1. The Paycheck Protection Program | What You Need to Know - YouTube

<https://www.youtube.com/watch?v=Xr97gGTPFnY>

Transcript:

 okay hi everyone I'm Oscar from bench accounting and in this video I'm gonna be talking through the Paycheck protection program so this is the 349 billion dollar program that is designed to provide funding for small businesses in the US that have been negatively impacted by the coronavirus so I'm gonna talk through and what the program is who's eligible to apply to it how to apply and the talk through how much funding you might receive and how to calculate that what you can spend those funds on and then most importantly how

 this loan can be fully forgiven as that's it that's a key part of it but before I into it I just want to say there's tons of information out there and there's lots of other funding options available for small businesses so do have a look at the bench blog because we cover all the different things that available and to small business owners out there so do check it out that's bench CEO forwards that blog writes the Paycheck protection program so the idea of this program it's a huge amount of money available to small

 businesses three hundred fifty billion dollars and it's designed to help them maintain payroll and keep their staff in a job and actually in some cases rehire employees that have been laid off as a result of the coronavirus there's no fees to apply there's no guarantees required or any collateral and this loan can be fully forgiven so you don't have to pay any of it back a couple of sort of small housekeeping items on the loan the interest rate is one percent and it is a two-year loan and the repayment of

 the loan is deferred for for the first six months but the interest does accrue over that time and also the maximum amount that can be lent to any to any one person on this loan is 10 million dollars so that's the max but in terms of who is eligible really it's just all small businesses so if you're a small business of under 500 employees that's a cut off the 500 employ mark you qualify for this and it's it's all different entity structures so soul props qualify so do the self-employed so

 do independent contractors nonprofits all eligible for this program you know there's a number of I'm looking here at the application form there's a number of checkboxes and the top left which is going to show everyone that can apply so if you're on that and then you're eligible the other thing is that you have to be able to attest that the current economic climate it's all the uncertainty around coronavirus that has negatively impacted your business so if you're a medical mask provider for

 example you won't be you won't qualify for this program because your business is probably doing a lot better at the moment so to bear that in mind however chances are 99 percent of the people watching this video you applied for this program so you should applications for small businesses and so props open the third of April and applications for independent contractors and self-employed open on the 10th of April and this program runs until the June 30th that's when applications are open until and this is a first-come

 first-served basis so do do note all of that down now in order to apply you to get hold of one of the forms I got on my screen over here which is the the form 2483 so the paycheck protection program borrower application form now you can find this awesome on the SBA website you can find it on the Treasury website so if you go to Home Treasury gov there's a there's a red banner at the top you click into that and that will take you through to the place where you can download this form you need to fill out

 the application form I would actually read through it first to make sure that you've got all the information you need on there before you actually go and take it to your bank that's what you need to do you need to fill it out take it to your bank along with any supporting documentation or anything to prove how much you're trying to claim for so things like payroll reports and bank statements 940s and 940 ones those sorts of things take those along with you because you want to have you want to be fully prepared

 when you're applying now as part of the application you need to figure out what's the amount that you are you are hoping to receive and how much you're going to put on the form that you think you're eligible for now in order to figure this out you need to know your average monthly expenses sorry your average monthly payroll expenses and you times that by 2.

 5 up to a max of 10 million so the key thing here is your average payroll expenses now to figure that out you go to 2019 and you take your total payroll expenses for the year and divide that by 12 to get to that average number and then your times by 2.5 and then that resultant figure is that is the number that you can apply for now there's a couple of things to point out here if you are a seasonal employer so you your your payroll numbers fluctuate massively throughout the year that the period that the bank is going to be interested in as for the

 purposes your application is the period from Feb 15 to 2 n-- 30th 2019 so you use that figure if you if that period if you're a seasonal employer if you are a brand-new business and so you let's say you came into existence the back end of 2019 or even the beginning of this year you use January and February of 2020 in order to work out your average payroll costs you need to have been in operation before February the 15th in order to apply for one of these loans that's another thing that goes into the

 eligibility to apply and there's a couple of other sort of gray area points I want to just bring up here that are gonna help you figure out your payroll cost the first is what goes into payroll costs because it's not just things like your wages salary earnings tips all those sorts of things it's actually this sort of holistic compensation for employees so things like group health care benefits retirement insurance premiums all that sort of stuff they go into these into your payroll costs along with things all

 with state and local taxes assessed on compensation of employees so not federal taxes but those those state and local employee compensation taxes those will go into payroll costs now one thing that doesn't is payment to independent contractors so anything you pay - 1099 independent contractors does not form part of this calculation the reason is is that they can actually apply for these loans independently so don't include those the other thing to note is that this this program only covers payroll per employee up to a cap of

 $100,000 so if you have people earning over a hundred thousand dollars this the process you need to follow you need to work out your total payroll costs for 2019 and then subtract anything that was per employee of over a hundred thousand dollars need to take that away and then you divide the the total by twelve to reach that average monthly cost so nothing over one hundred thousand is covered by this program to bear that in mind right so once you've figured out how much you eligible to apply for and you put it down on your on your

 application form and you you apply and you are granted the loan you need to know what you can then spend these funds on and that's what I will just talk through now so the first thing that's that's obviously covered are those payroll costs so the intention is that the bulk of this loan is going to cover the the wages the salaries the the health care costs things like that however you can also spend this loan on on qualified expenses which include things like mortgage interest payments and rent or lease agreements and

 utilities now the caveat here is that these all have to have been in place before the 15th of February 2020 so if you signed a mortgage for the business in March you you can't use this to pay for that to pay for that interest because it has to be the interest not that not the principal for these for these mortgages that were prior to 2 Feb 15 the eligible use of the funds all ties into this last point which is how do you get this loan and to be forgiven how does it how do you ensure that you don't have to pay it back

 now once you've received this loan you have an 8 week period that it's designed to cover and during that 8 week period anything that you spend on payroll costs or these things like mortgage mortgage interest expense rent or lease utilities any that you spend on that is eligible to be forgiven now there are a couple of conditions here the first is that you only are allowed 25% of the loan to spend on those non-payroll cost items so mortgage interest payments rents and lease agreements utilities those are not

 allowed to make up more than 25% of the loan the second thing is there a couple of conditions that go along with this and I'm just gonna go on to those now so you need to keep all of your employees if you reduce your employee headcount the amount of the loan that can be forgiven will be reduced by that same percentage so to cover a quick example if you have 10 employees and you let one of them go so a 10% reduction in your head counts the amount of the loan that can be forgiven is reduced by 10% so it's an equivalent percentage the

 other thing is that if you if your total payroll expenses for workers making less than a hundred thousand reduced by more than 25 percent your loan forgiveness will reduce by that same amount so if you reduce salaries by 30 percent the amount of the loan that can be forgiven will be reduced by 30 percent but you do have that sort of 25 percent buffer there and also this is only applicable to employees less than $100,000 now the last thing to say on forgiveness is that you can actually rehire employees so if you've

 had to lay anyone off and this is in the period since the 15th of February 2020 so anyone laying off laid off before that doesn't count but you can actually rehire those employees laid off since Feb 15th in order to qualify for to have your loan forgiven so do bear that in mind if you've had to let anyone go in any any time in March 2020 rehire them and you still are eligible to have your loan forgiven there's a is it gray area here that we've had a couple of clients ask is that what if I let somebody go

 and they've got a different job now we've not had clear guidance from the Treasury on this and we do expect further guidance to come to keep checking out the blend but Ben's blog but you know I think the way that we kind of feel about this is that as long as you are hiring somebody into that position so you're kind of your you're getting your headcount and your payroll back to what it was last year that's in the spirit of the law and that will mean you are eligible to have this loan forgiven now that's a run through the

 program if you have any more questions about it or you want to know how it applies to your particular situation one thing that you know does come up a lot is people who are sole proprietors and let's say you know on payroll you take member drawers we have an article about that's that specific situation on our blog so do go and have a look also do give us a call here at bench accounting we are we'd be delighted to speak to you and talk you through the program and kind of answer any questions you might

 have but in the meantime do check out our blog grab on these application forms fill it out go apply and thanks very much