



Catalyst

HEALTH NETWORK

**Webinar: Second Round of the Paycheck
Protection Program**

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Speakers



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New Round of PPP Funding

Financing Considerations

START NOW

Lawmakers passed a supplemental relief bill to replenish funding for the Paycheck Protection Program. This bill included an additional \$284bn in funding through the SBA. Businesses are encouraged to start applying TODAY for round two of funding.

- Start Now: Understand eligibility requirements and we** strongly recommend submitting application if for you meet the qualifications for the SBA Loan.
- Work through existing bank relationship (if possible):** Schedule communication with existing financial partners to assess related options
- Application efforts:** We recommend focusing efforts towards PPP loans as first priority before other financing instruments

Financing Considerations

LOAN DETAILS

	SBA 7(a) Paycheck Protection Program First Draw	SBA 7(a) Paycheck Protection Program Second Draw
When can I apply	January 11th	January 13th
Who Qualifies	Business < 500 employees; Independent Contractors, Sole Proprietors	Business < 300 employees; Independent Contractors, Sole Proprietors
Where to go:	Any Local SBA 7(a) lender	Any Local SBA 7(a) lender
Details/Descriptions		
Loan amounts	Up to \$10M or 2.5X the average monthly payroll cost	Up to \$2M or 2.5X the average monthly payroll cost
Rates / term	fixed-capped 0.5% / 2 Yr Term	fixed-capped 0.5% / 2 Yr Term
Eligibility decision	Lender	Lender
Allowable Uses of Funds	Only for employee salaries, medical benefits, retirement, employer payroll taxes, certain types of sole proprietors and independent contractors, mortgage interest, rent and utility costs.	Only for employee salaries, medical benefits, retirement, employer payroll taxes, certain types of sole proprietors and independent contractors, mortgage interest, rent and utility costs.
Restrictions	Can't be used for staff > \$100K annually	Can't be used for staff > \$100K annually
Fees/collateral	All waived	All waived
Deferral of payment	6 month payment deferral; interest accrues	6 month payment deferral; interest accrues
Forgiveness	Full or partial forgiveness based on retention of staff; Pending final rulings. Loan recipients will be able to apply for loan forgiveness over 8-weeks for eligible payroll costs, mortgage interest, rent and utility costs. All cancelled debt will be excluded from taxable income.	Full or partial forgiveness based on retention of staff; Pending final rulings. Loan recipients will be able to apply for loan forgiveness over 8-weeks for eligible payroll costs, mortgage interest, rent and utility costs. All cancelled debt will be excluded from taxable income.
Turn around time	Unknown at this time.	Unknown at this time.
Other	Good faith Certification required as to use	Good faith Certification required as to use

Financing Considerations

PREPARING TO APPLY

- Eligibility for a First or Second Draw Loan:
 - Business was active on or before February 15, 2020 and is not permanently closed
 - Businesses with an active line of credit with their lending institution may still apply
 - If any owner of the business is a convicted felon, the business is not eligible to apply
 - If your business filed for bankruptcy, this is generally an issue and your lender may prohibit you from applying
- Eligibility for a Second Draw PPP Loan:
 - Previously received a First Draw PPP Loan and will or has used the full amount only for authorized uses;
 - Has no more than 300 employees; and
 - Can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020 (example to Follow on the next slide)

Financing Considerations

PREPARING TO APPLY

- Calculate Total Gross Receipts per quarter for 2019 and 2020.

Period	2019 Revenue	2020 Revenue	Difference	% Reduction in Gross Receipts
Q1	\$ 621,345	\$ 572,817	\$ (48,528)	-8%
Q2	\$ 657,245	\$ 410,654	\$ (246,591)	-38%
Q3	\$ 624,438	\$ 509,539	\$ (114,900)	-18%
Q4	\$ 589,829	\$ 502,284	\$ (87,545)	-15%

Reduction in Gross Receipts of at Least 25% (Applicants for loans of \$150,000 or less may leave blank but must provide upon or before seeking loan forgiveness or upon SBA request):	2020 Quarter (e.g., 2Q 2020):	2Q 2020	Reference Quarter (e.g., 2Q 2019):	2Q 2019
	Gross Receipts:	\$410,654.00	Gross Receipts	\$654,245.00

Financing Considerations

PREPARING TO APPLY (Cont.)

- For loans with a principal amount greater than \$150,000, the Interim Final Rules state that borrowers must submit documentation “adequate to establish that the applicant experienced a revenue reduction of 25% or greater in 2020 relative to 2019.” This documentation may include:
 - Relevant tax forms, including annual tax forms, or
 - Quarterly financial statements or bank statements if relevant tax forms are not available

Financing Considerations

PREPARING TO APPLY

- Payroll documentation*
 - 2019/2020-year Payroll as reported to the IRS (Can be retrieved from Payroll Servicer)
 - Employer Retirement (401K) expense + Employer Match
 - State Unemployment Tax Act (SUTA)
 - 2019/2020-year Health Insurance Premiums Invoice (Can be retrieved from Healthcare Insurance Provider)
 - Form 941 for all quarters in 2019 and/or the most recent for 2020
- Quarterly Total Revenue reconciled to the Bank Statement
- Complete Borrower Application Form for a **First time** Borrower
 - <https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>
- Complete Borrower Application Form for a **Second time** Borrower
 - https://www.sba.gov/document/sba-form-2483-sd-ppp-second-draw-borrower-application-form?utm_medium=email&utm_source=govdelivery

*The listed forms, documentation and data are likely to be required during the application process, may vary by lender, and may not be applicable for all practices

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CALCULATION OF LOAN

How do I calculate the maximum loan amount I can borrow?

(i) Step 1: Compute 2019 or 2020 payroll by adding the following:

- a. Your 2019 or 2020 Form 1040 Schedule C line 31 net profit amount, 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 or 2020 gross wages and tips paid to your employees whose principal place of residence is in the United States computed using 2019 or 2020 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

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CALCULATION OF LOAN (Cont.)

How do I calculate the maximum loan amount I can borrow?

c. 2019 or 2020 employer health insurance contributions (health insurance component of Form 1040 Schedule C line 14), retirement contributions (Form 1040 Schedule C line 19), 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).

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

(iii) Step 3: Multiply the average monthly amount from Step 2 by 2.5 not to exceed \$2M.

Note: 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.

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WORK THROUGH YOUR BANKER

Once your application has been submitted:

- Continue to monitor email for confirmation of application, SBA Number, and next steps
 - If you applied but do not have an SBA number what is next?
 - Most banks are generally placing these customers at the front of the list. Work with your banker to ensure that you are there.
- The lender notifies the borrower once an approval decision from the Small Business Administration is reached

If you do not have an existing banking relationship, you will need the phone number and email of a real person. Additional lenders will be published on the SBA website. (<https://www.sba.gov/funding-programs/loans/lender-match>)



PPP Loan Forgiveness

Key PPP Forgiveness Questions

- **When do I need to apply for PPP Forgiveness?**
 - PPP loans allow applications up through August 30, 2021
- **Which PPP Forgiveness application do I file? (Work with lending institution for assistance)**
 - Form 3508EZ if you meet the qualifications in step 1 of the form
 - Form 3508S if the PPP loan was less than \$50,000
 - Form 3508 if you do not qualify on the above 2 options. This form requires the most effort/data request.
- **Where do I find the applications for PPP Forgiveness?**
 - 3508EZ: <https://home.treasury.gov/system/files/136/PPP-Loan-Forgiveness-Application-Form-EZ-Instructions.pdf>
 - 3508S: <https://www.sba.gov/document/sba-form-3508s-ppp-loan-forgiveness-form-3508s>
 - 3508: https://www.sba.gov/sites/default/files/2020-06/PPP%20Loan%20Forgiveness%20Application%20%28Revised%206.16.2020%29-fillable_0-508.pdf
- **What are my next steps if I have not applied already?**
 - Contact your PPP lender immediately to determine if they are accepting applications. Some banks have paused due to revised pending form changes.
 - Ask the PPP lender how the application process works? Some banks have online portals and others simply accept applications/documentation to be submitted via email.

Key PPP Forgiveness Questions

- **What are the tax implications of the PPP forgiveness?**

- The recent Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) was passed in late December. **This act makes PPP1 loans non-taxable** and ensures that the qualified business expenses paid with PPP1 funds remain tax deductible. This Act makes businesses eligible to receive both PPP loans and the Employee Retention Tax Credit (ERTC), whereas they were not eligible under the original CARES Act.
- EIDL Grants (up to \$10K) originally were not reduced as part of the PPP1 Forgiveness Program. The Act now provides that the non-repayable **EIDL advances are tax-free** and will no longer reduce the amount of the PPP1 Loan Forgiveness.

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QUESTIONS

Are banks already accepting applications?

Yes, the program is open through the SBA and participating banks

Should I wait and apply later in the year?

The program will close on March 31, 2021 or when funding is no longer available. If are eligible to apply you should work with your banker to submit an application.

What is different in the application this round vs. before?

No further guidance

CALL TO ACTION

If you need help calculating the amount of the loan or do not understand the form your bank is using to apply please contact Catalyst Health Network at info@catalysthealthnetwork.com or reach out to your performance advocate.

You will need to work directly with your banker to apply for the loan.

More Questions?

Catalyst Health Network & StratiFi Health are here to
guide you through the process

