



Via Email and Mail

August 31, 2020

Re: Paycheck Protection Program Loan Forgiveness
Payroll Tax Deferral Plan

Dear Client:

Paycheck Protection Program Loan Forgiveness

This letter is an update to the Paycheck Protection Program (“PPP”) based on the PPP Flexibility Act of 2020 (“PPP Flexibility Act”).

On June 5, 2020, President Trump signed into law the PPP Flexibility Act.

The following is a summary of the major changes to the PPP based on the PPP Flexibility Act and PPP Loan Forgiveness:

- The covered period for borrowers to spend the PPP loan proceeds on forgivable expenses has been extended from 8 weeks to 24 weeks. Borrowers can choose to extend the covered period from 8 weeks to 24 weeks or keep the original 8 weeks period. The covered period can’t extend beyond December 31, 2020.
- To receive loan forgiveness, borrowers need to use at least 60% of the loan proceeds for payroll costs and may use up to 40% on non-payroll costs. The CARES Act originally allowed at least 75% to be used on payroll costs and up to 25% on non-payroll costs.
- Spend at least 60% of the funds on payroll costs:
 - o Salaries
 - o Wages
 - o Vacation Pay
 - o Parental and Family Leave
 - o Employer Medical or Other Group Benefits
 - o Sick Leave
 - o Employer Retirement Benefits
 - o Bonuses, Commissions or Hazard Pay
- Spend the remaining 40% of the funds on non-payroll costs (In order to be forgivable, the non-payroll costs had to be in effect prior to February 15, 2020):

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- Mortgage interest
 - Rent
 - Utilities
- The minimum loan maturity date for loans made after the date of enactment of the PPP Flexibility Act from 2 years to 5 years. The maturity date on previous PPP loans is not automatically extended, but it may be extended by mutual agreement of the lender and borrower. The interest rate remains at 1%.
 - The bill extends the June 30 deadline to December 31, 2020 to rehire employees and reverse salary cuts of greater than 25%. A failure to rehire and reinstate salaries will cause a proportion reduction in loan forgiveness.

In general, although every client's case and situation may differ, we recommend that you wait until October or November 2020 to apply for the loan forgiveness as there may be additional clarifications in the PPP loan forgiveness guidance to get the full picture.

- Link to the PPP Flexibility Act <https://www.congress.gov/bill/116th-congress/house-bill/7010/text>.
- Link to PPP Frequently Asked Questions (FAQs) on PPP Loan Forgiveness as of August 11, 2020 <https://www.sba.gov/document/support-frequently-asked-questions-ppp-loan-forgiveness>
- Link to PPP Loan Forgiveness Application Form 3580EZ https://content.sba.gov/sites/default/files/2020-06/PPP%20Forgiveness%20Application%203508EZ%20%28%20Revised%2006.16.2020%29.pdf?utm_medium=email&utm_source=govdelivery
- Link to PPP Loan Forgiveness Application https://content.sba.gov/sites/default/files/2020-06/PPP%20Loan%20Forgiveness%20Application%20%28Revised%2006.16.2020%29.pdf?utm_medium=email&utm_source=govdelivery



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Payroll Tax Deferral Plan

On August 28, 2020, the Department of Treasury and Internal Revenue Service issued a guidance on the payroll tax deferral that was ordered by President Trump's memorandum on August 8, 2020.

Under the guidance, payroll tax relief is available for employers and is applicable to wages paid from September 1, 2020 through December 31, 2020. Employers are allowed to defer withholding, deposit and payment of the employee's portion of Social Security tax on wages below \$4,000 during any biweekly pay period. The due date for withholding and payment of these taxes is postponed until the period beginning January 1, 2021, and ending on April 30, 2021. Deferred payroll taxes not paid during this period will be subject to interest and penalties.

There are discussions of potentially forgiving the deferred payroll taxes, although we are not sure of what the outcome will be at this point, we advise you to take advantage of the payroll tax deferral.

See attached link to the guidance (Notice 2020-65).

<https://www.irs.gov/pub/irs-drop/n-20-65.pdf>

Sincerely,



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Partner
KSGA, LLP

CC: Steven Kang, CPA



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