

Tips For Small Business Owners During COVID-19

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Regardless of where a business is on their spectrum of operations during the pandemic, there still is much discussion to be had about the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) passed by Congress in March 2020. There now are six **COVID-19 Relief Options** for small businesses to consider: Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL), Express Bridge Loans, SBA Debt Relief, Shuttered Venue Operators Grants, and Targeted EIDL Advance.

One of the most popular options, the **PPP** has gone through several revisions. One major change to the initial eligibility requirements is publicly traded companies are now prohibited from receiving PPP funds. Congress also earmarked \$25 billion for employers with 10 or fewer employees in the second round of funding. This program provides funds for businesses to cover payroll, mortgage interest, utilities, and COVID supplies.

Businesses that have exhausted their initial funds may qualify to participate in the “second draw.” Owners must show they have experienced a 25-percent decrease in gross receipts for any quarter in 2020 compared to 2019 and have fewer than 300 employees. New PPP applicants do not have to show a decrease in gross receipts. Some small businesses did not participate in the first round of funding due to lack of established banking relationships with an institution that participated in the program. Since many larger banks are not accepting new PPP loan applications, new applicants should consider using local community banks.

There also are online resources available such as Fundera, Kabbage, Lendio, Lendistry, and PayPal who do not require that you have a current business relationship with them to apply.

The **EIDL** is another lifeline to businesses that received PPP funding, but still need additional operating capital, or businesses that did not qualify for the PPP. These loans are now capped at \$150,000 with attractive terms that consist of repayment deferral for 12 months, 3.5 percent interest (2.5 percent for non-profits), and 30-year maturity. The **Express Bridge Loans** and **SBA Debt Relief** are programs available to business that had an existing relationship with the SBA prior to COVID-19. The Express Bridge Loan allows eligible businesses to quickly access up to \$25,000 while they wait on decisions and disbursement from other funding sources. The SBA Debt Relief automatically pays six monthly installments on eligible existing loans.

The **Shuttered Venue Operators Grants** program was signed into law in December 2020. This program has earmarked \$15 billion in grants for shuttered venues such as live performing arts organizations, museums, zoos, aquariums, and movie theaters. The venue must have been operational as of Feb. 29, 2020 and *not have received PPP funds after Dec. 27, 2020*. As of this writing, the SBA has not finalized the eligibility requirements. Therefore, venues considering the second draw PPP might delay applying to determine if the Shuttered Venue Operators Grant is a better option. Grant amounts will



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equal 45 percent of 2019 gross earned revenue or \$10 million, whichever is less for businesses in operation on Jan. 1, 2019. For businesses that started after Jan. 1, 2019, the grant amount will

equal the average monthly gross earned revenue during 2019 multiplied by six months or \$10 million, whichever is less. We suggest signing up for SBA's newsletter (sba.gov/updates) to stay informed.

The **Targeted EIDL Advance** was recently signed into law as well and is only available to prior EIDL applicants, some of whom received a loan, but not an advance or a reduced advance amount. This program will make advance funds up to \$10,000 available to applicants in low-income communities who previously received a smaller advance or no advance at all due to lack of funding. Applicants do not need to re-apply; the SBA will contact eligible applicants.

All applicants interested in COVID-19 Relief Options are urged to do so as soon as possible. Some funding options expire Mar. 31, 2021 or when funds have been exhausted, whichever comes first.

Currently, there is no specific guidance on accounting for PPP loans and forgiveness under generally accepted accounting principles. For now, the American Institute of Certified Public Accountants is recommending accounting for the loan proceeds as debt. Under this same guidance, the forgiveness of PPP loans should be accounted for as a gain on extinguishment of debt. Normally, a cancellation of debt might give rise to a taxable event, but the CARES Act specifically states PPP loans are excluded from taxable income. Business owners should enlist their CPA or accountant to ensure these entries are properly recorded.

Contact us at andrea@advisorycpas.com, or schedule a phone consultation at calendly.com/advisorycpas for assistance with any of these options and accounting advice. ■

