

## **COVID-19 Business Resource Updates as of July 15, 2020**

**July 15** - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire

### **EIDL Loan continues, but EIDL Advance ends**

While new applications for SBA EIDL Loans will still be accepted, the SBA announced the conclusion and success of the Economic Injury Disaster Loan (EIDL) Advance grant program. The EIDL Advance grants provided \$1,000 per employee up to a maximum of \$10,000 as an interim but vital source of funds while applicants awaited their loan application.

EIDL loan applications will still be accepted and processed even though the Advance is no longer available. As a reminder, the loan portion of the EIDL program continues to have funds available at affordable terms, including a 3.75% interest rate for small businesses, a 30-year maturity, and an automatic deferment of one year before the monthly payments begin.

You can learn more about the EIDL loan program here:

<https://www.sba.gov/page/disaster-loan-applications>

### **New: SBDC Wisconsin Restaurant Initiative Webinar**

Restaurants are going through an unprecedented time. In today's market you either adapt or perish. The pandemic has left many restaurant owners struggling for answers. Never has it been so important to operate your establishment as efficiently as possible and create new revenue streams. Adaptation is key.

- What: "Navigating Your Restaurant through COVID-19"
- When: 9:30 AM Tuesday, July 21
- Presenter: Jason Schleip, [Wisconsin Restaurant Initiative](#) Lead SBDC Consultant
  - William (Bill) Ryan, [Downtown & Business District Extension](#) Educator
- Register:  
<https://register.gotowebinar.com/register/4805335713079981583>

**Harlie Juedes**

Assistant Director

Wisconsin Small Business Development Center at UW-Eau Claire

## **July 8 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

### **Payment Protection Program (PPP) extended through August 8**

Last week the House and Senate passed an extension of the PPP Loan Program. President Trump signed this into law on July 4. The new law extends the PPP loan application availability to Saturday, August 8. Currently, there is about \$139 billion available in PPP loan money. Remember, to apply for a PPP loan you do that through a bank. Therefore, if you are interested in a PPP loan, see your local bank.

### **Pending PPP Loan Forgiveness Application Legislation Introduced into the Senate.**

On July 1, 2020 a Senate Bill with bipartisan support from both Republicans and Democrats was introduced into the Senate that would greatly simplify the process for forgiveness of PPP loans of \$150,000 or less. The Senate Bill, titled the **Paycheck Protection Small Business Forgiveness Act**, would simplify the PPP loan forgiveness application to a one page attestation form that the borrower would give to the PPP bank/lender attesting they made a good faith effort to the use of the PPP loan proceeds for the purposes spelled out in the PPP loan program. There would be no complex accounting and reporting or verification.

There are approximately 3.7 Million PPP loans of \$150,000 or less making up 85 percent of all businesses with PPP approved loans. These 3.7 million loans only account for 26 percent of the PPP loan fund dollars expended. Therefore, this proposed legislation lightens the reporting burden for the vast majority of businesses while still subjecting nearly 75% of the PPP loan money disbursed to a relatively high standard of verification with the more stringent PPP loan forgiveness application process currently in place to be used for PPP loans greater than \$150,000. It is projected that if this Senate Bill is passed, it would save small businesses \$7.4 billion in accounting and recordkeeping costs alone not to mention the tremendous time savings and anxiety verses having to use the current PPP loan application process.

**Again this is a pending Senate Bill with bipartisan support that would need to pass the Senate and the House and then be signed by the President before it becomes law.** As I mentioned in a previous email, I recommend that you wait to file the current PPP loan forgiveness application for at least a few more weeks as we see if this new Senate Bill moves forward possibly simplifying the process for the majority of businesses. I talked to three different bankers in the past seven days that were also holding off on sending out PPP loan forgiveness application forms to borrowers until more clarity is known on what the final application process will look like. They too anticipate change to the current prescribed PPP loan forgiveness application process. Again I encourage you to be patient as things play out.

Stay tuned and I will keep you up to date!

Thanks  
Luke



University of Wisconsin  
Eau Claire

*Luke Kempen*  
Director

## **June 18 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

Today's update discusses more details on the new legislation that passed on June 5 regarding the PPP Loan Program. Some of this gets complex but I also provide some input to help give perspective and meaning to these new provisions and hopefully reduce the complexity.

Also, I am pleased to announce that Harlie Juedes has joined the SBDC at UW-Eau Claire as Assistant SBDC Outreach Director. Harlie's background is in marketing and brings to the SBDC at UW-Eau Claire new talents and ability to assist clients with marketing consulting. As most of you are aware, my background is financial and accounting. Harlie's skills in marketing adds to our Center's capabilities. As we move forward Harlie will be getting more involved in our updates and in assisting SBDC clients and stakeholders. Learn more about Harlie via the link below.

<https://wisconsinsbdc.org/team/harlie-juedes/>

### **Key provisions of the new PPP legislation passed on June 5 and subsequent SBA interim final rules issued this week**

Below are some key elements and clarification of details for the June 5 legislation update of the PPP loan program. I also provide some input to help give perspective and meaning to these.

- Borrowers that received loans before June 5 can choose between using the original eight-week covered period or the new 24-week covered period for the PPP Loan forgiveness period.
- The minimum payback term for unforgiven PPP loans is raised to five years for all PPP loans made on or after June 5. For PPP loans made before June 5, the two-year minimum maturity remains in effect unless both the borrower and the lender agree to extend it to five years. **Therefore, if you got a PPP loan before June 5, and not all of it is forgiven, it will be important for you to inquire of your PPP loan lender bank if you desire the 5-year payback versus a 2-year payback on the amount that is not forgiven. The bank makes the decision. This is not automatic. (Again, this should be a rare occurrence because with the new legislation it should be relatively easy to get the whole PPP loan forgiven anyway.)**
- The proportion of PPP funding that must be used on payroll costs to qualify for full forgiveness drops from 75% to 60%.
- The covered period for the loan forgiveness was extended from eight weeks to 24 weeks. However, borrowers with loans taken before June 5th can still choose the eight-week period.

- The Act extended the date to replace full-time equivalent employees (FTEs) and restore salaries from June 30, 2020 until December 31, 2020. It also allows relief for those businesses that have a loss of FTEs because of Covid-19 related restrictions that prevent the same level of business activity through the end of the year. This is a significant help to those businesses who still have not been able to bring back all employees and fully reopen because of stay-at-home restrictions.
- **The SBA's application deadline for PPP loans remains June 30. If you have not yet applied for a PPP loan and you want to apply, I recommend you do that by June 24 as some banks will stop taking application before June 30 in order to get them in process to the SBA by June 30.**

### Owner compensation

As stated above, the covered period for the loan forgiveness was extended from eight weeks to 24 weeks. Given this change, the SBA just issued new interim final rules dealing with owner compensation for LLC and sole proprietors and I present these below. **However before you read these let me set the stage with some general guidance:**

- 1. Many of you have already planned and have approached things with original PPP loan forgiveness rules in mind and it may make sense to just continue with that approach at least as the starting point.**
- 2. Whatever you decide to use ...the 8 week or 24 week period... if you complete the PPP Loan Forgiveness Application and it calculates that the entire PPP loan will be forgiven then you are probably "good to go" and don't need to worry about the complexity of the rules and differences.**
- 3. If the amount of forgiveness you calculated on the application does not cover the entire PPP loan, then you may want to look at the other alternative period and calculate things that way and compare. You may also want to have somebody with more expertise look at your PPP Loan Forgiveness Application to help assure it is calculated properly and that you have taken advantage of the rules that maximizes PPP Loan forgiveness. Your bank should also be able to provide some help here too.**

Under the new rules, the SBA provides two ways to calculate owner compensation.

- For borrowers using an eight-week covered period: Eight weeks' worth (8/52) of 2019 net profit (up to \$15,385) for an eight-week covered period (this is the original way the PPP loan rules were set.)
- For borrowers using a 24-week covered period: 2.5 months' worth (2.5/12) of 2019 net profit (up to \$20,833) for a 24-week covered period." (This is the new

option you have to calculate owner compensation for PPP loan forgiveness. This new rule makes it easier for a business to use up all their PPP loan proceeds against owner compensation without having to use a portion of the PPP loan proceeds for mortgage interest, utilities, and rent.)

Yes this gets somewhat complex. Again... look at my general guidance above as the majority of you will fall into that category.

### **Updated PPP Loan Forgiveness Applications have been released**

Given the new legislation on June 5, yesterday June 17, the SBA and Treasury released updated PPP Loan Forgiveness Applications. These new applications include two options, one that is an “EZ” shorter version. I am not going to go into the details of these applications here today. The SBDC is working with the SBA with some additional training on Friday that I hope will allow me to be able to share more details and insight on these two applications next week. Below are links to the two new PPP Loan Forgiveness Applications so you can review these if you want and begin to prepare for completing the PPP Loan Forgiveness Application. Likely, your bank will soon be sending you information on these new applications too. Remember in the end the PPP loan bank will decide acceptance of you application.

- **Full Forgiveness Application (Revised)**
  - <https://www.sba.gov/document/sba-form-paycheck-protection-program-loan-forgiveness-application-revised-6-16-2020>
  
- **EZ Loan Forgiveness Application – can be used for borrowers that:**
  - Are self-employed with no employees; OR
  - Did not reduce the salaries or wages of their employees by more than 25%, and did not reduce the hours of their employees; OR
  - Experienced reductions in business activity as a result of health directives related to COVID-19 and did not reduce the salaries or wages of their employees by more than 25%
  - <https://www.sba.gov/sites/default/files/2020-06/PPP%20Forgiveness%20Application%203508EZ%20%28%20Revised%2006.16.2020%29.pdf>

Thanks

Luke

**June 16 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

## **SBA Reopens COVID-19 Economic Injury Disaster Loan (EIDL) and EIDL Advance Application Portal to All Eligible Small Businesses!**

Sorry for the second email today but this news just came in right after I sent my update this evening....The SBA just announced at 5:40 pm today that they reopened the SBA E Economic Injury Disaster Loan (EIDL) and EIDL Advance Application Portal to All Eligible Small Businesses. This includes the EIDL Grant program too. I know many people have been asking me if EIDL would be reopened and the answer is YES!

**Below is information from the SBA announcement this evening....**

- The SBA is offering low interest federal disaster loans for working capital to small businesses and non-profit organizations that are suffering substantial economic injury as a result of COVID-19 in all U.S. states, Washington D.C., and territories.
- These loans may be used to pay debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact, and that are not already covered by a Paycheck Protection Program loan. The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%.
- To keep payments affordable for small businesses, SBA offers loans with long repayment terms, up to a maximum of 30 years. Plus, the first payment is deferred for one year.
- In addition, small businesses and non-profits may request, as part of their loan application, an EIDL Advance of up to \$10,000. The EIDL Advance is designed to provide emergency economic relief to businesses that are currently experiencing a temporary loss of revenue. This advance will not have to be repaid, and small businesses may receive an advance even if they are not approved for a loan. The grant is determined based on \$1,000 per eligible employee of the business. (Count the business owner as an employee too.)

If you have not applied for the EIDL Loan in the past I would encourage you to consider it. You can still apply for EIDL even if you got a PPP loan. Remember though if you get an EIDL Grant (not EIDL Loan) your forgivable portion of the PPP loan will be reduced by the amount of your EIDL grant received up to \$10,000. Here is a link to the SBA EIDL Grant and Loan Application: <https://www.sba.gov/page/disaster-loan-applications>

The SBA is still offering the [Paycheck Protection Program](#), loans through banks and is currently accepting applications until June 30, 2020.

For additional information, please visit the SBA disaster assistance website at [SBA.gov/Disaster](https://www.sba.gov/Disaster).

Thanks

Luke

**June 15 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

## **SBA Announces New PPP Loan Application Form And Plans For New PPP Loan Forgiveness Form**

Given the new PPP rules that went into effect with legislation passed on June 5, on Friday, June 12 the SBA released a new PPP Loan Application form that was created for applicant borrowers seeking PPP loans from their bank. Going forward, banks and borrowers will be using this form for anyone who seeks a PPP loan. Here is a link to the new loan application form:

<https://www.sba.gov/document/sba-form-2483-paycheck-protection-program-borrower-application-form-revised-june-12-2020>

The SBA also announced on June 12 that they will soon release a new PPP Loan Forgiveness Application Form. This is the form that PPP Loan borrowers will use to apply and seek forgiveness of their PPP loans. This new form will reflect the new rules for PPP loan forgiveness that became law on June 5. We do not yet have the form, but again, the SBA said they will soon release that form to the public. The SBA has commented that the new PPP Loan Forgiveness Application may include a “shorter, EZ” version. We will alert you when that new application is available. It appears the current form the SBA released about three weeks ago is still acceptable too. If you have questions if you can use the old form you should contact your bank where you have the PPP loan as the bank will make the final decision on the form they will allow and use.

## **The WEDC We're All In \$2,500 Grant Application Process Has Started**

The deadline to submit your application is 11:59 PM on Tuesday, June 23.

You can apply by clicking “Application” under the *We're All In* section on our website:

<https://wisconsinsbdc.org/services/covid-19/>

### **To apply, you will need:**

- 2018 or 2019 federal tax return for business (If you started your business in 2020, you are not eligible for this grant). Applicable tax returns are:
  - IRS form 1065 Partnership Return (no K-1s required)
  - IRS form 1120 Corporation Return (no schedules required)
  - IRS form 1120S S Corporation Return (no K-1s required)
  - IRS form 1040 (sole proprietors) and the following:
    - Schedule C, Profit and Loss from Business
  
- Signed W-9 form available at [www.irs.gov/pub/irs-pdf/fw9.pdf](http://www.irs.gov/pub/irs-pdf/fw9.pdf) (WEDC will issue each grant recipient a FORM 1099 for tax purposes. The grant is taxable income to your business subject to both state and federal taxes. If you do not have a properly completed W-9 you will not get the grant. Make sure you sign the W-9 form.)
  
- A letter or email of acknowledgement from a community organization indicating your business was in operation in February 2020. The letter or email can be from any of the following:
  - Chamber of commerce
  - Main Street or Connect Communities organization
  - Local business improvement district
  - Neighborhood economic development association
  - Local economic development organization
  - County economic development association
  - Municipality, including tribal government

- County
- Local bank, credit union or community development financial institution
- Regional UW Small Business Development Center
  - If you would like to request a letter of acknowledgement from the SBDC, please fill out the request form available here: <https://wisconsinsbdc.org/wedc-were-all-in-small-business-grant-letter-of-acknowledgment-request/>
- U.S. Export Assistance Center – Wisconsin
- Regional economic development organization
- Regional Planning Commission
- Trade association

### **Applications Now Accepted for Wisconsin Farm Support Program**

The Wisconsin Farm Support Program is a federally funded program with funds from the CARES Act that Wisconsin will use to provide \$50 million of relief to farmers that suffered economic damages in 2020 as a result of the COVID-19 pandemic. The program will be administered by the Wisconsin Department of Revenue (DOR). DOR estimates that approximately 26,500 farms may be eligible for direct payment through the Farm Support Program.

Applications will be accepted until 11:59 p.m. on June 29.

Money will be allocated based on the amount of gross farm income in 2019. The minimum grant amount is \$1,000 and the maximum amount is \$3,500. The funds will be distributed based on a percent of gross income that will be determined after all the applications are received.

Grants and taxable income and each recipient will receive a Form-1099G, *Certain Government Payments*.

There are many more details about eligibility and process online.

To apply:

<https://tap.revenue.wi.gov/farm/> /

Farm Support FAQ:

<https://www.revenue.wi.gov/Pages/TaxPro/2020/FarmSupportProgram.aspx>

Thanks

Luke

### **June 9 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

#### **Update On \$2,500 WEDC Grant and Letter of Acknowledgement Request Form**

In our update last week, we talked about the WEDC announcement for the \$2,500 *Were All In* Grant. We continue to await more details from WEDC on the actual application. As we stated in our email last week, as part of your application for WEDC's *We're All In* grant, you will need to provide a letter of acknowledgment from a community organization indicating your business was in operation in February 2020.



If you would like to request a letter of acknowledgement from the SBDC, please fill out the request form available here: <https://wisconsinsbdc.org/wedc-were-all-in-small-business-grant-letter-of-acknowledgment-request/>

We will review the information you provide in this request and respond back to you.

Also, as an alternative to a letter from the SBDC, the requisite letter or email can be from any of the following:

- Chamber of commerce
- Main Street or Connect Communities organization
- Local business improvement district
- Neighborhood economic development association
- Local economic development organization
- County economic development association
- Municipality, including tribal government
- County
- Local bank, credit union or community development financial institution
- Regional UW Small Business Development Center
  - If you would like to request a letter of acknowledgement from the SBDC, please fill out the request form available here: <https://wisconsinsbdc.org/wedc-were-all-in-small-business-grant-letter-of-acknowledgment-request/>
- U.S. Export Assistance Center – Wisconsin
- Regional economic development organization
- Regional Planning Commission
- Trade association

Only one letter is needed but it must be from one of the organizations listed above.

### **PPP Loan Update**

As was announced last week, the [Paycheck Protection Flexibility Act](#), was signed by President Trump and is now official law. Our update on Thursday last week provided the details of the new PPP Law changes. Here again is a summary of the legislation's main points compiled by the American Institute of CPAs:

- PPP borrowers can choose to extend the eight-week period to 24 weeks, or they can keep the original eight-week period. This flexibility is designed to make it easier for more borrowers to reach full, or almost full, forgiveness.
- The payroll expenditure requirement drops to 60% from 75%.but is now a cliff, meaning that borrowers must spend at least 60% on payroll or none of the loan will be forgiven. Currently, a borrower is required to reduce the amount eligible for forgiveness if less than 75% of eligible funds are used for payroll costs, but forgiveness isn't eliminated if the 75% threshold isn't met.
- Borrowers can use the 24-week period to restore their workforce levels and wages to the pre-pandemic levels required for full forgiveness. This must be done by Dec. 31, a change from the previous deadline of June 30.

- The legislation includes two new exceptions allowing borrowers to achieve full PPP loan forgiveness even if they don't fully restore their workforce. Previous guidance already allowed borrowers to exclude from those calculations employees who turned down good faith offers to be rehired at the same hours and wages as before the pandemic. The new bill allows borrowers to adjust because they could not find qualified employees or were unable to restore business operations to Feb. 15, 2020, levels due to COVID-19 related operating restrictions.
- Borrowers now have five years to repay the loan instead of two. The interest rate remains at 1%.
- The bill allows businesses that took a PPP loan to also delay payment of their payroll taxes, which was prohibited under the CARES Act.

In an information call today with SBA representatives, SBA and Treasury told the SBDC that they are now feverishly working to revise the guidance and the PPP loan forgiveness application. This includes developing more guidance to lenders and banks about the PPP loan forgiveness as it relates to the new law. One possibility being discussed includes a simplified PPP Loan Forgiveness application for loans of less than a certain threshold. I believe some of you may be at the end of the old law eight-week period. Before you apply for PPP loan forgiveness, you may want to wait to see the new application and guidance details. We will keep you updated.

Also, PPP Loans are still available if you have not yet applied for the PPP loan. Some of you who have not applied in the past because of the limited 8 week period may now want to apply given the new relaxed laws. To apply contact your local banker.

### **Wisconsin Farm Support Program Announced**

The Wisconsin Farm Support Program is a federally funded program with funds from the CARES Act that Wisconsin will use to provide \$50 million of relief to farmers that suffered economic damages in 2020 as a result of the COVID-19 pandemic. The program will be administered by the Wisconsin Department of Revenue (DOR). DOR estimates that approximately 26,500 farms may be eligible for direct payment through the Farm Support Program.

Applications will be accepted starting at 7:00 a.m. on June 15 and ending at 11:59 p.m. on June 29. DOR is still working on details and the final application process.

Money will be allocated based on the amount of gross farm income in 2019. The minimum grant amount is \$1,000 and the maximum amount is \$3,500. The funds will be distributed based on a percent of gross income that will be determined after all the applications are received.

Grants and taxable income and each recipient will receive a Form-1099G, *Certain Government Payments*.

There are many more details about eligibility and process online.

Go to this link: <https://www.revenue.wi.gov/Pages/TaxPro/2020/FarmSupportProgram.aspx>

Also, if you are a farmer and have not applied for an SBA EIDL Grant and Loan you can still apply.

Go To <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

### **SBA EIDL Grant and Loan Program.**

Still only open to farmers to apply. Not sure what the intent of the SBA is if they will reopen this to non-farm businesses. If this changes we will let you know.

Thanks  
Luke



*Luke Kempen*  
*Director*  
*Wisconsin Small Business Development Center at UW-Eau Claire*

### **June 1 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

#### **More details announced today for the WEDC \$2,500 Grant Program**

The Wisconsin Economic Development Corporation (WEDC) will begin accepting applications online for the \$75 million **We're All In** Small Business Grant (WSBG) program beginning at 8 a.m. on June 15, WEDC officials announced today.

The program, which will provide \$2,500 grants to 30,000 small businesses, is designed to help small businesses get back on their feet amid the COVID-19 pandemic while also encouraging them to adopt best practices to keep employees, customers and communities safe.

FAQs about the grant and the materials businesses will need to apply can be found at [wedc.org/WAI-Small-Business-Grant](http://wedc.org/WAI-Small-Business-Grant). The online grant application will be accessible at the same site from 8 a.m. Monday, June 15, through 11:59 p.m. Sunday, June 21.

A business may apply for the **We're All In** Small Business Grant if it:

- Was in business in February 2020. Businesses that started in 2020 are not eligible;
- Is Wisconsin-based and for-profit;
- Employs 20 or fewer full-time equivalent (FTE) employees, including the owner; and
- Has more than \$0 but less than \$1 million in annual revenues.

Businesses will **not** be eligible for the grants if they are:

- Part of a national chain, unless the business is a third-party franchise;
- Industries covered by other Wisconsin CARES Act Coronavirus Relief Fund programs are ineligible for this program. These are:
  - Crop Production
  - Animal Production or Aquaculture
  - Lessors of Residential Buildings and Dwellings  
([doa.wi.gov/Pages/LocalGovtsGrants/COVID-Grants](http://doa.wi.gov/Pages/LocalGovtsGrants/COVID-Grants))

Applicants are encouraged to prepare for the one-week application period by gathering the following required documents now to be uploaded to the application site:

- 2018 or 2019 federal tax return for business (If you started your business in 2020, you are not eligible for this grant). Applicable tax returns are:
  - IRS form 1065 Partnership Return (no K-1s required)
  - IRS form 1120 Corporation Return (no schedules required)
  - IRS form 1120S S Corporation Return (no K-1s required)
  - IRS form 1040 (sole proprietors) and the following:
    - Schedule C, Profit and Loss from Business
  - Signed W-9 form available at [www.irs.gov/pub/irs-pdf/fw9.pdf](http://www.irs.gov/pub/irs-pdf/fw9.pdf) (*The grant is taxable income to you. It appears the State will issue you a Form 1099 at the end of the year for tax purposes.*)

- An email or letter of acknowledgement from a community organization indicating your business was in operation in February 2020. Letters or emails can be from any of the following:
  - Chamber of commerce
  - Main Street or Connect Communities organization
  - Local business improvement district
  - Neighborhood economic development association
  - Local economic development organization
  - County economic development organization
  - Municipality, including tribal government
  - County
  - Local bank, credit union or community development financial institution
  - **Regional UW Small Business Development Center**
  - U.S Export Assistance Center – Wisconsin
  - Regional economic development organization
  - Regional Planning Commission
  - Trade association

Sample text for a letter or email can be found at [wedc.org/WAI-Small-Business-Grant](http://wedc.org/WAI-Small-Business-Grant).

- Three-digit North American Industry Classification System (NAICS) code that best fits their business. This information may be included in a business's tax return, or through the NAICS website: [www.naics.com/naics-code-description](http://www.naics.com/naics-code-description).

### **SBA EIDL Grant and Loan Process Still Only Open to Agricultural Related Businesses.**

SBA EIDL Grant and Loan program applications are still only open to agricultural related business. No word on when or if SBA will reopen this to regular businesses.

### **PPP loans are still available if you have not yet applied.**

There is still some PPP money available from Round 2 of Congressional relief, so if you haven't yet applied and still need the money, do so immediately. PPP loan money is still available largely because most loans in this second round have been much smaller than in Round 1 and many larger companies have returned their loans. You will likely have better luck receiving a loan by applying through a smaller community bank as opposed to a large national bank.

## PPP Loan Forgiveness Application News

Many of you with PPP loans are well into the eight-week PPP loan period with some of you in the last couple weeks of the period. Last week I sent out the link to the SBA's PPP Loan Forgiveness Application. Here is the link again:

<https://www.sba.gov/sites/default/files/2020-05/3245-0407%20SBA%20Form%203508%20PPP%20Forgiveness%20Application.pdf>

The SBA and Treasury have not issued any updates since the application was issued on May 15. However, both the House and Senate are considering bills that would “relax” some of the PPP loan forgiveness rules. The House actually passed a bill and awaits the Senate version. It appears fairly likely that there will be some new legislation easing some of the PPP loan rules dealing with employees that did not return to work and with the 8 week period and with the application for forgiveness process. I will let you know if changes become the law which again appears to be **highly likely**. Right now, what we have is the current law and rules.

As the PPP Loan Forgiveness process stands some key factors to consider include:

Businesses have 60 days after the eight-week PPP loan period to apply at their bank for loan forgiveness. Once you file the forgiveness application with your bank, it will have 60 days to review it and let you know the amount of forgiveness. The bank will then notify the SBA of the amount of forgiveness and the SBA will have 90 days to approve the bank's decision.

The SBA can request more information from the lender or the borrower directly and then will approve the amount in whole or in part. If the SBA determines a portion or all of the loan did not meet the guidelines for eligibility or forgiveness, it can request repayment of the loan or “pursue other available remedies.” The guidelines do not explain what these other remedies might be. Borrowers do have the right to appeal decisions rejecting forgiveness to the SBA.

It is important to note the SBA now requires borrowers to keep all files and paperwork on PPP loans for six years. The regulation states:

*“As noted on the Loan Forgiveness Application Form, the borrower must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request from the time of application.”*

Below is a link to an article in Kiplinger’s which I think does a great job in explaining some key considerations of the PPP loan forgiveness in a way one can readily understand.

Link to Kiplinger Article: <https://www.kiplinger.com/slideshow/business/T035-S010-tips-and-warnings-on-ppp-loan-forgiveness/index.html>

## **Farmers and COVID Relief Update**

Both the SBA EIDL and the PPP Loan programs are still open to farmers. If you have not applied and these programs fit for you, I encourage you to apply.

Also, USDA and Farm Service Agency are now taking applications with the Coronavirus Food Assistance Program, or CFAP. CFAP provides vital financial assistance to producers of agricultural commodities who have suffered a five-percent-or-greater price decline or who had losses due to market supply chain disruptions due to COVID-19 and face additional significant market costs. Eligible commodities include:

- **Non-specialty Crops:** malting barley, canola, corn, upland cotton, millet, oats, soybeans, sorghum, sunflowers, durum wheat, and hard red spring wheat
- **Wool**
- **Livestock:** cattle, hogs, and sheep (lambs and yearlings only)
- **Dairy**
- **Specialty Crops**
  - **Fruits:** apples, avocados, blueberries, cantaloupe, grapefruit, kiwifruit, lemons, oranges, papaya, peaches, pears, raspberries, strawberries, tangerines, tomatoes, watermelons
  - **Vegetables:** artichokes, asparagus, broccoli, cabbage, carrots, cauliflower, celery, sweet corn, cucumbers, eggplant, garlic, iceberg

- lettuce, romaine lettuce, dry onions, green onions, peppers, potatoes, rhubarb, spinach, squash, sweet potatoes, taro
- **Nuts:** almonds, pecans, walnuts
  - **Other:** beans, mushrooms

To learn more about CFAP, download the [final rule](#), [notice of funding availability](#), and [cost-benefit analysis](#).

## How to Apply

**Producers should apply through their local Farm Service Agency Service Center.** While USDA Service Centers are open for business by phone appointment only, FSA is working with our agricultural producers by phone and using email and online tools to process applications. Please call your FSA county office to schedule an appointment. You can find contact information for your local USDA Service Center at the bottom of the page.

Applications can be submitted electronically either by scanning, emailing, or faxing. Please call your office prior to sending applications electronically.

A CFAP Call Center is available for producers who would like additional one-on-one support with the CFAP application process. Please call 877-508-8364 to speak directly with a USDA employee ready to offer assistance.

## Broader USDA Efforts

In addition to CFAP, USDA has other programs and services available to farmers impacted by the coronavirus pandemic. Learn more at [farmers.gov/coronavirus](https://farmers.gov/coronavirus).

Thanks  
Luke



University of Wisconsin  
**Eau Claire**

*Luke Kempen*  
*Director*  
*Wisconsin Small Business Development Center at UW-Eau Claire*



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## **May 19 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

### **UWEC Eau Claire SBDC Hosting Another Cash Flow Webinar on Wednesday, May 20.**

How will you restart your business after the threat posed by the coronavirus is diminished? The SBDC is hosting a free interactive webinar for small business owners. **Recovery After COVID-19: Planning and Managing Cash Flow** is a program that is designed to provide tools to help you forecast and plan your business cash flow.

The webinar is free, but you must register to attend. The next webinar is on Wednesday, May 20<sup>th</sup>, at 2:00 PM. Learn more and register: <https://ce.uwec.edu/programs/recovery-after-covid-19-planning-and-managing-cash-flow/>

### **SBDC State Office Hosting Restaurant Reopening Planning Webinar Tuesday May 19.**

This webinar is aimed at helping restaurants plan for reopening at the end of the Safer at Home order. Jason Schleip and WEDC Downtown Development Account Manager Errin Welty will discuss operations planning, physical space improvements, customer engagement and best practices for restaurants in the coming months.

- **What:** "Restaurant Reopening Planning Webinar"
- **When:** 9 a.m. Tuesday, May 19
- **Presenter:** Jason Schleip, Wisconsin Restaurant Initiative consultant for the SBDC
- **Register:** [https://forms.office.com/Pages/ResponsePage.aspx?id=A8bQpH-ck0K4nKCMGo61cfH\\_uf\\_BeLhAtE4VDwFCKzhUQzBBNk1ONVI4QTJBQ0Y0NIhRODA4UEFRTC4u](https://forms.office.com/Pages/ResponsePage.aspx?id=A8bQpH-ck0K4nKCMGo61cfH_uf_BeLhAtE4VDwFCKzhUQzBBNk1ONVI4QTJBQ0Y0NIhRODA4UEFRTC4u)

### **\$75 Million in State Grant Money Announced Today**

Governor Tony Evers and WEDC today announced a major new initiative that combines federal CARES Act funding with specific Wisconsin programs aimed at helping small business respond to and recover from the effects of the COVID-19 health emergency. The *We're All In initiative* includes \$2,500 cash grants to assist with the cost of business interruption or for health and safety improvements, wages and salaries, rent, mortgages and inventory.

While details of the grant's requirements are being finalized, the following information was included in today's announcement:

- Grants in the amount of \$2,500 will be available for small businesses with 20 or fewer FTEs impacted by COVID-19 that have not already received WEDC COVID-19 assistance.
- Up to 30,000 businesses may receive grants.
- The application period for these grants will open in June.

People interested in receiving up-to-date information on the *We're All In* initiative, including the timeline for the applications for the *We're All In* Grant Program, can subscribe to daily alerts at [www.wedc.org/focus-forward](http://www.wedc.org/focus-forward).

Businesses will be able to apply for grant assistance in early June. As we learn more I will keep you updated. See the full press release here: <https://content.govdelivery.com/accounts/WIGOV/bulletins/28c2d0c>

## PPP: Loan Forgiveness Application and Instructions Now Available



Late last Friday, the SBA released the PPP loan forgiveness application form. I included the information from the press release here and the link to the actual application form. The form and instructions are 11 pages.

I did quick review of the application and instructions. Also did some additional study and reading about the application. I included here a summarized version of an article that was posted Saturday, May 15, on Forbes website written by Alan Gassman, CPA. I think Forbes and Mr. Gassman do a great job summarizing the highlights of the PPP application form and do it with explanations that can be generally understood. I also provided a link to the complete article below. My advice is to review the summary below from the Forbes article to get a general understanding. Then if you want more details go to the actual application form in the link provided by the SBA and if you want more then read the entire Forbes article. I will follow up with more on the PPP Loan Forgiveness application as I learn more this week. It is suspected that the SBA will provide more on this later this week or early next week.

*SBA Press Release: "More than 77,000 Wisconsin businesses and nonprofits to date have received more than \$10.1 billion in forgivable Paycheck Protection Program loans. SBA and the Department of the Treasury have now released the loan forgiveness application and detailed instructions.*

*The form and instructions include measures to reduce compliance burdens and simplify the process for borrowers, including:*

- *Options for borrowers to calculate payroll costs using an "alternative payroll covered period" that aligns with borrowers' regular payroll cycles*

- *Flexibility to include eligible payroll and non-payroll expenses paid or incurred during the eight-week period after receiving their PPP loan*
- *Step-by-step instructions on how to perform the calculations required by the CARES Act to confirm eligibility for loan forgiveness*
- *Borrower-friendly implementation of statutory exemptions from loan forgiveness reduction based on rehiring by June 30*
- *Addition of a new exemption from the loan forgiveness reduction for borrowers who have made a good-faith, written offer to rehire workers that was declined*

[Click here](#) to view the application and instructions.

*SBA will also soon issue regulations and guidance to further assist borrowers as they complete their applications, and to provide lenders with guidance on their responsibilities.”*

**Forbes Summary article on Release of SBA PPP Loan Forgiveness Application -- Saturday May 16 with contributing author Alan Gassman, CPA.**

Link to this article is here. <https://www.forbes.com/sites/alangassman/#55e545637199>

To summarize ...I have included major excerpts from the Forbes article below...

*On Friday, May 15th, the SBA issued the Loan Forgiveness Application that will be used by PPP borrowers to determine and report how much of their PPP loan will be forgiven. (According to the Forbes article), .....the most notable items addressed in the Application and Instructions are as follows:*

***1. Payroll Paid After the Eighth Week.*** *Payroll expenses do not have to be both “paid and incurred” in the exact eight week period (56 days) that begins on the day that the first loan proceeds are received. By the language of the CARES Act, and the regulations and FAQs issued by the SBA, only payroll that was actually paid during the eight weeks for services actually rendered by employees, plus applicable PTO used during that eight weeks, were going to be forgiven.*

*This was going to cause a significant hardship, and accounting nightmares for the majority of businesses, which pay their workers in arrears.*

*The Application allows the borrower to choose to use the 56-day period following the receipt of the first loan money, which is referred to as the “Covered Period,” or to select the “Alternative Payroll Covered Period,” to coincide with the payroll schedule of the borrower, if it is bi-weekly or more frequently.*

*The Alternative Payroll Covered Period, if elected, will begin on the first day of the borrower’s first pay period following the date that they receive their first PPP loan dollars, and will end on the 56th day thereafter. This assumes that all borrowers pay their employees in full on the last day of each pay period. Employers who pay their employees after the last day of the pay period may still lose the forgiveness of payroll that is paid in arrears beyond the last day of the last pay period that is within the 56 days, and should therefore adjust their procedures accordingly.*

*Employers who pay monthly should adjust their procedures to pay every two weeks so that they can qualify to use the Alternative Payroll Covered Period.*

*A borrower that elects to use the Alternative Payroll Covered Period must also account for employee health insurance, retirement plan contributions, and state and local taxes assessed on employee*

compensation during the same period of time, but will keep track of rent, interest and utilities for the "Covered Period" (the first 56 days after the receipt of the first PPP loan amount), subject to the rule described in Section 3 below.

**2. Rent and Interest on Non-Real Estate Secured Loans and Leases.** Rent and interest paid on leases of non-real estate business assets, and interest paid on loans that are secured by non-real estate "mortgages," which are normally referred to as "Security Agreements," will qualify for forgiveness, if they are based upon loans and leases that were in effect on February 15, 2020.

**3. Interest Rent and Utilities Paid in Arrears.** Interest, rent and "utilities" that are incurred during the eight week repayment measurement period and paid shortly thereafter in the normal course of business will also qualify to be forgiven.

This provision of the Application reads as follows:

An eligible nonpayroll cost must be paid during the Covered Period or incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period.

The above language will not apply to health insurance or retirement plan contributions, because they are considered to be "payroll costs" under the applicable terminology.

**4. The 75% Rule Is Not An "All Or Nothing" Requirement.** There has been much confusion over the "75% rule. Some thought that this meant that if the borrower only spent, for example, 74% of the PPP loan money on payroll, health insurance and pension expenses, there would be no forgiveness whatsoever.

The rule makes it clear that the borrower can first determine its payroll, health insurance and retirement plan expenses (which we will call the "Payroll Amount") and then the sum of the other forgivable expenses ("rent, utilities, and interest") cannot exceed 33 1/3% of the Payroll Amount.

For example, if the loan is \$100,000, and only \$70,000 is spent on payroll, health insurance and retirement plan expenses, then 33 1/3rd% of \$70,000 is \$23,333, and the maximum amount forgiven based on interest rent and utilities will be \$23,333, so that the total loan forgiveness would be \$93,333.

The language in the Instructions that confirms this states that "eligible nonpayroll costs cannot exceed 25% of the total forgiveness amount."

**5. Reduction Ratios for Reduced Workforce and Compensation.** The Application indicates how to apply the related calculations with respect to reduction of what is forgiven when there is a reduction in workforce or large salary reductions for non-highly compensated employees. One clarification is that the amounts otherwise forgiven for rent, interest and utilities are also reduced if there is a reduction in the number of employees under the test.

**6. When Does the Eight Week Period Start?** The eight week forgiveness period begins when the first PPP monies are received. A business that borrowed \$100,000 on May 1st, and gets another \$50,000 on May 14th, will have to track the expenses for the eight weeks beginning May 1st. The Instructions do not indicate what occurs if the second or third tranche of a loan is received after the eight week period ends. Hopefully, we will receive more guidance on this. It is noteworthy that the present SBA guidance indicates that entities taxed as partnerships that did not receive loan amounts based upon the compensation paid to partners, and also seasonal businesses that did not receive an extra loan amount based upon the later released seasonal business rules, can now apply for additional PPP loan amounts. There is no guidance on what might be forgiven if the additional loan amount received after the eight week period has expired.

**7. When Are Pension Expenses “Paid and Incurred?”** The Instructions indicate that the total “amount paid by [the] Borrower for employer contributions to employee retirement plans” will be entered in the calculation worksheet, and we now know that this will be based upon the above-referenced “Covered Period” or the “Alternative Payroll Covered Period,” but that there is no indication as to whether the amount that is “paid by Borrower” can include contributions attributable to an entire year, or even 2019 and 2020 combined.

**8. Independent Contractors, Proprietors and Partners in Partnerships May Be Left Out in the Cold.** The Application and Instructions confirm an apparent intent to not permit independent contractors, proprietors, or individuals who are partners in a partnership to receive the benefit of forgiveness for the costs of their own health insurance and retirement plan contributions. We had hoped that businesses that are operated as partnerships for tax purposes would be treated the same as those taxed as S corporations or C corporations, but this will apparently not be the case, as a surprise and disappointment to many. The newly issued Instructions for what is known as “PPP Schedule A” provide that the “Payroll” will include total amounts paid by the Borrower for “employee health insurance...[and] employer contributions to employee retirement plans...[and] state and local taxes assessed on employee compensation...”

The Instructions for Line 9 provides for the inclusion of “any amounts paid to owners (owner-employees, a self-employed individual, or general partners). This amount is capped at \$15,385 (the eight week equivalent of \$100,000 per year) for each individual,” and reference is made to the April 14, 2020 Interim Final Rule, which indicates at FAQ #4 that partnerships would include health insurance and retirement plan expenses for “employees” in determining the amount that can be borrowed, but this guidance does not indicate whether such items would be limited to monies paid for employee health insurance and retirement plans (as opposed to being paid for partners who work for a partnership) with respect to forgiveness. There is still hope that this might be modified, but the SBA did not do so in this release of the reimbursement form.



Luke Kempen

Director

Wisconsin Small Business Development Center at UW-Eau Claire

## **May 14 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

### **Wisconsin Supreme Court Order Struck Down “Safer at Home” Order.**

By a 4-3 majority, the Wisconsin Supreme Court on Wednesday struck down Gov. Tony Evers’ “Safer at Home” order, finding that it is unlawful, invalid and unenforceable. The action by the

state Supreme Court means all businesses in the state can for now resume normal operations, although local governments may attempt to put their own restrictions in place.

### **SBDC Cash Flow Webinar to Continue Next Week**

We hosted this webinar three times this week with nearly 50 registrants so we will host the same webinar next week.

#### **[Recovery After COVID-19: Planning and Managing Cash Flow](#)**

**FREE Interactive Webinar for Small Businesses**

**Registration is Open!**

How will you restart your business after the threat posed by the coronavirus is diminished? **Recovery After COVID-19: Planning and Managing Cash Flow** is a free interactive webinar for small business owners presented by the Wisconsin Small Business Development Center (SBDC). The program is designed to provide tools to help you forecast and plan your business cash flow.

The next webinar is **Wednesday, May 20<sup>th</sup>, at 2:00 PM.**

Attendees will be provided simple tools prior to the webinar. Although no advance preparation is needed, it may be helpful to review these tools before the webinar. The program instructors will explain the process of forecasting and maximizing cash inflow and forecasting and minimizing cash outflow. You will be able to use these tools to gather necessary information and prepare a cash flow forecast on your own or with the assistance of the SBDC. You will also learn how the SBDC can assist with recovery after concerns regarding COVID-19 have subsided.

This webinar is **FREE**, but registration is required. To allow for optimal interaction, attendance is limited to 20 people. To learn more and register for the event, please click on the link below:

#### **[Recovery After COVID-19](#)**

**Recovery After COVID-19: Planning and Managing Cash Flow** is offered by the Wisconsin Small Business Development Center at UW Eau Claire (SBDC) and UW Eau Claire Continuing Education, in collaboration with the Chippewa Valley Covid-19 Economic Recovery Task Force. For additional information about these webinars, please email [sbdc@uwec.edu](mailto:sbdc@uwec.edu).

### **SBA and Treasury Issue More Guidance on PPP Loan Forgiveness**

A few weeks ago the SBA and Treasury put out PPP guidelines that stated that PPP borrowers' were required to validate a good-faith certification concerning the necessity of their loan request. While this guidance seemed to be put in place to stop large companies that could secure capital from other sources from receiving a PPP loan, (Los Angeles Lakers basketball team, among others) there was some uncertainty how a small business might be treated on this. Yesterday, the SBA issued more specific guidance that brings clarity to small businesses with loans less than \$2 million. The SBA guidance states:

***“Any borrower that, together with its affiliates, received PPP loans with an original principal amount of less than \$2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith. SBA has determined that this safe harbor is appropriate because borrowers with loans below this threshold are generally less likely to have had access to adequate sources of liquidity in the current economic environment than borrowers that obtained larger loans. This safe harbor will also promote economic certainty as PPP borrowers with more limited resources endeavor to retain and rehire employees.”***

We are expecting the SBA to issue additional guidance and clarifications on more PPP matters next week. We will keep you updated.

### **Red Letter Relief Grant**

The Red Letter Relief Fund was recently launched by the Red Letter Grant. **They are awarding 15 grants in the amount of \$1,000** to existing women-owned businesses throughout the ten county region they serve (Buffalo, Clark Chippewa, Dunn, Eau Claire, Jackson, Pepin, Pierce, St. Croix, and Trempealeau).

To be eligible, applicants must meet the following criteria:

- Have not received federal aid - PPP or EIDL support
- Have not received state aid - WEDC's SB 20/20 grants
- Employ three people or less - this is aimed at supporting businesses that fall through federal criteria. You can be a sole proprietor and apply.
- Preference is given to minority-owned businesses - person of color and the LGBTQA population

**APPLY HERE:** <https://www.redlettergrant.org/rlg-relief-fund> (Deadline to apply is Monday, May 18th at 11pm)

Peace on your evening!  
Luke



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## **May 11 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

Today's Email Includes Updates on the Following:

- Limited Operations can resume for Retailers effective immediately.- Wisconsin Emergency Order #36
- SBA EIDL Program Update
- WEDC ReOpen Guidelines
- WEDC Ethnic Minority Emergency Grant Initiative
- Upcoming Webinars

### **Limited Operations Can Resume for Retailers Effective Immediately**

Today - May 11, 2020 - Governor Evers announced Emergency Order #36, which goes into effect immediately. This order allows limited operations to resume for retailers and drive-in theaters. Full text of the order is at this link: <https://evers.wi.gov/Documents/COVID19/EMO36-SAHdialTurn2.pdf>

The latest Emergency Order expands the opportunity for in-person retailers and drive-ins.

#### **For in-person retailers:**

- Stores must have outside entrances. Any entrances through a mall or connected passage must remain closed to the public.
- Face coverings are strongly recommended for all staff and customers.
- Stores must observe Social Distancing Requirements as defined in the Safer at Home order by:
- Limiting its occupancy to less than five customers
- Establishing lines outside the store to regulate entry with markings indicating where customers should stand to remain six feet apart from one another while waiting to enter.
- Creating alternatives to lines, including allowing customers to wait in their cars for a text message or phone call and scheduling pickups or entries to the store.

#### **Drive-in movie theaters may open, with the following restrictions:**

- No outdoor seating.
- Patrons may leave their vehicles to purchase or pick up food or drink from the theater or to use the restroom. Patrons must remain in their vehicles at all other times.
- Food or drink sales must comply with Section 13.d. and 13.e. of the Safer at Home Order. Drive-in theaters may deliver food to patrons waiting in their vehicles.
- Reservations and payments should be made in advance online or over the phone, as possible.

**EIDL Grants/Loans and Farmers**



As of 3 pm today the SBA EIDL program application process is still only open to farmers. That being said the SBA is quickly processing and funding the EIDL grants to farmers as I have had several farmers tell me they applied on Tuesday last week and already received EIDL grant deposits. I have not had any farmer report the receipt of an EIDL loan yet. I would encourage all farmers to apply soon as I suspect assuming funding holds out, the SBA will soon reopen the application process to all businesses. Farmers ...see the webinar information below specific to farmers on the PPP and EIDL loans.

### **Wisconsin Economic Development Corporation (WEDC) Announces Reopen Guidelines**

With input from national and state health and industry experts and in partnership with the Wisconsin Department of Health Services, Wisconsin Department of Agriculture, Trade and Consumer Protection, the Wisconsin Department of Tourism and regional economic partners, the Wisconsin Economic Development Corporation (WEDC) has compiled a series of industry-specific documents to help you get back to business while taking the necessary precautions to maximize safety. Here is the link to the WEDC site:

WEDC Business Reopen Guidelines: <https://wedc.org/reopen-guidelines/>

WEDC did a great job in presenting this information by industry sector making it focused and on point. I encourage you to go to the link and access the information for your business.

### **WEDC Ethnic Minority Emergency Grant initiative**

WEDC is working with organizations across the state to offer the Ethnic Minority Emergency Grant initiative. These grants are designed to provide one-time grants to help with operating expenses for microbusinesses that may not have access to other sources of relief funds. Watch the video to learn more about how the grants will be administered and which businesses qualify. To learn more click "Read More".

[Read more](#)

### **Upcoming Webinars:**

I know there are a lot of webinars and tons of information out there that at times it is all overwhelming. I am trying to parse things down for you into some more useable and valid webinars and information. Below are some webinars that I think could be of specific help to you. Certainly, the cashflow webinar hosted by UW Eau Claire SBDC is one I recommend. Also, the Wisconsin SBDC and UW-Extension are hosting a farm specific webinar on EIDL and PPP loans. The final webinar offering I included here deals with PPP loan forgiveness. I cannot vouch for the quality of this webinar but I did attend a BIZ Times webinar two weeks ago that was well done. Biz Times is based out of Milwaukee with mainly a focus in the Milwaukee area but still PPP loan guidelines would be the same throughout the state.

**[Webinar: Recovery After COVID-19: Planning and Managing Cash Flow](#)**



**Free Interactive Webinar! Registration is Now Open!**

How will you restart your business after the threat posed by the coronavirus is diminished? **Recovery After COVID-19: Planning and Managing Cash Flow** is a free interactive webinar for small business owners. The program is designed to provide tools to help you forecast and plan your business cash flow and is geared toward small retail shops, bars, restaurants, hair salon small service and retail business in Northwest Wisconsin.

Attendees will be provided simple tools prior to the webinar. Although no advance preparation is needed, it may be helpful to review these tools before the webinar. The program instructors will walk you through how to use these tools. They will explain the process of forecasting and maximizing cash inflow and forecasting and minimizing cash outflow. You will be able to use these tools to gather necessary information and prepare a cash flow forecast on your own or with the assistance of the SBDC. You will also learn how the SBDC can assist with recovery after concerns regarding COVID-19 have subsided.

This webinar is **FREE**, but registration is required. To allow for optimal interaction, attendance is limited to 20 people per webinar session. You can choose to attend one of the following webinar sessions:

**2:00 PM on Tuesday, May 12** *Almost full ...we opened up five more slots.*

**6:00 PM on Tuesday, May 12**

**2:00 PM on Tuesday, May 14**

To learn more and register for the event, please click on the link below:

[Recovery After COVID-19](#)

**Recovery After COVID-19: Planning and Managing Cash Flow** is offered by the Wisconsin Small Business Development Center at UW Eau Claire (SBDC) and UW Eau Claire Continuing Education, in collaboration with the Chippewa Valley Covid-19 Economic Recovery Task Force. For additional information about these webinars, please email [sbdc@uwec.edu](mailto:sbdc@uwec.edu).

**Farmers---UW-Extension / SBDC / SBA Ag Webinar- PPP Loans and EIDL Program for Farmers**

*Join the Wisconsin Small Business Development Center (WSBDC) and the University of Wisconsin-Madison Division of Extension for a webinar about the Small Business Administration's (SBA) business support programs in response to the COVID-19 pandemic and its effects on small businesses. This session is specifically for farmers/farm businesses wanting to learn more about the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL).*

- **What:** "What farmers need to know about PPP and EIDL"

- **When:** 2 p.m. Tuesday, May 12
  - [Southwest Wisconsin SBDC](#)
  - Tammie Clendenning, [SBA Wisconsin](#)
  - Trisha Wagner, [UW Madison - Division of Extension](#)
  - Joy Kirkpatrick, [UW Center for Dairy Profitability](#)
  - Ty Rohloff, [Compeer Financial](#)
  - Tracy Brandell, [Wisconsin Department of Agriculture, Trade and Consumer Protection's Farm Center](#)
- **View the webinar, no registration:** [https://youtu.be/i2YJ9r\\_6ibg](https://youtu.be/i2YJ9r_6ibg)

### **BizTimes PPP Loan Forgiveness Webinar**

*BizTimes Media will host a webinar Tuesday on the SBA's Paycheck Protection Program, focusing on best practices businesses that have received the loans should take to ensure they are forgiven by the federal government.*

- **What:** "Cash is King: You've Decided to Keep Your PPP Funds, Now What?"
- **When:** 2 p.m. Tuesday, May 12
- **Presenters:**
  - **Lawrence J. Glusman**, commercial finance and corporate attorney, Davis|Kuelthau, S.C.
  - **Ray Lampner**, CPA, ABV, CVA, CFF, CGMA, CEPA, partner, Sikich LLP
  - **Anthony J. Steffek**, labor and employment attorney, Davis|Kuelthau, S.C.

**Register:** [https://biztimes.zoom.us/webinar/register/2915886988269/WN\\_JOKRgL5-RX2Fxn7-s-3oqA](https://biztimes.zoom.us/webinar/register/2915886988269/WN_JOKRgL5-RX2Fxn7-s-3oqA)

Peace on your evening!

Luke



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<http://www.wisconsinsbdc.org/eauclaire>

*Working to support your success!*

Businesses can go straight to the sites in the information below and to their banker for these programs or connect with Clark County Economic Development/Luke at SBDC to get more help.

UI is overloaded with applications but continue to go thru the process. Survival of our businesses is crucial and we are continuing to work on efforts to help and track information and needs . Please let us know what else we could do to assist you.

Sheila Nyberg, Executive Director  
Clark County Economic Development Corporation  
And Tourism Bureau  
301 N. Main St.  
P.O. Box 236  
Loyal, WI 54446  
715-255-9151  
cell 715-305-7222

There is still work being done to help our small farmers qualify for a reasonable amount of EIDL – due to calculation issues in the program – but Luke is working with Federal folks to clear that up.

### **April 30 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

<http://www.clarkcountywi.org>

As part of the new CARES Act funding appropriations law last week, the SBA announced late Monday, April 27 several key items that affect the SBA EIDL program.

### **SBA EIDL Program-Under CARES Act New Appropriations**

The new law includes:

1. \$50 Billion in new EIDL loan funding and \$10 Billion in New EIDL grant funding.

2. **Agricultural enterprises (farmers) are now** eligible for the EIDL grant and loan programs! (500 employees or less)

In addition, the SBA announced that it has...

*“engaged an **Independent Contractor** to process and filter the applications. It can process 2,000 applications per second. We (SBA) currently have hundreds of thousands of applications that have been received. Soon will be able to turn around applications in 3-5 days.”*

All the above sounds like good news!.... However, as of 4pm today (Wednesday April 29) the SBA has not yet “reopened” the application portal for the EIDL program since closing it on April 17 when initial funding ran out. The SBA is currently processing earlier applications. I have clients tell me every day that they received the grant including a couple clients today so SBA continues to process. The SBA has made no announcement on when they will restart taking EIDL applications again. I think it will be critical that once the portal is open and taking applications that you apply as soon as possible given the limited funds.

If you already applied and are wondering about the status of your application, you can contact the SBA at:

- **Office of Disaster Assistance:**
  - [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov)
  - Call: 1-800-659-2955

### **Details of the EIDL Program and How to Apply**

Given the announcement that farmers are now eligible for the EIDL program I have once again included below more information on the EIDL program and how to apply for EIDL so that when the SBA opens the application process again, you can be prepared and apply right away.

**EIDL Grant: (These are direct grants made by the SBA ...NOT through a bank.) Read through below and see how to apply.**

- **Grants Up to \$10K----** SBA announced a couple weeks ago that the grant was based on \$1,000 per employee up to \$10,000. In the application, it would seem if you are self employed, you would count yourself as an employee, however, the SBA has not provided official guidance on this question.

- **An EIDL Grant does not have to be paid back.**

**Covered period:** 1/31/20 – 12/31/20

**Issued:** within 3 days of application (*SBA says this but we have not seen that fast of a turn around. We have seen it take several weeks if you are approved.*)

**Eligible entities:**

- Small business concerns
- Private nonprofit orgs
- Agricultural Enterprises
- Self-certification

**Use of Proceeds:**

- Payroll
- Provide paid sick leave
- Paying rent
- Mortgage payments
- Service other debt obligations

**Approved:**

- Solely on credit score or alternative method to determine repayability. SBA is waiving many of its typical loan approval requirements.

**EIDL Grant and PPP Loan Program interaction:**

You can apply for both the EIDL program and the PPP loan. If you get an EIDL Grant, EIDL Loan and a PPP loan...

1. Any amount of the PPP loan forgiven will be reduced by the amount of any EIDL Grant you received.
2. You cannot use an EIDL Loan for the same purposes as a PPP loan and get the PPP loan forgiven. For PPP loans to be forgiven you must use the PPP loan proceeds for payroll related expenses, rents, utilities and mortgage interest.

**EIDL Loan (These are direct loans made by the SBA (NOT through a bank...see below how to apply.)**

- Amount – Up to \$2 million
- Interest rate – 3.75% for small businesses, 2.75% for nonprofits.
- Maturity – up to 30 years. Determined on a case-by-case basis, based upon each borrower's ability to repay.

- Interest accrues from day 1 but payments can be deferred up to 12 months.

**Use of Proceeds:**

- Pay fixed debts and loans, accounts payable inventory and operating expenses, payroll and other bills.
- May not be used to refinance long-term debt. The loans are not intended to replace lost sales or profits or for expansion.

**Loan Requirements:**

- Business must not be able to secure credit/loan elsewhere.
- Must have acceptable credit history
- Must have repayment ability
- All loans over \$25,000 must be secured with available collateral. SBA will not decline a loan for lack of collateral. SBA takes real estate when available.

There is no cost to apply

There is no obligation to take the loan if offered.

**How to apply for the EIDL Grant and EIDL Loan Program**

You apply directly to the SBA for the SBA EIDL program. You don NOT go to the bank. As stated earlier, right now the SBA is not taking applications. Once it restarts ....assuming they are using the same application as prior to the closure...the application process is as follows:

- There is one application that covers both the EIDL grant and the EIDL loan.
- Key information you will need is your gross sales and cost of sales from 2019. You could use your 2019 Form 1040 Schedule F (farmers) or C (business) or other business tax return and pull the numbers you need from the returns.
- Be sure to check the box that you want to be considered for the EIDL grant up to \$10,000. They will ask you the number of employees you have. The SBA has not provided any “official” guidance regarding if you are self employed counting yourself as an employee. However, it would seem logical that if you are self employed, you would count yourself and then any other employees you have.

The application portal can be found at the Wisconsin SBDC website. Once the application process reopens, at this site there will be a link to the SBA application. In addition, the site will have a video available to help you through the application process. The application is quite short and not too tough.

<https://wisconsinsbdc.org/services/covid-19/>

I will keep you posted when the SBA restarts taking EIDL applications.

Peace on your evening!

Luke



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## **April 25 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

### **Update on SBA Disaster Program Funding**

Congress passed and the President signed a new PPP Loan and SBA EIDL Loan bill that extends funding for the two programs.

### **Paycheck Protection Program (PPP)**

The bill includes more than \$320 billion for the Paycheck Protection Program, PPP, created by the CARES Act, which was passed late last month. The program, which quickly ran out of money because of heavy demand, provides forgivable loans to small businesses that keep their employees on the payroll.

About \$60 billion of the additional PPP funding will be set aside for businesses that do not have established banking relationships, such as rural and minority-owned companies. Expanding access to the aid was a priority over concerns that some businesses were being shut out of the fund. According to an SBA press release on late Friday, April 24, the SBA will begin processing PPP loans again starting at 9:30



am on Monday, April 27. Many banks continued to take PPP loan applications right through the shut down and this backlog will likely go into the pipeline starting at 9:30AM on Monday. I recommend that if you have not already applied for PPP loan and want the loan that you take action immediately as indications are that the new funding will go fast too.

Also we are getting a lot of questions on how to calculate the PPP loan amount for small businesses that are LLC, Sole Proprietors and Partnerships. My email sent on April 15 walks through this for individual owners. Partnerships are a little more complex. I include a discussion on Partnerships applying for PPP loans below.

### **Additional \$60 Billion For Economic Injury Disaster Loans**

The new funding also includes an additional \$60 billion for the Economic Injury Disaster Loan (EIDL) program. EIDLs are typically issued in the aftermath of natural disasters such as hurricanes, fires or earthquakes and provide a \$10,000 immediate grant to small businesses that have been financially impacted, as well as low-interest loans up to \$2 million. Given the overwhelming demand for the \$10,000 grant and EIDL loan, the SBA last week limited the \$10,000 grant to be paid to businesses based on a \$1,000-per-employee formula up to 10 employees.

By moving to a per-employee calculation, the SBA left out many small landlords and rental-property owners from the grant portion of the EIDL program who do not have payroll and could not participate in PPP and were counting on some assistance from an EIDL. However, it does appear they are eligible for an EIDL loan. It is unclear at this point how the SBA will use the additional \$60 billion for the EIDL program... will it be grants only or will they also continue to offer the EIDL loan too. Presumably, they will use it under the same \$1,000-per-employee methodology put into place last week for the Grant, but there have been no announcements yet.

The bill also provides loans and grants from the Small Business Administration's disaster relief fund with \$75 billion for hospitals and \$25 billion for coronavirus testing.

According to an SBA press release on late Friday April 24, the SBA will begin processing PPP loans again starting at 9:30 am on Monday April 27. However the announcement did not mention the SBA Economic Injury Disaster Loan (EIDL) at all. A check on the SBA website at 8 am on Saturday showed the SBA had not yet opened the EIDL loan application portal. However the site stated, "With the additional funding provided by the new COVID-19 relief package, SBA will resume processing EIDL Loan and Advance applications that are already in the queue on a first come, first-served basis. We will provide further information on the availability of the EIDL portal to receive new applications (including those from agricultural enterprises) as soon as possible." If you want to apply for the EDIL grant and loan I recommend you check the SBA sight on Monday after 9:30 AM and see if they are accepting applications. I will continue to monitor any information provided by the SBA in that regards. You can access the SBA application and other detail information on the EIDL Loan program at our SBDC website

<https://wisconsinsbdc.org/services/covid-19/>

Also you can call or email me if you have questions at 715-836-5902 or [kempens@uwec.edu](mailto:kempens@uwec.edu)

## Applied for the SBA Grant Already, But I Have Not Heard Anything. Should I Apply Again?

If you applied for an EIDL loan on March 30 or after and received a confirmation # upon submitting your application the SBA says you do not need to apply again so you should be good. I continue to get many emails and calls about the status of the caller's application. Unfortunately, I do not know the status nor can I check for you. The SBA continues to ask for patience. The SBA website says applications are processed on a first come first serve basis. I do not know what the SBA's process is for approving applications. The SBA has provided the following to check on status... Contact the SBA disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or by e-mail at [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov). Every day this past week I have had clients report that they have received the EIDL grant so I know the process was still moving forward.

## "Big" Companies and Businesses that Don't Need PPP Loans"

We all heard the stories last week about large companies getting huge PPP loans. One other item of interest is the Treasury came out with a new guidance statement as of April 23, 2020 regarding the PPP loan. This appears to be to address the issue of large companies getting the PPP loans. Here is the statement...

**31. Question:** *Do businesses owned by large companies with adequate sources of liquidity to support the business's ongoing operations qualify for a PPP loan?*

**Answer:** *In addition to reviewing applicable affiliation rules to determine eligibility, all borrowers must assess their economic need for a PPP loan under the standard established by the CARES Act and the PPP regulations at the time of the loan application. Although the CARES Act suspends the ordinary requirement that borrowers must be unable to obtain credit elsewhere (as defined in section 3(h) of the Small Business Act), borrowers still must certify in good faith that their PPP loan request is necessary.*

*Specifically, before submitting a PPP application, all borrowers should review carefully the required certification that "[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant." Borrowers must make this certification in good faith, taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business. For example, it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith, and such a company should be prepared to demonstrate to SBA, upon request, the basis for its certification.*

*Lenders may rely on a borrower's certification regarding the necessity of the loan request. Any borrower that applied for a PPP loan prior to the issuance of this guidance and repays the loan in full by May 7, 2020 will be deemed by SBA to have made the required certification in good faith.*

It appears this "guidance" has already had an effect as several large companies have decided to repay or not take the PPP loans that were offered to them given the SBA May 7 deadline for "no questions asked ...mulligan".

## Calculating the PPP Loan Amount for Partnerships

First, for the record..... I am not a practicing CPA for hire in public accounting. Your choice to make decisions based on the information presented in this email is at your discretion and neither I nor the Small Business Development Center attests to its accuracy or completeness.

On April 14 the SBA provided details on how to calculate PPP for self employed LLC's and Partnerships both with and without employees. However, the guidance for partnerships only states that one PPP loan is available one **per partnership**. It does not mention nor provide any explanation on how to calculate the PPP loan for partnerships.

Given we do have guidance for Schedule C filers, It would seem the proper way to calculate PPP for the partnership would be to take and "equate" the amount to its equivalent on the Form Schedule C line 31 business net profit or loss which is used for single member LLC's and sole proprietors. Therefore, using "Guaranteed Partner Payments" may not be accurate because frequently the amount of the partner guaranteed payments is less than partnership net income.

From what I have read about how to calculate this is to take the amount on the partnership return Form 1065 Schedule K page 4 line 14a Net Earnings From Self Employment and subtract from it the amount if any on Line 12 "Section 179 deduction" from this same form. This calculation would give you the "equivalent" of the Form Schedule C line 31 Net profit or loss from and LLC or sole proprietor business. Also remember the \$100,000 limit per partner.

***For those of you who like to analyze, love tax rules or need more details on this read on....others you got what you need above...*** Another way to confirm this on your part is to look at each partner's Form 1040 Schedule SE line 2. Assuming this partnership is the only business activity the partners have, then the total of each partner's line 2 added together should give you the same amount you calculated above. You will also note when you look at the form SE, that any partnership K-1 Line 14 (a) information (after subtracting Line 12 mentioned above) goes on the same line as a Schedule C ( line 31 amount...the amount used for PPP for Schedule C filers). This seems to validate this approach as being the proper calculation for partnership PPP.

I discussed this approach with a local CPA and they concurred that this would seem to be the way to calculate the amount. However, please note on the internet there seems to be some people saying online to use the amount from Line 14 a and they do not mention the subtraction of Line 12. Often there is no amount in line 12 so then their explanation yields the same amount. However if there is an amount on line 12 such an approach would seem to be overstating the self employed earnings because the amount on line 14 a is before Section 179 depreciation. Subtracting arrives at a smaller more conservative number that seems to mirror how this is reported for a regular Schedule C business with Section 179 Depreciation being part of the expenses considered in arriving at the Schedule C Line 31 net profit.

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## **April 21 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

### **Other Farm Business Resources**

Below are some further links and information blurbs that farmers may find helpful.

#### ***Farming enterprises are eligible for PPP but not EIDL.***

*SBA has size standards for eligible PPP businesses. For farms, Businesses listed under “Sector 11 – Agriculture, Forestry, Fishing and Hunting” are based on “Size standards in millions of dollars” and maxed at \$1,000,000.*

Other helpful links:

- Farm Management Home Page: <https://farms.extension.wisc.edu/>
- Farm Management during COVID-19: <https://farms.extension.wisc.edu/coronavirus/>
- Extension COVID-19 Finances for farmers:  
<https://farms.extension.wisc.edu/coronavirus/#finances>
- PPP fact sheet for farmers: <https://farms.extension.wisc.edu/ppp-and-farmers/>
- PPP Video-What farmers need to know: <https://www.youtube.com/watch?v=PCc6fATnA-w&feature=youtu.be>
- Managing COVID-19 Risk on a Dairy Farm: <https://farms.extension.wisc.edu/managing-covid-19-instigated-risk-on-the-dairy-farm-be-optimistic-but-plan/>

USDA Resource Guide 4/13/2020 –Looks nice but basically only talks about regular USDA programs with some mention of PPP but very little details. Also details on how to prevent getting corona virus.

[https://www.rd.usda.gov/sites/default/files/USDA\\_COVID-19\\_Fed\\_Rural\\_Resource\\_Guide.pdf](https://www.rd.usda.gov/sites/default/files/USDA_COVID-19_Fed_Rural_Resource_Guide.pdf)

## **April 16**

To check on the status of your stimulus check:

<https://cbs58.com/news/when-will-you-get-your-stimulus-payment-heres-how-to-check>

## **April 15 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

### **SBA EIDL Program**

Several clients have let me know that they did receive an EIDL loan grant yesterday and today! The grant was based on the number of employees they had put on the application. I assume it will take the SBA time to get these all issued. If you completed an application please watch for the SBA making the deposit into your bank account.

**PPP loan program.** Late yesterday Treasury/SBA issued a major guidance update on PPP for self-employed business owners. I discuss this below.

### **PPP and Wisconsin Pandemic Unemployment Assistance (PUA)**

Be aware that if you participate in the PPP loan program it may affect your eligibility for the Wisconsin Pandemic Unemployment Assistance (PUA) program. Complicating this is the fact that Wisconsin DWD has not yet clearly defined what self-employed business owners will be eligible for the PUA. As I stated yesterday, I read through the PUA information including the part of “who is eligible” and it appears eligibility is quite “broad”. Specifically, DWD states as eligible applicants:

**“Self-employed/Independent Contractors/1099 filers/Farmers—and affected by COVID-19.”**

While this statement above is quite broad and encompassing, the wording from the PUA Program announcement talks about people, “*who are unable to work as a direct result of the corona virus public health emergency.*”

Therefore, one possible conclusion could be that if your business was not shut down, you were able to work at your business and therefore not eligible for PUA even though your income is down. Clearly dairy farmers were working. I do not know what to tell you on this issue. Also, assuming a person knew they were eligible for both PUA and the PPP loan, another consideration would be should one apply for a PPP loan or take the PUA benefit? It appears the PUA benefit maximum would be the \$370 Wisconsin plus the \$600 per week Federal benefit. That equals \$970 per week. If you calculate your PPP loan amount and it exceeds \$970 per week then it appears PPP would be better than PUA assuming the PUA would only last 8 weeks too. Yes...one can go nuts trying to figure this all out!

### **Summary of How to Calculate the PPP Loan Amount for Self- Employed Business Owners filing Form 1040 Schedule C or Schedule F (farmers).**

Late yesterday the Treasury and SBA issued an update on PPP loans for the self-employed. The update clarified how self-employed business owners who file a Form 1040 Schedule C return are to calculate the Average Monthly Payroll amount for the PPP loan application. It also spelled out the expenses allowed for the PPP loan to be forgiven. Yesterday I sent out my understanding of how to do this calculation and fortunately what the Treasury/SBA stated in their update yesterday is consistent with what I presented regarding business owners filing form Schedule C.

Unfortunately, the Treasury/SBA update made no mention of farmers and Schedule F. However, it appears highly probable that the Schedule F filers (Farmers) should follow the very same process and guidance provided for self-employed Schedule C filers when completing the application for the PPP. If

you are a Schedule F farmer you can read the Summary below and literally substitute the letter “F” for the letter “C” and you will have what for right now appears to be the PPP loan calculation process for Schedule F filers. In a couple spots in the summary below, I added the specific line number for Schedule F since it is different than Schedule C. (Note ...the process spelled out below for Schedule C filers does NOT allow a Depreciation expense addback so it appears a Depreciation addback is NOT allowed for Schedule F farmers either.)

Also, while health insurance and retirement plan expenses for employees are to be included in calculating payroll costs for employees and are forgivable amounts for the PPP loan, the Treasury/SBA update specifically states that owner health insurance and retirement plan benefits are not forgivable amounts for PPP loans.

The update from the Treasury/SBA is 19 pages long. I took the key sections of the update and summarized below. If you want to see the full text of the update go to the link below:

<https://home.treasury.gov/system/files/136/Interim-Final-Rule-Additional-Eligibility-Criteria-and-Requirements-for-Certain-Pledges-of-Loans.pdf>

***Individuals with Self-Employment Income who File a Form 1040, Schedule C.***

You are eligible for a PPP loan if: (i) you were in operation on February 15, 2020; (ii) you are an individual with self-employment income (such as an independent contractor or a sole proprietor); (iii) your principal place of residence is in the United States; and (iv) you filed or will file a Form 1040 Schedule C for 2019. However, if you are a partner in a partnership, you may not submit a separate PPP loan application for yourself as a self-employed individual. Instead, the self-employment income of general active partners would be reported together combined as one partnership PPP application.

In addition, you should be aware that participation in the PPP may affect your eligibility for state administered unemployment compensation or unemployment assistance programs... (*Wisconsin PUA unemployment Assistance Program*).

SBA will issue additional guidance for those individuals with self-employment income who: (i) were not in operation in 2019 but who were in operation on February 15, 2020, and (ii) will file a Form 1040 Schedule C for 2020.

**If you have no employees, the following methodology should be used to calculate your maximum PPP loan amount:**

Step 1: Find your 2019 IRS Form 1040 Schedule C line 31 (*Schedule F line 34*) net profit amount (if you have not yet filed a 2019 return, fill it out and compute the value). If this amount is over \$100,000, reduce it to \$100,000. If this amount is zero or less, you are not eligible for a PPP loan.

Step 2: Calculate the average monthly net profit amount (divide the amount from Step 1 by 12).

Step 3: Multiply the average monthly net profit amount from Step 2 by 2.5.

Regardless of whether you have filed a 2019 tax return with the IRS, you must provide the 2019 Form 1040 Schedule C with your PPP loan application to substantiate the applied-for PPP loan amount and a 2019 IRS Form 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank

statement, or book of record that establishes you are self-employed. You must provide a 2020 invoice, bank statement, or book of record to establish you were in operation on or around February 15, 2020.

***If you have employees, the following methodology should be used to calculate your maximum PPP loan amount:***

Step 1: Compute 2019 payroll by adding the following:

- a. Your 2019 Form 1040 Schedule C line 31 net profit amount (if you have not yet filed a 2019 return, fill it out and compute the value), up to \$100,000 annualized, if this amount is over \$100,000, reduce it to \$100,000, if this amount is less than zero, set this amount at zero;
- b. 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States computed using 2019 IRS Form 941 Taxable Medicare wages & tips (line 5c-column 1) from each quarter plus any pre-tax employee contributions for health insurance or other fringe benefits excluded from Taxable Medicare wages & tips; subtract any amounts paid to any individual employee in excess of \$100,000 annualized and any amounts paid to any employee whose principal place of residence is outside the United States; and
- c. 2019 employer health insurance contributions (health insurance component of Form 1040 Schedule C line 14...*Schedule F line 15*), retirement contributions (Form 1040 Schedule C line 19...*Schedule F line 23*), and state and local taxes assessed on employee compensation (primarily under state laws commonly referred to as the State Unemployment Tax Act or SUTA from state quarterly wage reporting forms).

Step 2: Calculate the average monthly amount (divide the amount from Step 1 by 12).

Step 3: Multiply the average monthly amount from Step 2 by 2.5.

You must supply your 2019 Form 1040 Schedule C, Form 941 (or other tax forms or equivalent payroll processor records containing similar information) and state quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or equivalent payroll processor records, along with evidence of any retirement and health insurance contributions, if applicable. A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish you were in operation on February 15, 2020.

***How can PPP loans be used by individuals with income from self-employment who file a 2019 Form 1040, Schedule C?***

The proceeds of a PPP loan are to be used for the following:

- i. Owner compensation replacement, calculated based on 2019 net profit from 1040 Form Schedule C as described above.
- ii. Employee payroll costs (as defined in the First PPP Interim Final Rule) for employees whose principal place of residence is in the United States, if you have employees.
- iii. Mortgage interest payments (but not mortgage prepayments or principal payments) on any business mortgage obligation on real or personal property (e.g., the interest on your mortgage for the warehouse you purchased to store business equipment or the interest on an auto loan

for a vehicle you use to perform your business), business rent payments (e.g., the warehouse where you store business equipment or the vehicle you use to perform your business), and business utility payments (e.g., the cost of electricity in the warehouse you rent or gas you use driving your business vehicle). You must have claimed or be entitled to claim a deduction for such expenses on your 2019 Form 1040 Schedule C for them to be a permissible use during the eight-week period following the first disbursement of the loan (the “covered period”). For example, if you did not claim or are not entitled to claim utilities expenses on your 2019 Form 1040 Schedule C, you cannot use the proceeds for utilities during the covered period.

iv. Interest payments on any other debt obligations that were incurred before February 15, 2020 (such amounts are not eligible for PPP loan forgiveness).

Proceeds from any advance up to \$10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan.

#### **What amounts shall be eligible for PPP loan forgiveness?**

The amount of loan forgiveness can be up to the full principal amount of the loan plus accrued interest. The actual amount of loan forgiveness will depend, in part, on the total amount spent over the covered period on:

- i. payroll costs including salary, wages, and tips, up to \$100,000 of annualized pay per employee (for eight weeks, a maximum of \$15,385 per individual), as well as covered benefits for employees **(but not owners)**, including health care expenses, retirement contributions, and state taxes imposed on employee payroll paid by the employer (such as unemployment insurance premiums);
- ii. owner compensation replacement, calculated based on 2019 net profit as described above with forgiveness of such amounts limited to eight weeks’ worth (8/52) of 2019 net profit...
- iii. payments of interest on mortgage obligations on real or personal property incurred before February 15, 2020, to the extent they are deductible on Form 1040 Schedule C (business mortgage payments);
- iv. rent payments on lease agreements in force before February 15, 2020, to the extent they are deductible on Form 1040 Schedule C (business rent payments); and
- v. utility payments under service agreements dated before February 15, 2020 to the extent they are deductible on Form 1040 Schedule C (business utility payments).

Thanks,  
Luke





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## **April 9 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

Resources for farmers:

[farmers.gov/coronavirus](https://farmers.gov/coronavirus)

<https://www.wisfarmer.com/story/news/2020/04/03/farmers-eligible-apply-federal-paycheck-protection-program/2946540001/>

Production agriculture (Farms) are not eligible for the SBA EIDL loan program.

The Wisconsin Small Business Development Center at UW Eau Claire (SBDC) is providing assistance to Clark County small businesses in completing the loan application for the SBA Economic Injury Disaster Loan (EIDL) program. In addition the SBDC is available to help answer questions on the Paycheck Protection Program Loans (PPP) which are loans that you would seek from a bank. Also we can answer questions on the programs for the self employed and independent contractors. You do not need to be a client of the SBDC to get assistance. If you want assistance from the SBDC please go to this link and complete the quick contact info and we will get back to you. <https://wisconsinsbdc.org/services/covid-19/disasterloans/disaster-loan-inquiry/>

### **SBA Economic Injury Disaster Loan (EIDL)**

The EIDL loan is a direct loan from the SBA and is a low interest loan designed to help replace lost income from Covid 19 to help cover expenses. The program includes a grant that ranges from \$1,000 up to \$10,000. Here is a link to the SBA EIDL loan application. <https://wisconsinsbdc.org/services/covid-19/>

### **Paycheck Protection Program (PPP)**

The PPP loan program is designed to help businesses maintain and pay their employees. You apply for this loan at your bank. The application process started last Friday for businesses with employees. Applications are suppose to start Friday, April 10 for self employed and independent contractors without employees. If you have questions about PPP you are welcome to contact us and

we will do our best to help answer your questions. More information can be found at <https://wisconsinsbdc.org/services/covid-19/>

### [Unemployment Compensation for Self Employed](#)

The CARES Act provides up to \$600 in weekly federal unemployment compensation benefits to self employed on top of any amount the state provides. Wisconsin DWD is currently working through setting up the application and process. When they are ready we will let you know. More information can be found at <https://wisconsinsbdc.org/services/covid-19/>

### [Get On Our Covid 19 Email List](#)

The SBDC is doing almost daily updates via email to our clients regarding the SBA's disaster loans and other efforts. If you would like to receive these updates please email me at [SBDC@uwec.edu](mailto:SBDC@uwec.edu) and we will add you to our email list.



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## **April 8 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

### **SBA EIDL Program**

We have not received any official update as to when the SBA may be starting to send the Advance Grant portion or making loans with the EIDL loan program.

### **Paycheck Protection Program**

While there continues to be some issues with processing due to the volume of activity, it appears the PPP loan process with banks continues to move forward. The Wisconsin SBDC network has had several clients report that they have received PPP loan funds.

It has been stressed to us to remind our clients with PPP loans the importance of having documentation that clearly supports and shows how the proceeds of the PPP loan was spent. While it is NOT a requirement that PPP loan proceeds be kept separate from your regular business bank

account, there should be a clear “audit trail” of documentation. This is especially true for proceeds spent on rent, mortgage interest, and utilities.

Other reminders from an SBA sponsored webinar today:

- When considering PPP loan forgiveness, it will be important to maintain employee “headcount” **and** payroll costs as compared to what was used to calculate the PPP loan by the bank. In other words, both headcount and payroll costs numbers are important as one cannot lower employee headcount significantly and then give the remaining employees a big raise so that the payroll dollars spent stays the same and expect the PPP loan to be forgiven.
- PPP qualified utilities expenses includes phone and internet expenses along with typical gas, electric, etc.
- SBA is advising that not more than 25% of the loan proceeds can be used for non-payroll costs.
- Any amount of PPP debt forgiven which would otherwise be included in gross income for income tax purposes as cancellation of indebtedness income (“COD”) is excluded from gross income under the Program.

### **Reminder For Any Businesses that have an SBA 504 or SBA 7(a) loan....**

While I included information on this in a previous email, I know we have many clients that have SBA 504 and/or SBA 7(a) loan so it warrants mentioning again...As part of SBA's debt relief efforts...

- The SBA will automatically pay the principal, interest, and fees of **current 7(a), 504, and microloans** for a period of six months.
- The SBA will also automatically pay the principal, interest, and fees of **new 7(a), 504, and microloans** issued prior to September 27, 2020.

It is my understanding that you need to contact your lender to give the SBA permission to do this. You will want to be sure to elect to have the SBA make your monthly loan payments on your behalf for six months as there is no recourse back to you so this is a tremendous help. More details on this can be found at ...

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-debt-relief>

### **Survey**

As we all grapple with the current pandemic and its effects on our local and global economy, it's crucial that collectively we get data from the business community to help guide collective response. WEDC, DWD, UW Oshkosh Center for Customized Research & Services, local partners, and Momentum West, a regional economic development organization serving Barron, Clark, Chippewa, Dunn, Eau Claire, Pierce, Pepin, Polk, Rusk, and St. Croix counties,

asks you to take the Statewide COVID-19 Pandemic Economic Survey by April 10. This information will be used to help measure the economic loss and to assist in future recovery efforts, as this COVID-19 pandemic plays out across Wisconsin.

**Take the Survey Now**

We realize with an overlap of membership, you may get the survey from more than one organization. You only need to complete this survey once per observation period. Duplicates will be screened as part of the intake process. While there are a lot of unknowns during this time it is the intention that there will be a couple more observation period surveys through the tail end of the pandemic.



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## **April 7 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

### **SBA Economic Injury Disaster Loan (EIDL)**

I have received many phone calls and emails regarding the status of the SBA EIDL loan program grants and loans. We have not heard anything from SBA this week about the status. It does appear that so far no one in Wisconsin has received any EIDL grants or loans as none of our SBDC Wisconsin offices have reported clients receiving anything on the EIDL program. We do have an internal webinar Wednesday afternoon that includes an SBA representative who we hope can provide some input on the status of the EIDL application process. At this point, all I can tell you is to remain patient. I will update you if I learn anything on this. If you have not yet applied for the SBA EIDL loan, I still encourage you to apply. (Please disregard where it says on the application that you will receive notification of the grant in 3 days.)

## **Paycheck Protection Program --Application Walkthrough Video**

<https://www.youtube.com/watch?v=9O5Hy7YSYwY&feature=youtu.be>

The Link to the video along with more info on the PPP can also be found at [wisconsinsbdc.org/covid-19/#PPP](http://wisconsinsbdc.org/covid-19/#PPP).

Some local banks have stopped taking PPP applications. I encourage you to start with your current business bank and if they are not taking applications try a different bank.

### **Options for the Self Employed**

While many of our clients are small business owners with brick-and-mortar locations and have a growing number of employees, we have been receiving questions from people who are self-employed as well. Here are some of your top resources. For the purposes of this e-mail, we are defining self-employed individuals as those who work for themselves (LLC, S-Corp, independent contractor, sole proprietor), do not have employees, and are often paid via Form 1099.

#### **Do I qualify for unemployment?**

Typically, no. However, recent guidelines from the [U.S. Department of Labor](http://www.dhs.gov/department-of-labor) (USDOL) – under the Federal Pandemic Unemployment Compensation program – indicate that self-employed individuals *will* be eligible for unemployment under the CARES Act. An additional \$600 per week Federal benefit will be available through July 31, 2020. However, as of April 6, the [Wisconsin Department of Workforce Development](http://www.dhs.gov/department-of-workforce-development) (DWD) stated that "if you were not eligible for unemployment before the CARES Act was passed, we are asking you to wait to file because our system is not yet set up to accept your application." The DWD is waiting on additional guidance from the USDOL, and they expect those changes to be complete by mid- to late-April. The DWD FAQ page will have the most up-to-date information about these changes.

#### **Am I eligible to apply for the Paycheck Protection Program (PPP), and for how much?**

Yes. Self-employed small businesses that qualify for the PPP include:

- Sole proprietors who report income and pay taxes on a Schedule C in your personal tax return
- Independent contractors who collect 1099-MISC forms
- Gig economy workers

Independent contractors and self-employed individuals can begin the PPP application process [starting April 10, 2020](#). Applications must be made through [SBA lenders](#).

We shared more details of the PPP in one of our earlier emails and above in the video. One key piece to know is that, for an 8-week period, 2.5x your average monthly payroll - wage, commissions, income, or net earnings - may be forgiven.

It is unknown if the PPP application will be different than the one used now. On the current application:

- It asks for the number of employees; as a sole proprietor, you will enter "1" in this box.
- If you receive 1099's, they can serve as the basis for your payroll calculation.

- The loan forgiveness "clock" starts the day you close on the loan and lasts for 8 weeks. The loan can be used on payroll expenses, plus rent and utilities on business space.
- Payroll must account for at least 75% of the loan.
- Make sure that you have documentation to support your forgivable expenses.

### **Can I apply for the SBA's Economic Injury Disaster Loans (EIDL)?**

Yes; one of the eligible entities on the [EIDL application](#) is "an individual who operates under a sole proprietorship, with or without employees, or as an independent contractor." One of our prior emails included an overview this program, and many of the details are included on the [Wisconsin SBDC](#) website. There is also the option of a forgivable advance up to \$10,000.

The application form is the same for both the loan and the advance. The online application form is simple. Use the form 5C option for self employed.

### **Rebate Checks**

Like many Americans, most self-employed individuals with a valid Social Security number (SSN) will be able to receive a [government rebate check](#). This money – up to \$1200 for individuals with an Adjusted Gross Income at or below \$75,000. If you have children, you will receive an additional \$500 per child.

### **Cashflow Ideas**

Right now a major issue in your business is cashflow. You have cash needs for expenses and your income is either stopped or greatly slowed from the Covid 19 shutdown. The SBA EIDL and PPP loan programs are ways to help create cash inflow to your business. Some other specific things to consider:

#### **1) Deferring Employer Portion of Payroll Tax**

Under the CARES Act, employers are allowed to defer payment (not waive!) of their share of the Social Security tax on employee wages. The deferred amount has to be paid over the next two years, with the first half of the amount to be paid by December 31, 2021 and the second half by December 31, 2022. Be aware that this deferral opportunity is NOT available to employers receiving assistance under the Paycheck Protection Program.

#### **2) Withdrawals from retirement plans are allowed without penalty.**

I have had several people ask me my thoughts about taking a withdrawal from an IRA to help with cash flow. Under the CARES Act, for an IRA withdrawal taken in 2020, there is no 10 percent early withdrawal penalty for distributions (up to \$100,000) from retirement accounts. Withdrawals are still taxed, but the taxes are spread over three years. In addition, the 401(k) loan limit is now increased from \$50,000 to \$100,000. Employees also get an extra year to pay back a retirement account loan that was due in 2020. However, to me withdrawing from your IRA should be a very last resort especially now while nearly all IRA accounts have seen substantial declines over the past month. If you pull money out of your IRA now at the likely low point of the stock value cycle, you have "locked" in these losses. Given relatively low interest rates, you likely would be much further ahead by seeking a low interest loan verses the "locked losses" you would have cashing out an IRA/retirement.

I encourage you to take some time to work on putting together a 13 week cash flow projection. The Wisconsin SBDC network is already working on creating some webinar materials for cashflow that we

hope to roll out in the near future. Specifically, I am working on setting up an excel template that I hope to have ready by the end of this week that I can share with you that will serve as a tool to help you create a cash flow projection for your business.

Even when the business shut down is over and you reopen and ramp up your business, it is likely going to take significant time to get revenue/sales back up to the levels prior to the shutdown. In addition, you may have now taken on some additional debt that will need to be serviced. Both factors above may create cash flow pressure. Trying to plan now and think through your cash flow over the next 13 weeks (quarter year) may help you as you move forward.



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### **April 3 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

#### **SBA EIDL Loan Program**

The SBA announced today that they are not meeting the “3 days” to respond for the SBA EIDL Loan Grant and that it will take “significantly longer” than 3 days to process these applications and determine the grant. In addition, the SBA stated that grants they will be awarding “will **range** from \$1,000 up to \$10,000.” In our weekly Wisconsin SBDC update meeting this morning with all of our Wisconsin SBDC consultants, no one has had a client report receiving a grant so far from the SBA EIDL loan program.

Kristi Smith a Wisconsin SBDC consultant put together a great video on the application process for the SBA EIDL loan and made it available today. If you have questions on how to respond to something on the application I highly encourage you to view the video. Kristi does a great job explaining different questions on the application. The video is also on the Wisconsin SBDC website. [https://www.youtube.com/watch?v=TiX\\_kaTs1xA&feature=youtu.be](https://www.youtube.com/watch?v=TiX_kaTs1xA&feature=youtu.be)

Wisconsin SBDC has added to its website the links to Wisconsin DWD to assist clients with quicker access to unemployment compensation benefit information. To access this information or to apply for the SBA EIDL loan and Grant go to <https://wisconsinsbdc.org/services/covid-19/>

As of 4 pm today no clarification from Wisconsin DWD regarding how they will treat the extra \$600 in federal unemployment compensation and how it will be made available to self employed people.

## **PPP Loan Program**

Last night the SBA and Treasury announced that the interest rate on the PPP loans will be 1.0% not 0.5%.

Some banks have started to take PPP loan applications today and some have chosen to start next week to give more time to setting up process and procedures and preparing. In my mind, the extra time over the weekend probably was a good decision. I encourage you to be patient with the process as there will be a learning curve for all involved. I have had a several calls today from clients that have been told things by bank processors that conflict with the PPP rules as I understand them. I am not blaming the banks... they had about a day or so to prepare so expect some confusion and exercise patience. If you have a question on something that you have been told that does not seem to be correct, you are welcome to contact me and I will see if I can validate the information.

Also, I have had several calls today about how long it takes to get the PPP loan from a bank. The business owners did not have the money to continue to pay their employees now. In your consideration regarding the PPP loan and trying to maintain employees, I recommend you consider that you can layoff your employees now if you do not have the cash to pay them. Apply for the PPP loan and if you get the loan you can call these employees back and pay them with PPP loan money going forward for eight weeks. You have until June 30, to call the employees back and use PPP loan money to pay them for 8 weeks. A consideration of your business compensating employees through payroll verses the employee drawing unemployment is PPP loan money used to cover payroll costs is forgivable. Also the extra 25% of the PPP loan money used for rents, utilities, mortgage payments may also be forgiven. Finally, your unemployment comp rate is likely to increase if employees draw unemployment on your business account.



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## **April 2 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

Updated list of the various programs/resources for Businesses from Senator Baldwin's office:

<https://www.baldwin.senate.gov/cares/businesses>



## Considerations of the SBA EIDL Loan and the Paycheck Protection Program Loan

Today the SBA came out with more clarification on the “interaction” of the SBA EIDL Loan and the Paycheck Protection Program Loan. I present the wording the SBA used below and then I tried to clarify and raise some things to consider.

Specifically, the information provided by the SBA was as follows:

***“If you received an EIDL loan related to COVID-19 between January 31, 2020 and the date at which the PPP becomes available, you would be able to refinance the EIDL into the PPP for loan forgiveness purposes. However, you may not take out an EIDL and a PPP for the same purposes. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan. Also, if you took advantage of an emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under a PPP loan.”***

My understanding and things to consider from this statement:

1. I do not think the first sentence of this applies to anyone in Wisconsin because I am not aware of any EIDL loans having been made prior to the PPP becoming available in Wisconsin. Therefore in Wisconsin you cannot refinance an SBA EIDL loan into PPP.
2. You are not allowed to “justify” each of the two loans with the same expenses...you can’t use the two loans for the same purpose. Therefore, if you plan to get a PPP loan to pay for payroll related expenses, mortgage expenses, rent, and utilities, you should not also take out the EIDL loan unless you have “other” expenses that are not covered by the PPP loan.
3. If you received and kept the EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgivable under your PPP loan.
4. If you received and kept the emergency EIDL grant award of up to \$10,000, and your typical payroll related expenses are not very significant each month, it may not be worth seeking the PPP since the first \$10,000 of the forgivable PPP would not be allowed because you took the \$10,000 EIDL grant. (Note: It is likely that the bank will also not want to accept a PPP loan application from you for a very small amount of payroll related expenses as they may determine it to be too small of a loan to fool around with.)

## Applications for the PPP Loan Program Are Set to Start Friday April 3.

As of 4 pm today I have not heard any change in the PPP application start dates:

1. Starting April 3, 2020, small businesses and sole proprietorships with employees can apply for and receive loans to cover their payroll and other certain expenses.
2. Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their income loss and other certain expenses.

Apply for PPP loans at an SBA authorized bank that is participating in the program. I recommend start by contacting your existing bank to see if they are accepting PPP loan applications. Here is a link to participating banks that the Eau Claire Area EDC compiled so far: <https://www.eauclaire-wi.com/documents/ppp-lender-list-thursday-330.png>

Also per Barron County EDC, confirmed bank participants so far in Barron County include: US Bank, Sterling Bank, Citizens Community Federal, Dairy State Bank

We hope to have a final list soon.

**SBA Economic Injury Disaster Loan (EIDL) Program:**

Here is the link to apply for the SBA EIDL loan program. <https://wisconsinsbdc.org/services/covid-19/disasterloans/> Go to the link and click on the blue “Apply Online” button.



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**March 30 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

Lots of information in this email about the SBA loan programs. I have answered many calls and emails today and clearly there is confusion about the programs. In this email I am going to try to bring some clarity to the SBA programs as they stand at the end of today. I apologize for the length of this email but with the passing of the CARES Act it has added more complexity to the offerings.

The SBA has three programs going right now:

- 1) SBA Emergency Injury Disaster Loans (EIDLs) This was the first loan program they rolled out and implemented last week.
- 2) SBA Express Disaster Bridge Loan – launched last week too.
- 3) CARES Act – (new) Passed by Congress and signed by President on Friday.

**These programs are each separate programs!** Each has their own process and rules. They stand alone independent of each other. Keeping that in mind will help you navigate these programs. Here is an update on each of the three SBA Programs:

## **1) SBA Economic Disaster Injury Loan**

Last week Friday in my email we talked about the SBA streamlining the application process. Over the weekend they made further improvements to the application website. **New this weekend the SBA added that if you are approved for an EIDL loan you will now automatically be awarded a \$10,000 EIDL grant. Application for the grant is automatic when you apply for an EIDL loan. Don't worry if you applied for the EIDL last week as the SBA will include you for grant award too if you get an EIDL loan. No need to apply again!**

The only forms you need to complete for the SBA EIDL application are the following:  
**Corporations and LLC's**

1. [Economic Injury Disaster Loan Supporting Information \(Form P-019\)](#)
2. [Request for Transcript of Tax Return \(IRS Form 4506-T\)](#)

Then go online and complete the [Business Loan Application \(Form 5\) \(en Español\)](#)

### **Sole Proprietors**

1. [Economic Injury Disaster Loan Supporting Information \(Form P-019\)](#)
2. [Request for Transcript of Tax Return \(IRS Form 4506-T\)](#)

Then go online and complete the [Home or Sole Proprietor Loan Application \(SBA Form 5C\) \(en Español\)](#)

Download the two forms from this email. Prepare them and then save to your desktop. Then go to the SBA application site and upload these when you apply. While the SBA application process is not initially asking now for IRS Form 4506-T, we are recommending you complete it and submit it as the SBA has told us that it will probably be the form they will be requesting most so submitting it right away will keep your application moving forward.

Many of you will be able to work through the application on your own and I recommend you attempt to complete the application first. If you run into an issue however and need assistance or have questions the SBDC is here to help. To apply for the loan and/or request SBDC assistance you need to go to the link below.

<https://wisconsinsbdc.org/services/covid-19/disasterloans/>

## **2) SBA Express Disaster Bridge Loans**

There have been no changes to the SBA [Express Bridge Loan Pilot Program](#) which was announced last week and allows small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 with less paperwork. These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loans or used to bridge the gap while applying for a direct SBA EDIL. If a small business has an urgent need for cash while waiting for

decision and disbursement on SBA EDIL, they may qualify for an **SBA Express Disaster Bridge Loan**. If you go to the link and view the PDF it has specific details on the loans. I recommend you tell clients about this option.

### Terms

- Up to \$25,000
- Fast turnaround
- Will be repaid in full or in part by proceeds from the EIDL loan
- These Express loans carry a higher interest rate typically set by the lender.
- Must work directly with an SBA Express Lender bank to apply.
- Here is the most current list of banks I could find who are SBA Express Loan lenders in Wisconsin. It is from October 2018: Clients should confirm with their banks.

Link: [Wisconsin SBA Express Loan Lenders](#)

### **3) CAREs Act --Paycheck Protection Program-- Administered By SBA- NEW**

On Friday, March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. This act includes a variety of programs designed to help individuals, small businesses, and large corporations. One of the CARES programs will be administered by the SBA called the Paycheck Protection Program (PPP). The SBA is now working on the final administrative guidelines and processes for this program and expects to have most of the administrative guidelines in place by the end of this week. All we can do now is talk about the key elements and parameters of the PPP so that you can consider if it fits your business.

#### **The Paycheck Protection Program (PPP)**

A significant focus of the [CARES Act](#) – \$350 Billion – is on the retention of employees, with the goal of helping the economy bounce back faster after the COVID-19 crisis. The Paycheck Protection Program (PPP) is a loan program administered by the SBA. It is designed to provide small businesses with funding and incentive to keep employees on payrolls. It is retroactive to February 15, 2020 in order to help employers with workers who may have already been laid off, get these workers back onto payrolls.

#### **How do I access one of these PPP loans?**

CARES delegates authority to make PPP loans to previously approved SBA Section 7(a) lenders (**banks**) and allows the Treasury Department to approve additional new lenders with the necessary qualifications. Right now the specific details on applying for the loan are still pending. It appears the PPP loan will be structured similarly to the SBA's 7(a) loan program, but will have a 100% federal government loan guarantee and will include eligibility for many businesses that were not previously eligible for an SBA 7(a) loan. SBA 7 (a) loans are made by banks to the business but are guaranteed by the SBA. They are not direct SBA loans.

#### **How can I use the money?**

The PPP provides loans of up to \$10 million per small business company (up to eight weeks of payroll) for:

- Paid vacation, sick, medical or family leave;
- Costs related to continuation of group healthcare benefits during periods of leave;

- Employee salaries, wages, commission, or similar compensation;
- Payments of interest on a mortgage (not prepayment of or payment on principal) or on rent;
- Utilities payments
- Payment of retirement benefits;
- Payment of state or local tax assessed on the compensation of employees; and
- Any other debt obligations.

*Note: Payroll costs exclude compensation paid to individuals above \$100,000 a year.*

### **Who is eligible?**

To be eligible, businesses must:

- Be a small business, [as defined by the SBA](#) and have been in business on February 15, 2020.
- This program also supports non-profits with a 501 (c)(3) and fewer than 500 employees, sole proprietors, the self-employed, and independent contractors

### **Program Administration & What You Can Do Now**

Again, the CARES Act just passed on Friday. The SBA is still working on identifying the details of program administration. When I learn more specific details, I will let you know. However, you can do the following to prepare:

- If you do not currently have a banking relationship with a bank that is an SBA 7 (a) lender, identify the SBA lender(s) near you – the list for Wisconsin [begins on page 26](#) (click the link) of this guide. The Department of the Treasury will also be able to authorize new lenders moving forward.
- Gather and review last year's payroll cost records to determine the maximum PPP Loan eligibility.
- Prepare an eight-week budget for payroll costs, mortgage and rent payments, and utility expenses. When establishing this budget, potential borrowers should plan modifications to headcount and paid wages and salaries taking into account the potential reduction factors noted above, and should be aware of payment deferrals offered by lenders or landlords, or utility providers, in order to maximize the potential forgiveness amount of the PPP Loan.
- Compile documentation and records to support your application and determinations related to PPP Loan and forgiveness amounts.
- Prepare a summary statement demonstrating why the PPP Loan request is necessary to support the business operations as a result of current economic conditions.

### **If you apply for a PPP, can you still apply for other SBA loans?**

Yes. Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans, and also receive investment capital from [Small Business Investment Corporations](#) (SBICs). However, you cannot use your PPP

loan for the same purpose as your other SBA loan(s). For example, if you use your PPP to cover payroll for the 8-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period.

### **Will the PPP loans be forgiven?**

Again, the SBA is still developing the administrative details to address loan forgiveness and the CARES Act gives the SBA until April 26, 2020 to issue guidance and final regulations regarding loan forgiveness. However, Section 1106 of the CARES Act specifically prescribes the following:

*Borrowers are eligible for forgiveness of up to 100% of a covered loan under the PPP for the costs incurred and payments made by the borrower during an eight-week covered period after the loan origination date for:*

- (a) payroll costs (as defined and limited by Section 1102) and additional wages to tipped employees,*
- (b) interest on any real or personal property mortgage incurred prior to February 15, 2020,*
- (c) rent on any lease in force prior to February 15, 2020, and*
- (d) utility payments for electricity, gas, water, transportation, telephone or internet access for which service began before February 15, 2020.*

*Amounts forgiven are considered canceled indebtedness under Section 7(a) of the Small Business Act and are not includible in gross taxable income of the borrower. The SBA will remit the forgiven amount plus accrued interest to the lender within 90 days of the date of forgiveness.*

*To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, the amount of loan forgiveness will be determined without regard to a reduction in the number of FTEs or a reduction in employee salaries from February 15 through April 26, 2020 if the reduction in number of FTEs or reduction in salaries has been eliminated by June 30, 2020.*

*A borrower seeking loan forgiveness must submit an application to the lender including documentation of:*

- a) the number of FTEs and pay rates during the relevant periods;*
- b) amounts paid for eligible payroll, interest, rent and utilities during the eight-week covered period;*
- c) and a borrower certification of the accuracy of the documentation provided and that the amount to be forgiven was used for an eligible purpose.*

*No forgiveness will be made without documentation. The lender must provide a decision on the application for forgiveness within 60 days of the submission date. The lenders will be held harmless from enforcement actions or penalties related to loan forgiveness.*

*Any covered loans not forgiven remain outstanding under their existing terms under Section 1102.*

*By April 26, 2020, the SBA must issue guidance and regulations to implement this section.*

Once again, the SBA is working on the details of the PPP. As I learn more details, I will provide them in future updates.

### **Other Items In CARES to Consider**

One part of the CARES Act that is not part of PPP and is **not** administered by the SBA is the **Small Business Tax Provisions of the CARES Act**. These provisions are tax credits but the use of the PPP does affect the credit a business can take. The two Small Business Tax Provisions are as follows:

1. ***Employee Retention Credit for Employers Subject to Closure or Experiencing Economic Hardship.***

This provision provides a refundable payroll tax credit for 50 percent of wages paid by eligible employers to certain employees during the COVID-19 crisis. The credit is available to employers, including non-profits, whose operations have been fully or partially suspended as a result of a government order limiting commerce, travel or group meetings. The credit is also provided to employers who have experienced a greater than 50 percent reduction in quarterly receipts, measured on a year-over-year basis.

Wages of employees who are furloughed or face reduced hours as a result of their employer's closure or economic hardship are eligible for the credit. For employers with 100 or fewer fulltime employees, all employee wages are eligible, regardless of whether an employee is furloughed. The credit is provided for wages and compensation, including health benefits, and is provided for the first \$10,000 in wages and compensation paid by the employer to an eligible employee. Wages do not include those taken into account for purposes of the payroll credits for required paid sick leave or required paid family leave, nor for wages taken into account for the employer credit for paid family and medical leave (IRC sec. 45S).

- The credit is not available to employers receiving assistance through the Paycheck Protection Program (PPP).

The credit is provided through December 31, 2020.

2. ***Delay of Payment of Employer Payroll Taxes.***

This provision allows taxpayers to defer paying the employer portion of certain payroll taxes through the end of 2020, with all 2020 deferred amounts due in two equal installments, one at the end of 2021, the other at the end of 2022. Payroll taxes that can be deferred include

the employer portion of FICA taxes, the employer and employee representative portion of Railroad Retirement taxes (that are attributable to the employer FICA rate), and half of SECA tax liability.



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## **March 27 - Updates from Luke Kempen – WI Small Business Development at UW-Eau Claire**

### **New Simplified SBA Economic Disaster Injury Loan Application Process**

Good news! Late this week the SBA has greatly streamlined the SBA Economic Disaster Injury Loans (EDILs). The website is now much more efficient and the amount of information the SBA is initially requesting has greatly decreased! The only forms you need to complete for the initial application for these loans are the following:

#### **Corporations and LLC's**

3. [Business Loan Application \(Form 5\) \(en Español\)](#)
4. [Economic Injury Disaster Loan Supporting Information \(Form P-019\)](#)
5. [Request for Transcript of Tax Return \(IRS Form 4506-T\)](#)

#### **Sole Proprietors**

3. [Home or Sole Proprietor Loan Application \(SBA Form 5C\) \(en Español\)](#)
4. [Economic Injury Disaster Loan Supporting Information \(Form P-019\)](#)
5. [Request for Transcript of Tax Return \(IRS Form 4506-T\)](#)

The SBA will review your application and if needed they will contact you via email to request additional information. You can download these forms from this email. Prepare them and then save to your desktop. Then go to the SBA application site and upload these when you



apply. While the SBA application process is not initially asking now for IRS Form 4506-T, we are recommending you complete it and submit it as the SBA has told us that it will probably be the form they will be requesting most so submitting it right away will keep your application moving forward.

Many of you will be able to work through the application on your own and I recommend you attempt to complete the application first. If you run into an issue however and need assistance or have questions the SBDC is here to help. To apply for the loan and/or request SBDC assistance you need to go to the link below.

<https://wisconsinsbdc.org/services/covid-19/disasterloans/>

*As the SBA EDIL is the foundational component of the SBA's disaster relief for small businesses, the SBA is highly encouraging businesses apply for these loans as soon as possible so they can assist as many business owners as possible quickly and efficiently. It is highly likely that the EDIL application will also be the door to other programs that the CARE Act may bring. Therefore, if you need disaster assistance, I too recommend you apply for the SBA EDIL now. The process is much more user friendly and simple.*

### **SBA Making Available New Express Disaster Bridge Loans**

Yesterday afternoon the SBA announced it was offering their [Express Bridge Loan Pilot Program](#) which allows small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 with less paperwork. These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loans or used to bridge the gap while applying for a direct SBA EDIL. If a small business has an urgent need for cash while waiting for decision and disbursement on SBA EDIL, they may qualify for an **SBA Express Disaster Bridge Loan**. If you go to the link and view the PDF it has specific details on the loans. I recommend you tell clients about this option.

#### **Terms**

- Up to \$25,000
- Fast turnaround
- Will be repaid in full or in part by proceeds from the EIDL loan
- These Express loans carry a higher interest rate typically set by the lender.
- Must work directly with an SBA Express Lender bank to apply.
- Here is the most current list of banks I could find who are SBA Express Loan lenders in Wisconsin. It is from October 2018: Clients should confirm with their banks.

Link: [Wisconsin SBA Express Loan Lenders](#)

### **CARES Act Update**

Today the House passed and the President says he will sign into law the CARES Act, a sweeping disaster aid package to support individuals and businesses suffering economic loss from the COVID19 Disaster. Attached to this email is a great summary provided by WMC of many of the provision of the law dealing with business. (The full Act document itself is 833 pages and is

available online.) While this summary provides an outline on how the act applies to businesses, much of how this will all be implemented is still being put into place. Also, there are many provisions of the Act that affect individuals and households. I encourage you to review the attached summary and think about what might be helpful to you. I plan to spend a great deal of time this weekend studying and learning more about the CARES and how it will be implemented. Hopefully, we will have more on CARES early next week.

### **Cash Flow and Financial Analysis**

This week the I have spoken to many of you who had questions on many different topics ranging from looking at ways to adjust cash flow to questions about employee layoffs, etc. I continue to welcome your calls on anything that you want to discuss. I know often small business owners feel they are on an island by themselves especially now with the stay at home orders and social distancing. Please do not hesitate to email or call me to talk. If you need help assessing your cash flow or doing some financial projections over the next few weeks we can assist you. Here are some specific things to look at to possible help with cash flow needs:

**Talk to your bank-** Many local banks have contacted us to let us know they are offering deferment of payments on loans, new low interest lines of credit, interest free credit cards for up to 20 months etc. While I generally discourage running up credit card debt, if needed to make something work to tide you over in the short run you may need to consider it. I highly encourage you to talk to your bank to see what they have to offer to assist you. Do not wait for them to contact you... be proactive and reach out to them.

**Regional Business Fund (RBF) is still lending.** Here is a link to RBF loan programs. <https://www.rbfinc.org/>

**Laying off Employees-** I have had many calls on this question. I know it can be disheartening to lay off employees. However, my advice is to remember that your goal is to be there in business when this disaster is over so that you can provide employment to these employees for the long term. It appears the CARES Act will boost unemployment benefits to laid off employees lightening the burden of the layoff to the employee and perhaps freeing up cash for you to focus on sustaining your business.

**CARES Act Assistance-** The CARES Act provides more loan options and many other opportunities. See the attached summary as a starting point.

**Personal Cash Flow Assistance-** The CARES Act provides deferral of interest and payments on student loans, deferral of home loan payments and several other areas of relief that you might be able to take advantage of.

### **Business Insurance Considerations**

Here at the Small Business Development Center, we are able to reach out to a wide range of partners to provide us with a greater depth of information in their specialty topics.

In today's message, we are thankful to hear from **Ryan Waite, CIC, CPRM, CRM** from [Neckerman Insurance Services](#). Ryan helped us understand more about some of the many changing pieces in the insurance world as of today (March 26, 2020). This information is intended to help you better understand common questions; please reach out to your insurance agent if you have detailed questions about the policies you have in place.

#### **What should small businesses consider with business processes changing so quickly?**

- **Cyber risks:** A number of small businesses have transitioned their workforce to work remotely from home. Since this was a quick transition, there may be some cyber insurance risks that should be reviewed. Here's an article we at Neckerman wrote about [managing remote work cyber risks](#).
- **Delivery drivers:** Some restaurants have started to offer delivery with the Safer At Home shut downs.
  - The Wisconsin Insurance Commissioner has now ordered all companies that insure restaurants to extend coverage for Hired and Non-Owned Auto Liability coverage to those restaurants. This coverage protects the business from a car accident in which their driver is at fault and the driver's personal insurance doesn't cover the extend of the damage.
  - Please note that even though the insurance carriers have been required to offer the coverage, each carrier will have different eligibility guidelines.

#### **Do I have coverage for COVID-19 under business interruption?**

Insurance agencies are not claims adjusters, so if a business feels they have a claim, they can file it with their insurance carrier. The insurance carrier will evaluate every claim individually to determine whether there is coverage based on the policy language and coverage forms.

That said, there typically needs to be physical damage to the property from a covered cause of loss for this coverage to apply. One possible example could be if it was proven that the COVID-19 virus infected the property, which then had to be evacuated and sanitized. That said, most insurance carriers don't consider this a direct loss because their policies exclude virus and bacteria as a cause of loss.

#### **What should business owners talk to their insurance partners about?**

There are many businesses that have had to lay people off and close up shop. It's a terrible situation, and insurance companies are doing what they can to help on the billing side.

Some possible options to discuss with your agent:

- Changing your premium payments from annual to monthly
- Pushing back your payment due dates
- Deferring the minimum that is due
- Requesting a payment extension

Many carriers are also extending their “grace periods,” not charging late fees, offering more flexibility on cancellations due to non-payments and reinstatements, longer payment terms, etc. One carrier even stated that “if a policyholder is unable to pay their premium due to COVID-19, their policy will not be canceled for nonpayment.”

As each business situation is unique, it is best to talk to your insurance agent and then the billing representative of your insurance carrier for additional flexibility. Toll-free numbers for billing questions should be listed on all invoices.

### **Any additional tips to get through these tough times?**

Many liability and Workers’ Compensation policy premiums are based on estimated sales and payroll. If your current policy estimates of sales and/or payroll are now lower due to the closing of your business, discuss that change with your insurance advisor, as it could provide some immediate relief toward the cost of insurance. Depending on the industry, this could lower the premium for your business drastically to help you weather the storm.



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## **March 26**

Summary of Federal Cares Act

[https://www.wmc.org/wp-content/uploads/WMC\\_COVID19\\_Fed-Cares-Act-Summary.pdf](https://www.wmc.org/wp-content/uploads/WMC_COVID19_Fed-Cares-Act-Summary.pdf)

