455.00	
		23,704.00	32.70%	71,455.00	98.56%
25% of Loan Amount		29,000.00	40.00%	29,000.00	40.00%
Total non-payroll cost: Lesser of actual or 25%		23,704.00		29,000.00	
Amount NOT forgiven		-		-	
Total Payroll Costs NOT forgiven		21,583.00		-	



Tax Issues In Turbulent Times

Under the SBA PPP loan program, businesses don't have to repay their loan, it is "forgiven," if most of the money covers essential expenses such as payroll.



**No
Double
Dipping
Allowed!**

Usually, wages are deductible expenses. Usually, forgiven debt counts as taxable income. But the CARES Act says any PPP loan forgiveness does not count as taxable income.

The IRS claims that paying expenses which result in the forgiveness of a PPP loan are not tax deductible – this is in order to prevent a "double tax benefit." The IRS states that deductions can't be taken if they are tied to tax-exempt income.

The guidance clarifies a point of confusion. The CARES Act states that the forgiven loan won't be taxed, but didn't specify whether companies could still write off the expenses they covered with that money. The tax code permits write off business expenses like wages, rent and transportation, but generally doesn't allow write-offs for tax-exempt income.



Tax Credits Available If No PPP Loan

The Employee Retention Credit

The Employee Retention Credit is designed to encourage employers to keep employees on their payroll. The refundable tax credit is 50% of up to \$10,000 in qualified wages paid to an employee by an eligible employer experiencing economic hardship related to COVID-19. This credit is for wages paid from 3/13/2020 through 12/31/2020.

The credit is generally available to all employers regardless of size, including tax-exempt organizations.

Eligible employers must fall into one of two categories:

1 The employer's business is fully or partially suspended by government order due to COVID-19 during the calendar quarter.

2 The employer has a significant decline in gross receipts. This begins with the first quarter in 2020 when an employer's gross receipts are below 50% of the same quarter in 2019.

Qualified wages paid by an eligible employer from 03/13/2020 through 12/31/2020 include related qualified health plan expenses and vary based on the average number of a business' employees in 2019.

100 or fewer employees

If the employer averaged 100 or fewer full-time employees in 2019, the credit is based on qualified wages paid to all employees, whether they worked or not. Even if the employees worked full time and were paid for full-time work, the employer still receives the credit.

100 or more employees

If the employer averaged more than 100 full-time employees in 2019, then the credit is allowed only for qualified wages paid to employees for time they're not providing services during the calendar quarter.

An employer cannot use the same wages for the Employee Retention Credit and the credits for paid sick and family leave.



Tax Credits For Leave

Leave Credits

The paid sick leave credit and paid family leave credit are available for eligible employers who pay qualified sick leave wages and/or qualified family leave wages from 4/1/2020 through 12/31/2020, and who have fewer than 500 employees.

Type of Credit	IF an employee is unable to work because:	Then
Paid Sick Leave Credit	<ul style="list-style-type: none"> They're subject to a COVID-19 quarantine or isolation order. They're advised to self-quarantine because of COVID-19. They have COVID-19 symptoms and are seeking a medical diagnosis. 	The credit is at the employee's regular rate of pay, up to \$511 per day and \$5,110 in total up to 80 hours. The employer is also eligible for credits for qualified health plan expenses for the employee and the employer's portion of Medicare tax expenses for the employee.
Paid Sick Leave Credit	<ul style="list-style-type: none"> They're caring for someone who is subject to a COVID-19 quarantine or isolation order, or for someone who is advised to self-quarantine because of COVID-19. They're caring for a child whose school or place of care is closed due to COVID-19. They're caring for a child whose child care provider is unavailable due to COVID-19. 	The credit is for two-thirds of the employee's regular rate of pay, up to \$200 per day and \$2,000 in total, for up to 80 hours. The employer is also eligible for credits for qualified health plan expenses for the employee and the employer's portion of Medicare tax.
Family Leave Credit	<ul style="list-style-type: none"> They're caring for a child whose school or place of care is closed due to COVID-19 They're caring for a child whose child care provider is unavailable due to COVID-19. 	<ul style="list-style-type: none"> This credit is equal to two-thirds of the employee's regular rate of pay, capped at \$200 per day or \$10,000 in total. Up to 10 weeks of qualifying leave can be counted toward the Family Leave Credit. This can be combined with the sick leave credit, so an employer could be entitled to a credit for pay for up to 12 weeks – 2 weeks of sick leave and 10 weeks of family leave. The employer is also eligible for credits for qualified health plan expenses for the employee and the employer's portion of Medicare tax.

NOTE:
Employers can receive a PPP loan and FFCRA tax credits but cannot receive PPP forgiveness on wages that are eligible for a FFCRA tax credit.



Remember EIDL Restrictions Apply!

EIDL restrictions around collateral, business structure and use of funds may surprise physicians and healthcare providers!

- Advance of up to \$10,000 does NOT have to be repaid.
- Loans are now capped at \$150,000.
- Only amounts over \$200,000 require a personal guarantee.
- Loans exceeding \$25,000 must be backed by collateral.
- Loan collateral can include tangible and intangible property like inventory and equipment.



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Remember EIDL Restrictions Apply!

More surprising restrictions:

- Business owners also need SBA approval to reorganize, merge, consolidate or somehow change ownership or business structure.
- EIDL funds can also only be used as “working capital” related to economic injury after January 31. They can’t be used as capital for physical improvements.
- Working capital means – EIDL funds may be used to pay debts, payroll, A/P, and other bills that can’t be paid due to the disaster – *as long as not already covered by a PPP Loan!*



Embrace The New Normal

Loans and bailout money are helping some doctors stay afloat for now.

Even though the federal government and health insurers are paying doctors for telehealth visits, that isn't making up for lost revenue.

- There are alternatives to sale or shutter. Talk to us about your viable options.
- You are not alone. We can help you gather the information and calculate the numbers you need to present to your bank for forgiveness.
- A new financial action plan or restructuring may help you and your practice weather the economic pressures on the medical field right now.
- Prepare to position yourself for the recovery after the pandemic with:



- Budget analysis
- Cash flow analysis
- Expense analysis
- New financial projections





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Lou Fuoco, CPA, CEPA, CVB, is passionate about helping healthcare clients with traditional tax and accounting needs, but also provides a portfolio of business and financial advisory services that truly makes a difference. After gaining an understanding of each physician's unique needs and expectations, Lou helps them plan and prepare for growth, and achieve their financial goals. His 360 degree financial approach includes structuring, financial planning, income tax planning, risk management, insurance, commercial lending, and business exit/succession planning, - all under the one umbrella of TFG.

The Palm Beach Post 2019 & 2020 Winner of "Best Accountant," Lou is a licensed CPA in both New York and Florida. His articles have been published over the years in Accounting Today, CPA Practice Advisor, "Ask the Expert," The Palm Beach Post, and South Florida Business and Wealth Magazine. Lou is a member of the American Healthcare Association, Palm Beach County Medical Society, and a respected lecturer, panelist, and speaker on tax, accounting and business advisory topics in healthcare.