

PPP and ERC

Tax Bill – December 27, 2020

February 10, 2021

Professional Tax Planning, LLC
&
Corporate Payroll Services



Legal Disclaimer

The information presented today is provided for educational purposes and should not be considered legal advice.

ABOUT HIROMI

PERSONAL

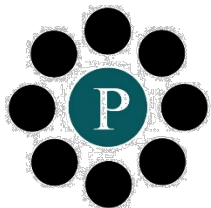
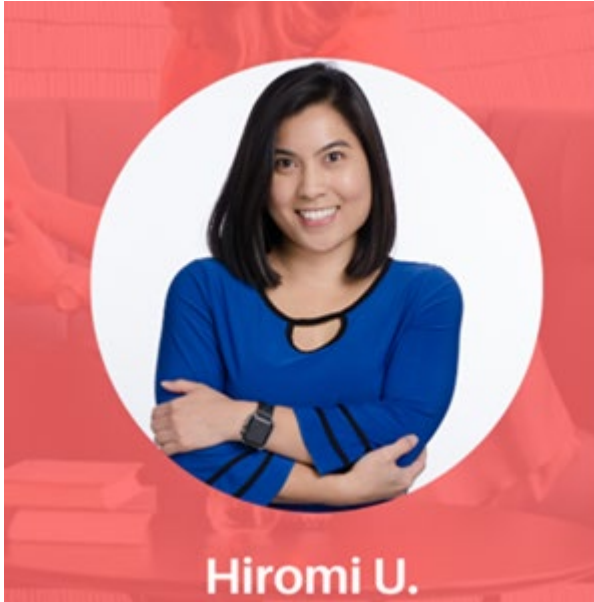
- Chicago city – born & raised
- Parents owned Hiromi's Oriental Restaurant
- Ice skater

CAREER

- Certified Public Accountant (CPA)
- External Audit - Japanese firm (CDH) and Big Four (PricewaterhouseCoopers)
- Internal Audit - Business Diagrams & Testing
- Taxes

Professional Tax Planning, LLC - MISSION:

Bridge the under-represented businesses and the wealthy



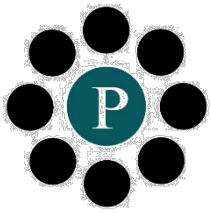
ABOUT EPHRAT

- BS in International Business
- Joined Corporate Payroll Services in 1999
- Has held a variety of roles in
 - Operations
 - Management
 - Information Technology



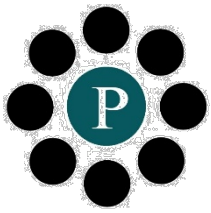
Ephrat Merid
Corporate Payroll Services

ephrat@corpay.com



CPA Objectives

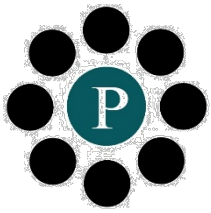
- 1. New Tax Bill Changes**
- 2. PPP Round 2 (PPP2)**
- 3. Employee Retention Credit (ERC)**



PPP Forgiveness

Changes

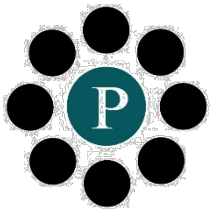
- ✓ EIDL Advance does not reduce PPP Forgiveness
- ✓ PPP Loan under \$150k - simplified forgiveness
- ✓ Expenses paid by PPP funds are fully tax deductible
- ✓ EIDL Grant of \$10,000 – SBA Email
- ✓ Employee Retention Credit - Eligible



To Qualify

- ✓ **Less than 300 employees**
- ✓ **A quarter in 2020 dropped 25% in gross sales compared to the same quarter in 2019**
- ✓ **Business opened before February 15, 2020**

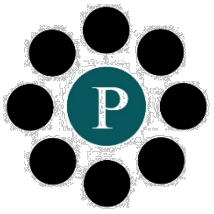
	2020	2019	Percentage
Q1	\$80,000	\$100,000	80%
Q2	\$74,000	\$100,000	74%
Q3	\$80,000	\$100,000	80%
Q4	\$80,000	\$100,000	80%



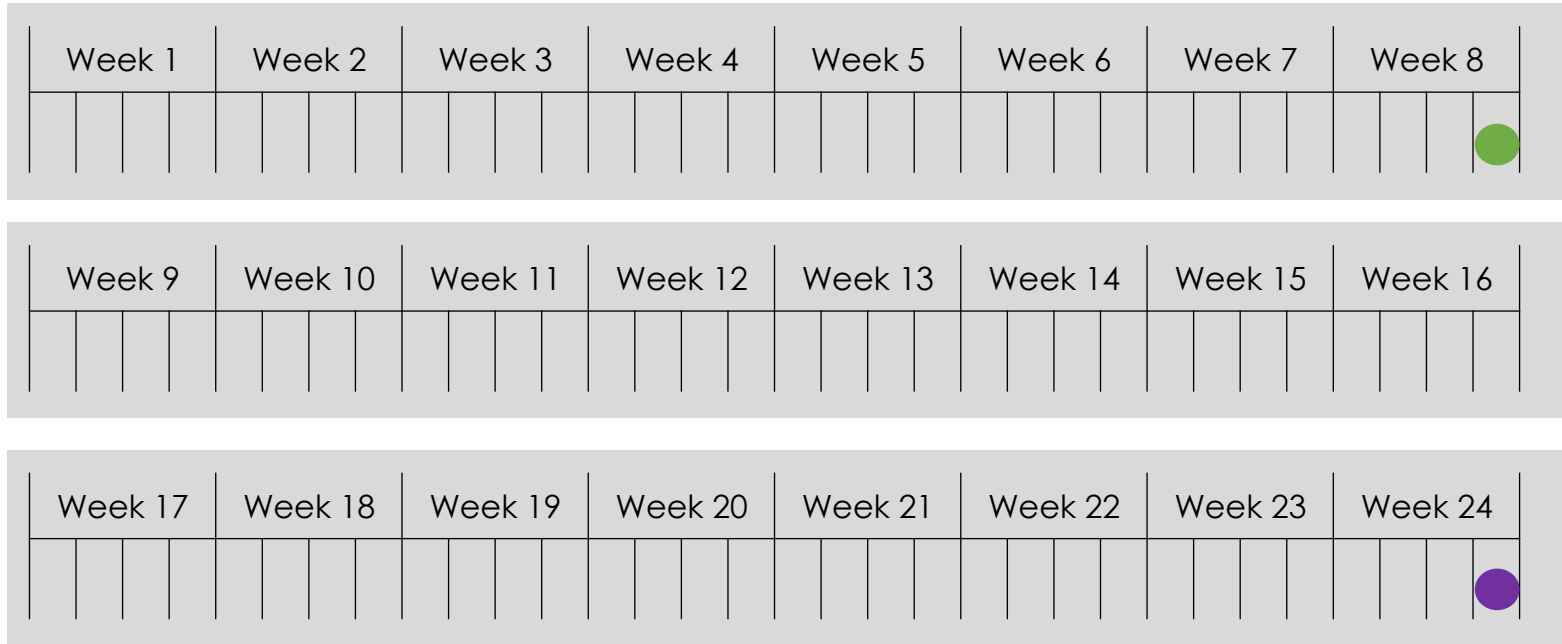
PPP – First Time

To Qualify

- ✓ Less than 500 employees
- ✓ Business opened before February 15, 2020

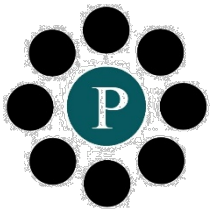


COVERED PERIOD



● 8 weeks

● 24 weeks

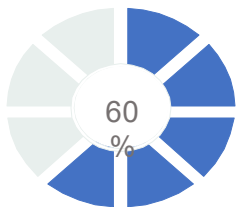


ALLOWABLE EXPENSES

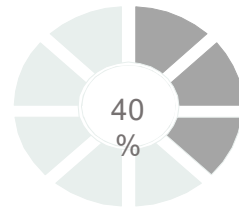


	February				March				>>>> 2025			
	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8	5 year term			
Payroll	Payroll – 60% or more											
Utilities	Utilities – 40% or less											
Rent	Rent – 40% or less											
Mortgage Interest	Mortgage Interest – 40% or less											
Expanded	Expanded – 40% or less											
Loan Term									Loan Term			

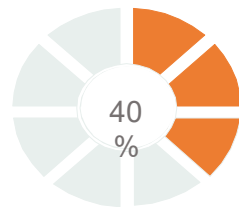
● Loan Term



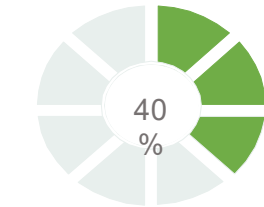
● Payroll



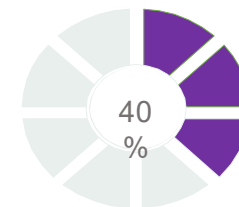
● Utilities



● Rent

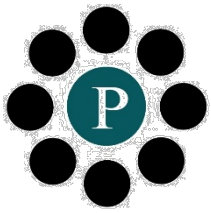


● Mortgage Interest



● Expanded

= 100% Forgiven



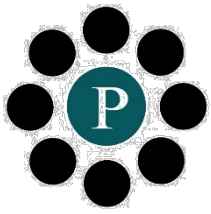
PPP – Expanded Covered Costs

Expanded

- ✓ Covered operations expenditures
- ✓ Covered supplier costs
- ✓ Covered worker protection costs

Examples

- ✓ Software, cloud computing that facilitates business operations, processing payments, etc
- ✓ Property damage caused by public disturbances, including looting
- ✓ Supplies before the covered period
- ✓ **Perishable goods before or during the covered period**

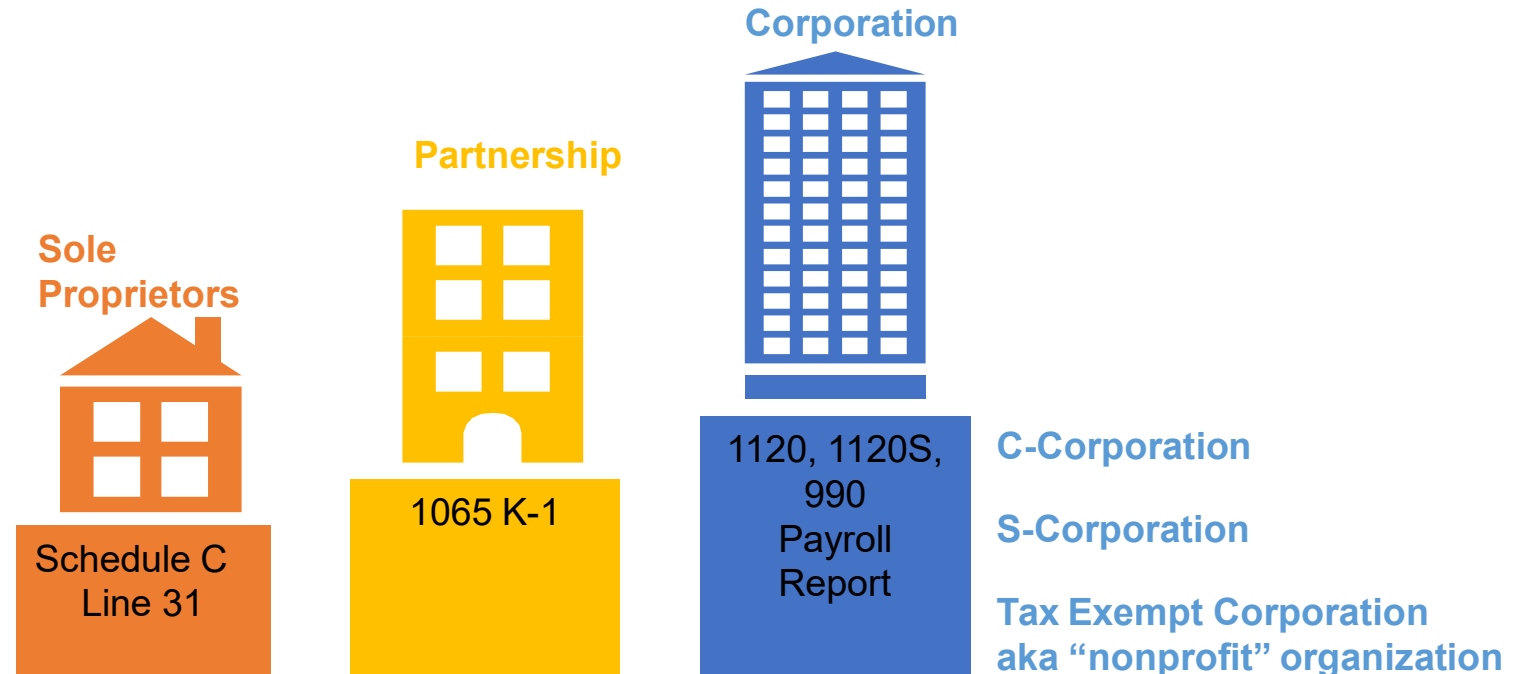


Payroll or Net Profit



Corporations must report an appropriate and reasonable salary.

To get the PPP loan, a corporation's owner must have received a W-2 wage.

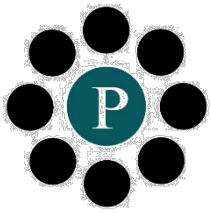


● 2019 Net Profit

● 2020 Net Profit

● 2019 Payroll

● 2020 Payroll



2019 or 2020 Net Profit

PPP1 and PPP2 Amount



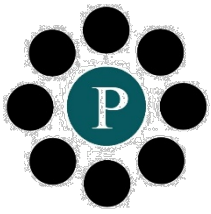
Caution:
Higher net profit might increase
your income and self
employment taxes.

\$ 2020 Net Profit	\$ 78,000 / year	\$ 6,500 / month
12 months	12 months	2.5 months
Monthly Pay	6,500 / month	\$16,250 PPP

NAICS 72 (PPP2)

\$ 2019 Net Profit	\$ 78,000 / year	\$ 6,500 / month
12 months	12 months	3.5 months
Monthly Pay	6,500 / month	\$22,750 PPP

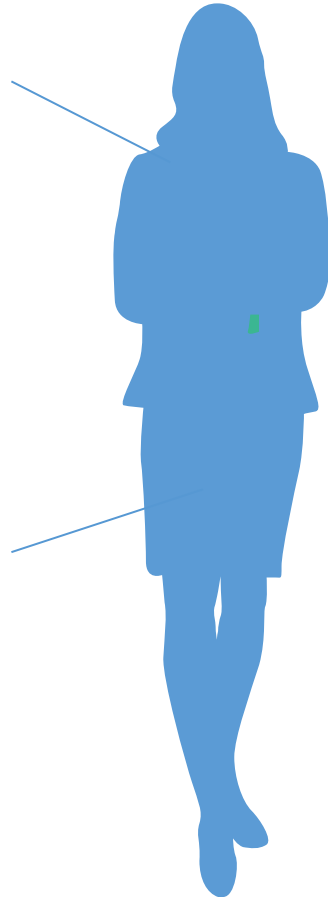
Business meals = 100% tax deduction in 2021 and 2022



Who are employees?

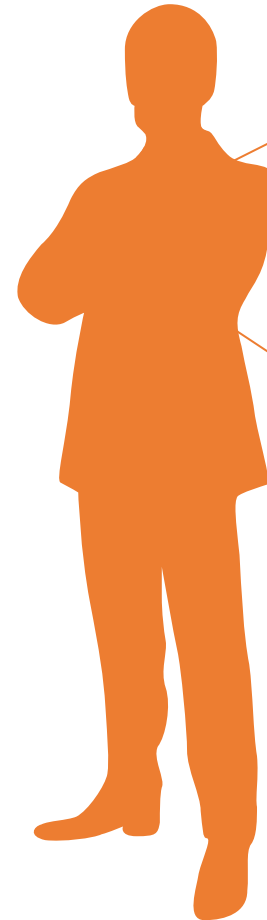
W-2 = YES

Paycheck Protection Program is to protect those who receive paychecks



1099 = NO

Contractors are their own businesses.



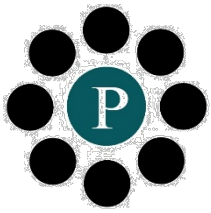
PPP

1099 contractors can apply for their own PPP funds

BUSINESS OWNER (YOU)

If you paid self-employment taxes, you are eligible.

If you are a Landlord of residential properties, You are NOT eligible.



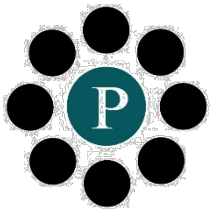
Employee Retention Credit (ERC)

2020 Changes - Retroactive

- ✓ Can claim even if received PPP loan
- ✓ 50% of wages
- ✓ \$5,000 max per employee per year
- ✓ Retroactive – Amend 941 forms

2021 Extended – June 30, 2021

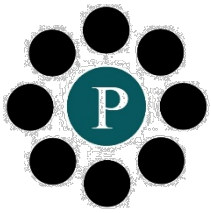
- ✓ Can claim even if received PPP loan
- ✓ 70% of wages
- ✓ \$7,000 max per employee per quarter



Employee Retention Credit (ERC)

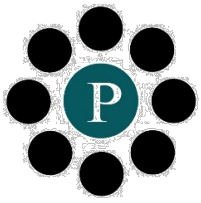
Eligibility

- ✓ Less than 500 employees
- ✓ Reduction in Gross Sales
 - ✓ 2020: at least 50% in one quarter
 - ✓ 2021: at least 20% in one quarter
- Elect to compare 2021 quarter with 2019 quarter
- Not in business in 2019 are eligible for 2021 ERC



CPA Objectives

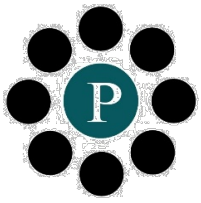
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How Corporate Payroll Services Can Help

Claiming the ERC

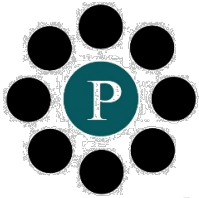
- Credit taken against employer's social security tax
- Excess is refundable
- Employers can retain corresponding employment taxes
 - Federal income tax withholding
 - Employees' Social Security/Medicare
 - Employer's Social Security/Medicare
 - Additional credit can be requested on Form 7200



How Corporate Payroll Services Can Help

Who files Form 7200?

- CPS files Form 7200 (when applicable) to request an advance of the ERC.
- Only small employers may file Form 7200.
 - 500 or fewer full-time employees in 2019 (or 2020 if your business did not exist in 2019).



Form 7200

Form **7200**

(Rev. January 2021)

Department of the Treasury
Internal Revenue Service

Advance Payment of Employer Credits Due to COVID-19

▶ Go to www.irs.gov/Form7200 for instructions and the latest information.

OMB No. 1545-0029

Name (not your trade name)			Employer identification number (EIN)
Trade name (if any)			Applicable calendar quarter in 2021 (check only one box) Caution: See instructions before completing to determine if the credits and advance are available for the applicable quarter in 2021.
Number, street, and apt. or suite no. If a P.O. box, see instructions.			
City or town, state, and ZIP code. If a foreign address, also complete spaces below. (See instructions.)			(1) <input type="checkbox"/> January, February
Foreign country name			(2) <input type="checkbox"/> April, May, June
			(3) <input type="checkbox"/> July, August, September
Foreign province/county			(4) <input type="checkbox"/> October, November
Foreign postal code			EIN on employment tax return (if of
Name on employment tax return (third-party payer) that will report the wages and credits related to the advance you're requesting in Part II (leave blank if return is filed under your name and EIN). See instructions.			

Tip: File Form 7200 if you can't reduce your employment tax deposits to fully account for these credits that you expect to report on your employment tax return for the applicable quarter, or year if you file an annual return. Don't reduce your employment tax deposits to account for advance credits for the same expected credits. You will need to reconcile your advanced credits and reduced deposits on your tax return. You can't request an advance payment of the credit for sick and family leave for self-employed individuals.

Part I Tell Us About Your Employment Tax Return

- A** Check the box to indicate which employment tax return form you file (or will file for 2021). Check only one box.
 (1) 941, 941-PR, or 941-SS (2) 943 or 943-PR (3) 944 or 944(SP) (4) CT-1
- B** Is this a business that started on or after January 1, 2020? You must check one box.
- C** Amount reported on line 2 of your most recently filed Form 941 (or wages reported on Schedule R (Form 941), column (d), by your third-party payer (see instructions)). If you file a different employment tax return or have never filed one, see instructions
- D** Tax period of most recently filed Form 941 (for example, "Q4 2020") or annual employment tax return (for example, "2020")
- E** If you're requesting an advance payment of the employee retention credit (Part II, line 1), enter the average number of full-time employees you had in 2019 (or 2020 if your business wasn't in existence in 2019). Aggregation rules apply. See instructions
- F** If you're requesting an advance payment for qualified sick and/or family leave wages (Part II, lines 2 and/or 3), enter the number of employees you had when qualified leave was taken during the quarter for the advance requested. See instructions

Part II Enter Your Credits and Advance Requested

1	Total employee retention credit for the quarter. Don't enter more than the amount eligible to be advanced for the quarter. See instructions	1
2	Total qualified sick leave wages eligible for the credit and paid this quarter. See instructions	2
3	Total qualified family leave wages eligible for the credit and paid this quarter. See instructions	3
4	Add lines 1, 2, and 3	4
5	Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter. Enter as a positive number	5
6	Total advanced credits requested on previous filings of this form for this quarter	6
7	Add lines 5 and 6	7
8	Advance requested. Subtract line 7 from line 4. If zero or less, don't file this form	8

Third-Party Designee

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details. **Yes.** Complete below. **No**

Designee's name ▶ _____ and phone number ▶ _____

Select a 5-digit personal identification number (PIN) to use when talking to the IRS ▶

Sign Here

Under penalties of perjury, I declare that I have examined this form, including any accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date Printed title

Printed name Best daytime phone

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	PTIN	Check <input type="checkbox"/> if self-employed
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no. <input type="text"/>	

How To File

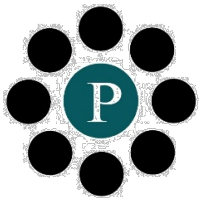
Fax your completed form to 855-248-0552.

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 56392D

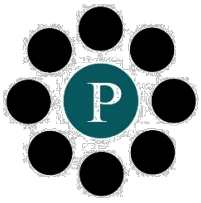
Form 7200 (Rev. 1-2021)





Recordkeeping

- Keep records of employment taxes for at least 4 years including:
 - How you figured the employee retention credit
 - OWL report CPS provides each pay period
 - Calculations for qualified health plan expenses
 - Eligibility for ERC based on suspension of business operations or a decline in gross receipts. (See [IRS.gov/ERC](https://www.irs.gov/ERC) for more information.)
 - Advances received and copies of Form(s) 7200.



Next Steps

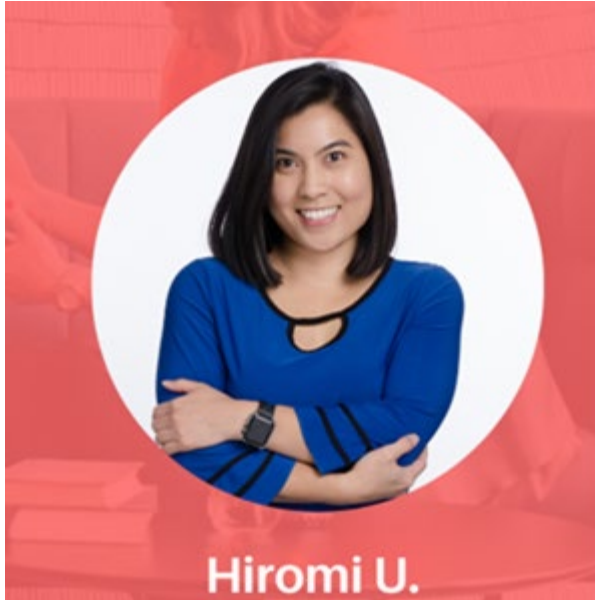
Step 1:

Read the IRS guidance for the ERC, www.irs.gov/erc, to determine if you qualify for this credit. Seek guidance from your CPA or Hiromi.

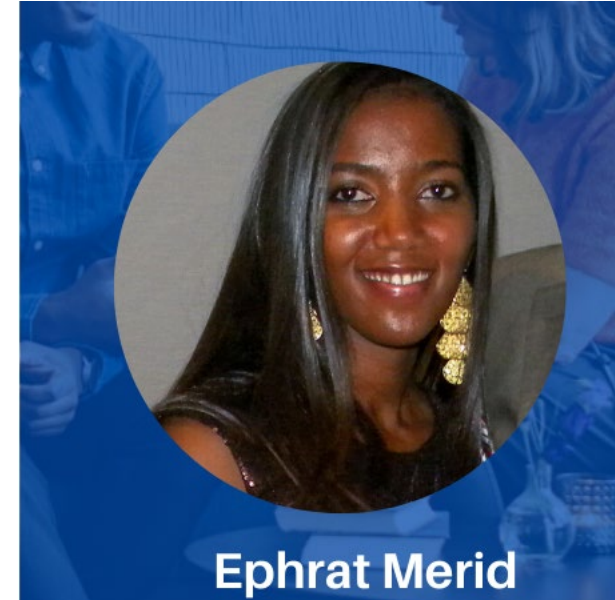
Step 2:

Request ERC consent form from CPS.

QUESTIONS?



info@taxproplan.com



Ephrat@corpay.com