

Paycheck Protection Program: Forgiveness Progress

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October 1, 2020

PPP Forgiveness Status

The PPP is now closed. The SBA began accepting loan forgiveness applications on August 10:

- The SBA has received about 96,000 forgiveness applications.
- The SBA has not yet approved forgiveness for any loans.
- Lenders have been submitting forgiveness applications since early August (this varies by Lender).

PPP Forgiveness Updates

- Not all Lenders have begun accepting forgiveness applications
- The forgiveness process may vary by Lender
- Forgiveness process will likely be conducted through 2021 and into 2022

PPP Forgiveness: Treasury Comments

- Treasury made a statement on 9/28/2020 that it would begin forgiving loans
- Approval and payment is expected by late this week or early next week (for loans under \$2,000,000)

PPP Forgiveness: Lender Comments

What are Lenders Saying?

- Forgiveness process is more complicated than expected
- Takes most lenders at least 2 weeks to process applications
- Requires four to six contacts between borrower and Lender

When Should you Apply for PPP Forgiveness?

Factors to consider:

- Potential impact of economic and political changes
- Congress may finalize or change forgiveness rules
- You likely will only get one chance to apply for forgiveness
- Whether you are eligible for full forgiveness
- Treasury Secretary Mnuchin has acknowledged bipartisan support for enhanced forgiveness, but that businesses should not wait for legislation to be passed before applying.

PPP Forgiveness Update: Will PPP Round 2 Ever Happen?

- Small business and revenue are in decline
- Business closures have steeply increased
- Many temporary business closures will become permanent.
- Numerous jobs have been lost.
- Restaurants, bars, and hospitality businesses are subject to restrictions related to indoor seating.

So, why wasn't all of the funding in the PPP initiative used?

\$130 Billion in unallocated funds remains.

Status of Forgiveness Legislation

There have been numerous proposals to automatically forgive loans equal to less than \$150,000

- Treasury Secretary Mnuchin urges businesses to request forgiveness immediately
- He also supports legislation that would simplify forgiveness but it has to be done through legislation

Status of Forgiveness Legislation

House Democratic Stimulus Bill (the revised HEROES ACT) proposed on 9/28/20:

- Loans of \$50,000 or less would be forgiven and simplified application will be offered for loans of between \$50,000 to \$150,000
- Allocates \$15 billion in PPP for small lenders
- Allocates 50% of remaining PPP for businesses experiencing year over year decline in revenue
- Allocates funds for businesses in low and moderate income areas with 10 or fewer workers

Status of Forgiveness Legislation

House Democratic Stimulus Bill (the revised HEROES ACT) proposed on 9/28/20:

- \$436 million for state and local government aid
- Temporary federal funding through March 31, 2021 for \$600 a week enhanced unemployment
- \$1,200 stimulus checks per qualifying individual
- Assistance for essential and emergency workers (sick pay, etc.)
- \$25 billion in airline aid

Status of Forgiveness Legislation

Senate Republicans' COVID-19 relief bill included a second round of PPP funds:

- The Bill was introduced by Mitch McConnell on September 8
- The targeted Bill was unanimously blocked by Democrats in the Senate on September 10
- Both parties have referred to their proposed legislation as an attempt at bipartisan cooperation
- Many commentators feel that no stimulus bill will be passed before the presidential election

Alternative Proposal

Brookings Institution (a Washington DC public policy organization) proposes the following instead of PPP:

- Small businesses with revenue drop of 30% would be eligible for two tax credits that could provide them with as much \$17,000 per employee per quarter.
- Would cost about \$180 billion

AICPA Comments

AICPA has the following recommendations for pandemic relief legislation

- Allow full deductions for PPP related business expenses
- Provide information and tools to simplify forgiveness process
- Remove tax obstacles to remote work
- Allow 501(c)(6) organizations access to PPP
- Provide additional relief to state and local governments
- Adopt coronavirus liability restrictions

Status of Forgiveness Legislation

Over 100 trade associations have sent a letter to the Senate and House of Representatives requesting:

- Allow full deductions for PPP related business expenses
- Provide information and tools to simplify forgiveness process
- Remove tax obstacles to remote work
- Allow 501(c)(6) organizations access to PPP
- Provide additional relief to state and local governments
- Adopt coronavirus liability restrictions

Continuing Questions about PPP Fraud

- Some publicly traded companies received PPP loans paid dividends and conducted share buybacks
- Areas of examination include fake businesses, multiple loans, loans to companies ineligible to conduct business with the federal government
- Potentially \$4 billion in fraud per Congressional Select Subcommittee on the Coronavirus Crisis
- 57 individuals have been charged with PPP fraud

Non-PPP Topic: Nexus and Remote Work

Employers generally have nexus in a state for all taxes if they have employees (or contractors) working in the state

- COVID-19 has resulted in many employees moving from working in the office to working at home.
- Employees who lived in one state but worked in another, are now working in a different state
- This means that states could assert income tax nexus over companies who now have a new in-state physical presence due to remote work.
- Some states have issued statements they will not pursue nexus on the basis of remote work.

Non-PPP Topic: Nexus and Remote Work

- Remote work may also change your business' income tax apportionment formula in a state as three-factor apportionment analyzes property, payroll, and sales within and outside of a state.
- Individual income and payroll withholding is generally also sourced to the state where the work is performed
- Workers compensation and unemployment insurance registrations may also be impacted

Non-PPP Topic: Nexus and Remote Work

Potential Federal Action:

Taxpayers find the potential imposition of nexus unfair

- US House member Mary Gay Scanlon (D-PA) proposed H.R. 8056, Remote Worker Relief Act of 2020
- the Act provides that any employee working remotely due to COVID-19 is deemed to be performing services at their primary work location, and, alternatively, if the employer maintains a system that tracks employee work locations, the employer may, at its option, source the wages to the location where the remote work is performed.

Questions?

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