SUMMER 2020 EDITION

THE PROSPERITY® CONSULTING GROUP, LLC
A WEALTH MANAGEMENT COMPANY

The Prosperity Press

A quarterly publication providing you with invaluable information in financial planning, wealth management, taxes and so much more!

What the Paycheck Protection Program Flexibility Act Means for Business Owners

The key changes PPP loan recipients need to know!

The Paycheck Protection Program Flexibility Act (PPPFA), passed Friday, June 5th, has the goal of making it easier for PPP loan recipients to qualify for forgiveness. Here are the major changes:

Extended Covered Period
Prior to PPPFA, borrowers had to spend their loan funds within an 8-week Covered Period following the receipt of their funds. Now, borrowers have 24 weeks to spend their funds (or December 31, 2020, whichever is earlier). Borrowers who had their loan before PPPFA was enacted have the option to keep the original 8-week Covered Period or use the new 24-week period.

Borrowers also have the option to use an Alternative Covered Period. That means they can choose to start their Covered Period on the day they receive their PPP loan funds or on the first day of their regular pay period.

For example, if you receive your PPP loan funds on Friday, June 12th but the first day of your regular pay period is Monday, June 15th, you can choose to start your Covered Period on June 15th, rather than June 12th.

Lowered Payroll Cost Percentage Requirement
Prior to PPPFA, business owners had to spend 75% of loan funds on payroll costs. The PPPFA has lowered that percentage to 60%. This makes it significantly easier for borrowers to receive full loan forgiveness. This rule is retroactive and applies to all PPP loans.

If you spend less than 60% on payroll costs, your loan may still be forgivable, however, the forgiveness amount will be reduced and you will have to pay the remainder of your loan back to your lender.

Restoring Your Workforce
Borrowers can now use the new 24-week Covered Period to restore their full-time equivalent (FTE) workforce to pre-COVID-19 levels to obtain full forgiveness. The new deadline to achieve this is Dec. 31st vs the previous deadline of June 30th. Again, this is retroactive and applies to all PPP loans.

There are new exceptions to the workforce restoration requirements. Borrowers can exclude workers if...

- Workers they previously let go turned down good-faith offers of re-employment
- They are unable to find qualified employees to replace them
- They are unable to restore operations due to COVID-19 restrictions
- An employee was fired for a valid cause, voluntarily resigned, or voluntarily requested and received a reduction of hours

If FTEs are reduced and these exceptions are not met, the forgiveness amount will be reduced.

Lengthened Deferment Period
Prior to the PPPFA, borrowers could defer their PPP loan payments by 6 months after the end of their Covered Period. Now, PPPFA states that the deferment period will start on the day the SBA sends the borrower's loan forgiveness amount to the lender.

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Don't Fall Victim to Coronavirus Cybersecurity Threats

As the coronavirus threat spreads, we take protective measures such as social distancing, wearing face masks in public places, washing our hands and disinfecting our surfaces. Unfortunately, there's a threat outside of our physical health that we also need to protect ourselves against – Cybercrime. Cybercriminals are targeting people while they're most vulnerable. In 2019, American's lost $1.9 billion to scams. We need to be vigilant not just about our health, but also about our cybersecurity during this time.

Communications from imposter government or financial agencies
Some of the most popular ways scammers will target you is through email, phone call, or even text message. You could be receiving these communications from scammers claiming to be the IRS, CDC, Charles Schwab, or other government or financial agencies.

Stimulus Check Scams
As stimulus checks come out, many scammers are claiming to be the IRS and will contact you to steal your personal information or infect your device with malware. The IRS will never request personal information from you through calls, texts, or emails.

Phishing Emails
Phishing is when a scammer tries to disguise his or her real identity to trick you into divulging personal information such as social security numbers, account logins, etc. For example, scammers posing as financial institutions may be emailing you with messages saying that "due to market volatility… we need you to update your account details." Phishing emails often have some tell-tale signs that differentiate them from the real thing.

Fake IT Help Desk
Scammers will target large corporations whose employees are working from home, by posing as their "IT helpdesk" to infect their network systems and steal company data.

Fraudulent Charities
Fraudulent donation websites are popping up that are taking advantage of charitable people by claiming that they're helping coronavirus victims. These scammers will not only steal your "donation," but they will also steal your credit card details and they may infect your computer with malware. If you'd like to help individuals and families impacted by coronavirus, we suggest looking into established charities such as your local food bank.

Products that claim to cure, prevent or test for COVID-19

While our government and private industry are working on vaccines and treatment, at this time, there are no products proven to treat or prevent COVID-19. Anyone claiming otherwise is trying to trick you.

The FDA has announced approval for an in-home test kit, however, the only way to get this test is with a doctor's order. Any other advertising you see for in-home test kits online are scams.

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If a borrower does not apply for loan forgiveness, the deferment period will end 10 months after the end of the borrower's Covered Period. Interest will accumulate during the deferment period and this is retroactive and will apply to all PPP loans.

Extended Repayment Term for New PPP Loans
PPPFA has increased the repayment terms from two years to five years. This only applies to new PPP loans made after the PPPFA was enacted. If your loan originated prior to the Paycheck Protection Program Flexibility Act, you may still be able to take advantage of the longer repayment period if you and your SBA lender can come to a mutual agreement. The 1% interest rate has not been changed.

Payroll Tax Deferral
The CARES Act prohibited PPP borrowers that received loan forgiveness to also utilize the CARES Act's payroll tax deferral. Now, PPPFA allows business to delay paying payroll taxes even if they received PPP loan forgiveness.

Payroll tax deferral is applicable to an employer's portion of Social Security wages paid from March 27 thru December 31st, 2020. Employers must deposit 50% by December 31st, 2021 and the remaining 50% by December 31st, 2022 or face penalties.

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We're All In

Navigating the COVID-19 landscape can be tricky. At Prosperity, we're all in. We're here to help you manage your PPP funds, help you with cash flow, and anything else during this unprecedented time.
If you need us, you can email us at info@prosperityconsult.com or call us at (410) 363-7211.