

# Conversation with a CPA: Navigating 'Pandemic 2.0'

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*Helping businesses start, grow, and prosper.*



Chester & Delaware Counties

# NAVIGATING PANDEMIC 2.0

# CASH IS STILL KING

- BUSINESS IS ALL ABOUT GENERATING CASH FLOWS:
  - SIDE GIGS
  - START-UPS
  - ESTABLISHED BUSINESSES
- NO CASH, NO BUSINESS!

# PANDEMIC CASH FLOW *CONSIDERATIONS*

- 800 LB GORILLA IN PRACTICALLY EVERY ROOM
- KEEP LEAN & MEAN – SPEND WISELY
- CONTINUE BUDGETING & PLANNING VERY CAREFULLY
- COVID-19 IS NOT OVER YET SO DON'T RELAX JUST YET

# PANDEMIC CASH FLOW *CONSIDERATIONS*

- PAYCHECK PROTECTION PROGRAM
  - PPP FIRST ROUND
  - PPP SECOND ROUND
- COVID ECONOMIC INJURY DISASTER LOAN PROGRAM
  - EIDL FIRST ROUND
  - EIDL SECOND ROUND
- GRANTS
- LOANS
- TAXES

# PPP

## *PAYCHECK PROTECTION PROGRAM*

- PPPI (FIRST DRAW)
- ESTABLISHED IN MARCH 2020
- ADMINISTERED BY BANKS & FINANCIAL INSTITUTIONS
- AVAILABLE FOR BUSINESSES IN EXISTENCE BEFORE FEB 15, 2020
- LOAN PROGRAM BASED UPON PAYROLL CALCULATIONS
- NON-TAXABLE FORGIVEABLE LOAN IF USED PROPERLY (\$150K MAX)
  - REMAINDER IS EITHER 2 OR 5 YEAR LOAN 1% INTEREST
- COVERED EXPENSES ARE DEDUCTIBLE ON TAX RETURNS!
- AVAILABLE FOR SOLE PROPRIETORS & 1099'ERS
- OVER \$1B LEFT UNCLAIMED ( WHEN PROGRAM EXPIRED)
- PROGRAM REOPENED DECEMBER 2020-EXPIRES MARCH 31, 2021
- **DO APPLY IF YOU HAVE NOT ALREADY DONE SO!!**

# PPP

## *PAYCHECK PROTECTION PROGRAM*

- PPP2 (SECOND DRAW)
- ESTABLISHED DECEMBER 2020
- BASICALLY SAME RULES AS PPP1
  - ADDITIONAL EXPENSES ALLOWED & NOT COVERED UNDER PPP1
  - GENERALLY ELIGIBLE IF PREVIOUSLY RECEIVED PPP1 LOAN
  - NO MORE THAN 300 EMPLOYEES
  - GROSS RECEIPTS/REVENUES SUFFERED A 25% DROP IN ANY QUARTER IN 2020 AS COMPARED TO SAME QUARTER IN 2019
  - UP TO \$150K CAN BE FORGIVEN
  - FORGIVEN AMOUNT NOT TAXABLE
  - EXPENSES COVERED STILL DEDUCTIBLE
- **IF NOT APPLIED FOR PPP1 YOU SHOULD DO IT NOW**
  - AND APPLY FOR PPP2 AT THE SAME TIME!
  - **TALK TO YOUR BANK IMMEDIATELY ABOUT THIS**

# EIDL - COVID

## ECONOMIC INJURY DISASTER LOAN PROGRAM

- ESTABLISHED MARCH 2020
- ADMINISTERED BY SBA DIRECTLY – NOT BANKS
- \$1K GRANT FOR EACH EMPLOYEE (FREE MONEY)
  - BUSINESS OWNERS CAN BE CONSIDERED EMPLOYEES
- LOAN PORTION: 30 YEAR FIXED @ 3.75% (NON-PROFITS 2.75%)
- SBA DEFERRED PAYMENTS FOR FIRST 10 MONTHS
- YOU SHOULD BE RECEIVING A LETTER NOTIFYING YOU ABOUT PAYMENTS AND LOAN SERVICING
- MAY BE COLLATERIZED LOAN IF OVER \$25K
  - YOU PUT UP YOUR BUSINESS ASSETS AS COLLATERAL
  - YOU PUT UP A PERSONAL GUARANTEE IF LOAN IS \$200K OR MORE

# EIDL

## ECONOMIC INJURY DISASTER LOAN PROGRAM

- CHANGES MADE DECEMBER 2020
- EXPIRES DECEMBER 31, 2021
- YOU MAY HAVE BEEN ELIGIBLE FOR A \$10K GRANT IN 2019
  - IF YOU WERE ELIGIBLE & DID NOT RECEIVE \$10K YOU MIGHT STILL GET IT
  - SBA HAS BEEN CONTACTING ELIGIBLE BUSINESSES INVITING THEM TO APPLY
  - CHECK YOUR SPAM FOLDER IF YOU HAVE NOT RECEIVED A NOTICE
  - NOT EVERYONE WILL BE INVITED: NO NOTICE MEANS NOT ELIGIBLE
  - TARGETED TOWARDS CERTAIN LOW INCOME AREAS

# GRANTS

- GRANTS COME AND GO SO STAY ALERT
- COMCAST RISE CLOSES MAY 7<sup>TH</sup>
  - MARKETING SERVICES & TECH MAKEOVERS
  - BUT INVESTMENT FUNDS PERIOD HAS CLOSED FOR PHILADELPHIA
- GRANT FUNDS MAY OR MAY NOT BE TAXABLE
- GRANT DOCUMENTS OFTEN SIMILAR TO LOAN PROCESSING DOCUMENTS
  - ENTITY PAPERWORK
  - TAX RETURNS
  - FINANCIAL STATEMENTS
  - OPERATING AGREEMENT
  - BUSINESS NEED AND PLANNED USE OF FUNDS
  - ALWAYS HAVE THESE READY TO GO!

# LOANS

## SMALL BUSINESS ADMINISTRATION (SBA.GOV)

- <https://www.sba.gov/funding-programs/loans>
- 7a BUSINESS LOAN (<https://www.sba.gov/funding-programs/loans/7a-loans>)
  - WORKING CAPITAL
  - REFINANCE DEBT
  - PURCHASES
- 504 LOANS (<https://www.sba.gov/funding-programs/loans/504-loans>)
  - PURCHASE/IMPROVEMENT OF REAL ESTATE FOR BUSINESS GROWTH
  - NEW OR EXISTING FACILITIES
  - MACHINERY & EQUIPMENT
  - NOT FOR WORKING CAPITAL/REFINANCING/RENTAL REAL ESTATE DEALS
- MICRO LOANS (<https://www.sba.gov/funding-programs/loans/microloans>)
  - HELP FOR STARTUPS AND EXPANSION
  - UP TO \$50K
  - NOT FOR REFINANCE OR REAL ESTATE DEALS

# LOANS

- FIRST STOP SHOULD ALWAYS BE YOUR BANK
- DEVELOP A RELATIONSHIP WITH YOUR LOCAL BANKER
- YOUR BANK SHOULD BE A LOCAL SBA LENDER
- LOCK IN FINANCING BEFORE YOU NEED IT IF STARTING UP
  - ONCE YOU LEAVE A JOB EXPECT CHALLENGES TO GETTING FINANCING!!
  - CREDITORS LIKE TO SEE INCOME STABILITY...
  - DON'T GO INTO A BUSINESS WITHOUT FUNDING IN PLACE
    - SAVINGS, RETIREMENT FUNDS, HOME EQUITY, CREDIT CARDS, LINES OF CREDIT, ETC.
    - REMEMBER: CASH IS KING!
- GET LOAN RELATED DOCUMENTATION IN ORDER
- KNOW HOW MUCH YOU WANT TO BORROW IN ADVANCE
- ENGAGE A FINANCIAL PROFESSIONAL TO ASSIST

# LOANS

- LOAN APPLICATIONS:
  - FINANCIAL STATEMENTS SHOULD BE READY THROUGH AT LEAST PRIOR YEAR-END
  - TAX RETURNS MUST BE CURRENT (OK IF ON EXTENSION USUALLY)
  - TAX AMOUNTS DUE MUST BE CURRENT OR ON INSTALLMENT PLAN
  - RUN FINANCIAL ANALYSIS ON YOUR BUSINESS BEFORE THE BANK DOES
- RECOMMEND BUSINESS ENTITY BE AT LEAST AN LLC
- AVOID RUNNING PERSONAL EXPENSES THROUGH BUSINESS
- FIVE C'S OF CREDIT:
  - CHARACTER/CREDIT HISTORY
  - CAPACITY/CASH FLOW
  - CAPITAL/EQUITY
  - COLLATERAL
  - CONDITIONS (WE ARE ALL EXPERTS ON THIS RIGHT NOW?)

# INCOME TAX RETURNS

- IT'S THAT TIME OF THE YEAR AGAIN
- PARTNERSHIPS (1065) & S CORPORATIONS (1120S) DUE MARCH 15
  - AUTOMATIC EXTENSION TO SEPTEMBER 15
  - **HUGE PENALTIES FOR MISSING DEADLINES**
- C CORPORATIONS (1120) & INDIVIDUALS (1040) DUE APRIL 15
  - AUTOMATIC EXTENSION TO OCTOBER 15
  - INDIVIDUALS NOW DUE MAY 17
- NON-PROFITS (990) DUE MAY 17
  - AUTOMATIC EXTENSION TO NOVEMBER 15
- TRUSTS & ESTATES (1041) DUE APRIL 15
  - AUTOMATIC EXTENSION TO SEPTEMBER 30

# INCOME TAX RETURNS

- TAX PREPARATION REQUIRES SOME SKILL AND EDUCATION
- DON'T DO IT YOURSELF UNLESS IT IS A SIMPLE 1040
- DON'T BE IN A RUSH TO MEET THE INITIAL DEADLINE
- DO FILE AN EXTENSION & TAKE THE TIME PRESSURE OFF
  - YOUR ACCOUNTANT WILL LOVE YOU FOR THAT!
- EXTENSION OF TIME TO FILE IS NOT AN EXTENSION OF TIME TO PAY
  - YOU NEED TO ESTIMATE THE BALANCE DUE
- ORIGINAL DEADLINE TO FILE IS USUALLY THE DEADLINE TO PAY BALANCE DUE
  - QUARTERLY ESTIMATED TAX PAYMENTS FOR 2021 ALSO BEGIN ON SAME DAY AS 2020 TAX PAYMENT IS DUE. SO IT'S A DOUBLE WHOPPER!
  - JUST CHANGED THIS WEEK: ESTIMATES DUE APRIL 15, 2020 DUE MAY 17.

# INCOME TAX RETURNS

- Partnerships and S corporation returns are “Pass-Through” entities that issue K-1’s to owners
  - K-1’s are entered on owners’ 1040 Individual Tax Returns
- Sole Proprietors report business income on Schedule C of their 1040’s
- C Corporations are not Pass Through entities
  - Report on form 1120 and pay income taxes
  - Left-over income can be distributed as Dividends
  - Dividends get reported on recipient’s 1040 and taxes paid on amount
  - Corporation pays taxes plus individual pays taxes: Double Taxation!

# INCOME TAX RETURNS

## FINAL NOTES

- TAXES AFFECT CASH FLOW
  - INCLUDE IN BUDGETING AND FORECASTING
  - INCLUDE IN PROJECT COSTING IF POSSIBLE
  
- TAXES ARE A MAJOR KILLER OF WEALTH!
  - IMPLEMENT TAX REDUCTION STRATEGIES
  - BALANCE TAX STRATEGIES AGAINST NEED TO REPORT GOOD INCOME IN FINANCING ENVIRONMENT

# E-COMMERCE SALES TAXES

- IF YOU ARE SHIPPING AROUND THE COUNTRY YOU SHOULD TAKE A CLOSE LOOK AT WHAT EACH STATE REQUIRES FOR SALES TAXES FOR PRODUCTS SOLD.
- EVERY STATE IS DIFFERENT
- EVEN SOME CITIES IN THE SAME STATE HAVE DIFFERENT REQUIREMENTS
- TOO MANY SMALL BUSINESSES FIND THEMSELVES WITH A SERIOUS SALES TAX PROBLEM BECAUSE OF A LACK OF RESEARCH.

***THANK YOU!***

