Second Draw PPP and more

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Thank you AOA

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Try to hold on to your questions until we finish each section...
Economic Aid to Hard-Hit Small Business, Nonprofits, and Venues Act (Economic Aid Act)

• PPP Tax Reduction Relief
• Medicare Reimbursement Changes
• HHS Provider Relief Funds Extended
• PPP1 (First Draw)
• PPP2 (Second Draw)
• EIDL Advance Relief
• PPP Forgiveness changes
PPP Tax Relief

From Economic Aid Act
Tax Deduction for PPP1 (and PPP2)

• PPP funds spent are now tax deductible expenses
  • Payroll
  • Non-payroll: Rent, mortgage interest, utilities and other debt interest
Medicare Reimbursement
From Economic Aid Act
Medicare Reimbursement Increase

• 2021 only
• 3.75% increase
• 2% Sequester (2011) delay through March 31, 2021
• Your Medicare carrier may need time to update Physician Fee Schedule
Health & Human Services (HHS) Provider Relief Fund (PRF) Extension  
From Economic Aid Act
HHS Provider Relief Funds Extended

• HHS1
  • Automatic, based on 2018 Medicare billing (~ Apr 2020)

• HHS2
  • Application portal, based on 2% of 2019 revenue (~ May 2020)

• HHS3
  • Application portal, based on Q1 & Q2 2020 revenue losses (~ Dec 2020)
  • Deadline Nov 6, 2020

• HHS Provider Relief Funds were funded by Economic Aid Act
  • Will be HHS4
  • Will be based on Q3 & Q4 2020 revenue losses (compared to Q3 & Q4 2019)
HHS Provider Relief Funds (PRF)

- Allowable uses
  - Payroll
  - Rent/Mortgage interest
  - Utilities
  - COVID cleaning supplies and PPE
  - Lost revenues

- Funds were to be spent by you by Dec 31, 2020
For HHS1, HHS2, HHS3

You can spend money on:

- Healthcare related expenses attributable to coronavirus that another source has not reimbursed
  - (Keeping your practice open during COVID)
- Funds not expended on healthcare related expenses are then applied to patient care lost revenues
  - Up to the amount of difference from actual patient care revenue between 2019 and 2020
    - (if you didn’t lose money in 2020, use it all on payroll, rent, etc)
HHS Provider Relief Funds (PRF) Need to Know 
HHS1, HHS2, HHS3 

• Calculate your lost revenue 2019 vs 2020 
  • HHS3 was based on Q1&Q2 losses only 
• Track where you used PPP1 
  • Payroll, rent, utilities, etc 
    • Which payroll periods, which months for rent, etc 
  • Not lost revenue 
• Track where you used HHS1, 2 & 3 
  • Payroll, rent, etc 
    • Different payroll periods, rent periods, etc from PPP1 
  • Lost revenue is ok! 
    • Q1&Q2 or full calendar year (whichever is greater expected to allowable) 
• Don’t let PRF overlap with PPP 
• Congress/HHS good faith effort to support your practice
HHS Provider Relief Funds (PRF) Reporting Requirement

• Attestation vs Reporting
  • Attestation: I received money (usually within 90 days of receiving)
  • Reporting: In 2021, I’m reporting what I did with PRF

• Reporting: for anyone that received aggregate > $10,000

• Reporting portal opens January 15
  • First deadline: you must report by Feb 15
  • Final deadline: July 31, 2021
    • For those that did not fully spend funds by Dec 31, 2020
HHS Provider Relief Funds (PRF) Reporting Requirement

Preparing to Report PRF Funds

• Basic info
  • TIN
  • Fiscal year dates
• Other $$ assistance in 2020
  • PPP1
  • Other COVID $ assistance
• Admin info
  • Staff: Numbers, hires, re-hires, laid off, etc
  • Facility type (outpatient office)
  • Patient numbers
Preparing to Report PRF Funds

• How you spent the funds
  • Payroll
  • Rent/Mortgage interest
  • Utilities
  • COVID cleaning supplies and PPE
  • Lost revenues

• Be prepared to indicate where the funds went
HHS Provider Relief Funds

• Tid bits of info
  • $192,000 pay max per employee (Executive Level II)
    • If using portions for payroll
• Watch AOA News, AOA First Look
HHS Provider Relief Funds (PRF) Audit

• Any recipients identified as having provided inaccurate information to HHS will be subject to payment recoupment and other legal action
• Your good faith effort!
• Keep track!
• Keep records!
PPP First Draw Reopens

From Economic Aid Act
PPP First Draw General Overview

- PPP1
- Application deadline March 31, 2021
- New applicants
- Re-apply for First Draw loan increases if you:
  - Returned some or all PPP funds in 2020
  - Did not accept the full amount you were eligible for
  - Partnerships: if you were not able to get full amount PPP1, new opportunity
    - Partners got PPP1 for employee payroll not the actual partners
    - Consult your banker
#AskAOA Webinar Series

Access our comprehensive COVID-19 webinar series on demand.

**Webinars for doctors**

- **Federal laws and financial options for optometry—PPP forgiveness with "flexibility"**
  June 30, 2020
  Learn more about the provider relief opportunities that remain available from the Small Business Administration.

- **Paycheck Protection Program (PPP) loan forgiveness rules**
  May 26, 2020
  Learn more about new details regarding the PPP loan forgiveness rules.

- **COVID-19 hot topics**
  May 12, 2020
  Get the latest on COVID-19 hot topics for doctors of optometry, including practice reactivation, telehealth and relief efforts.

**Practice reopening guidance**

April 29, 2020
See the AOA’s suggested steps to prepare your practice, patients and staff for a return to delivering the full range of essential eye health and vision care that Americans need.

**Update on telehealth and COVID-19**

April 28, 2020
Learn about the additional changes Medicare has made regarding how to report and bill care provided via telehealth.

**COVID-19 federal laws and financial options for optometry**

April 8, 2020
An interactive opportunity with Jeff Michaels, O.D., and other experts to address questions regarding COVID-19 federal crisis relief legislation, including details on the CARES Act, loans, leave and more.

**What doctors of optometry need to know about just-enacted Federal crisis relief legislation**

March 31, 2020
AOA experts provide doctors of optometry with an update on the CARES Act, new changes for sick leave and Family Medical Leave Act (FMLA) requirements, as well as a review of financial support details resulting from the historic stimulus package.
PPP Second Draw
From Economic Aid Act
PPP2 Second Draw Big Picture

• $284 billion
  • $525 billion for PPP1
• Application deadline March 31, 2021
  • Don’t wait!!!!!!
• You get 2.5x monthly payroll (same as PPP1)
PPP2 Second Draw Big Picture

• General business eligibility
  • 300 or less employees
  • $1 Billion or less in assets

• General criteria
  • Received First Draw PPP (PPP1)
  • Spent or will have spent PPP1
  • 25% reduction in gross receipts in any quarter in 2020
PPP2 Opens Jan 15—But Not to Everyone!

• SBA accepting PPP2 applications from “Community Financial Institutions” starting on Jan 15
  • 10 or less employees
  • Loans of $250,000 or less
  • Ensure increased access for minority-, underserved-, veteran- and women-owned small businesses
  • SBA also is calling upon its lending partners to redouble their efforts to assist borrowers in underserved and disadvantaged communities
If you weren’t eligible for PPP2 on January 15

- PPP2 program will open January 19 to everyone else
PPP2 is 2.5x Monthly Payroll

• Submit to your lender
  • 2020 payroll reports or
  • 2019 payroll reports

• Or lender can accept your PPP1 paperwork if:
  • You used Calendar Year 2019 payroll for PPP1
  • Using Calendar Year 2019 payroll for PPP2
  • Using same lender for PPP2
  • But your bank has the right to modify these guidelines
Should I use payroll reports from 2019 or 2020 for my PPP2?

• Is your monthly average much greater for 2020?
  • Layoff & furloughs reduced payroll in 2020
  • Is your 2020 Q4 941 ready?
  • Self-employed/1099/sole proprietor: 2020 Tax returns complete?

• You (likely) already submitted 2019 for PPP1
  • Re-submit it again!
Determining Payroll

• It comes from taxable wages
  • Payroll reports
    • W2 payroll summaries
    • Quarterly 941
  • Schedule C
    • Line 31
  • Personal tax return
    • Sole proprietors, self-employed
    • Your business is your Social Security Number

• Depending on your business type and how you pay owners/staff, you may need combinations of these
  • i.e., Owner takes draws, employees are W2
    • Schedule C/1040 tax form plus 941’s
Criteria to Qualify for PPP2

• Received PPP1 First Draw
• Spent or will have spent all your PPP1
  • No requirement to apply for Forgiveness—only to have spent it!
  • Must spend 100% on eligible expenses
    • If you inherited a PPP1 loan?
• 25% reduction in “Gross Receipts” in 2020 vs 2019
  • Any quarter in 2020 vs same quarter in 2019
    • e.g., Q2 2020 vs Q2 2019
    • Has to be Calendar Quarter
  • Or you could use entire year 2020 vs 2019
Gross Receipts

• “Type of income that is typically included in a small business”
  - Sales of products and services
  - Insurance payments
  - Royalties & Rebates
  - HHS PRF payments (HHS1, HHS2, HHS3) ?????????
  - Unemployment income
    - 1099, self-employed, sole proprietor where your TIN is your SSN

• Does not include:
  - Sales tax you collect
  - PPP1 or EIDL
SBA Gross Receipts Fine Print

• Receipts are considered “total income” plus “cost of goods sold”
• Intent
  • Count your typical income
    • Sales, service, insurance payments, royalties, rebates, and other payments
    • Do not reduce by COGS
• Example
  • Exam: $200
  • Contact lens product: $700 for year supply
    • COGS on CL was $350
  • Gross Receipts: $200 (exam) + $700 (contacts) = $900
    • Do not reduce that by $350
• On a Profit & Loss statement, think top line items
How do I prove on paper my 25% reduction?

• Every bank is likely to vary in their requirements
• Financial statements
  • Won’t need to be audited, reviewed, compiled
  • Quickbooks, etc
  • Profit & Loss Report (Income Statement)
  • Comparing time frame (e.g., Q2 2019 vs Q2 2020)
• Bank may ask for monthly, quarterly or yearly
• Bank statements
  • Monthly to show deposits
• You will be certifying by your signature that all information presented is true & accurate
I was advised by my CPA to use CL vendor rebates against COGS so it doesn’t show as ‘regular income’. How does that factor in here?

• Example

• CL company gives you a quarterly growth rebate

• From a CPA perspective, it’s ok to put against COGS
  • Lowers your COGS

• From a PPP perspective, it’s considered regular income and should be counted in your Gross Receipts calculation
PPP2 Fine Print

• If PPP2 < $150,000
  • You won’t have to show 25% Gross Receipts loss until you apply for Forgiveness

• If PPP2 >$150,000
  • You will document your losses with your application
    • May need tax returns
    • Doesn’t mean you have to submit tax returns to IRS yet
    • Banks may allow bank statements, quarterly financial returns

• PPP2 not forgiven?
  • 5 year loan at 1%
PPP2 Spending Rules (also applies to new PPP1)

• You pick any amount of time between 8-24 weeks
  • No “Alternative Payroll Period” like PPP1
  • You select the start date and end date
    • Think PPP1
    • Your start date doesn’t have to be immediate with the deposit, but it also shouldn’t be delayed 5 months after your deposit (good faith effort)

• 60/40 Rule still applies
  • 60% or more on Payroll
  • 40% or less on non-payroll
Payroll Maximum (Gross Pay) for PPP2
Same as PPP1?

8 week rules

• All business owners
  • 2019 Pay ÷ 52 x 8
    • Up to $15,385

• Non-owners
  • $15,385
    • And you add employer paid health/retire (no max)

24 week rules

• All business owners
  • 2019 Pay ÷ 12 x 2.5
    • Up to $20,833

• Non-owners
  • $46,154
    • And you add employer paid health/retire (no max)

General Partners: more math: see AOA Webinar May26
Owners: Employer Paid Health and Retirement (8 or 24)

• S Corp
  • Health and Retirement

• C Corp
  • Health and Retirement

• Sole Proprietor, Self-Employed, 1099
  • Health and Retirement

• General Partner
  • Health and Retirement

• If you file Schedule C (any kind of business)
  • Health and Retirement

• LLC?
  • Use rules for your business type above:  Health? Retirement?
Non-Payroll Expenses for PPP2

• Rent, mortgage interest, other debt interest, transportation

• Utilities
  • Electricity, water, gas, telephone, internet access

• Essential operation expenses
  • EHR, frames, optical lenses, contact lenses, accounting, uniforms, etc
    • Not membership dues
  • Property damage from social unrest in 2020
  • COVID cleaning supplies

• All this applies to PPP1 if new or not yet Forgiven
You certify in good faith...

• Current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant
Prepare for PPP2 Now!!!!!

• Your bank will likely use an online portal
• Get your PPP1 documents out
  • 2019 Payroll reports
  • Driver’s license photos
  • Owner info
    • Name, SSN, address
• Evaluate quarter losses (2019 vs 2020)
  • Documentation?
    • Quickbooks, etc reports?
    • CPA attestation?
    • 2020 tax return vs 2019?
    • ??
EIDL Advance Relief

From Economic Aid Act
EIDL Advance Relief

• EIDL “advance” was usually up to $10,000
  • EIDL was historically deducted from your PPP forgiveness
• Advance is no longer deducted from PPP forgiveness
  • Advance is no longer owed back
• December 29, 2020
  • After Dec 29, SBA will not reduce your PPP forgiveness by EIDL amount
  • If you applied for PPP Forgiveness before Dec 29, SBA will fix it for you
    • Lender will
      • Automatically remit payment back to you (to the ACH account set up for loan payments)
      • Notify you of payment changes
      • Re-amortize the loan (if your PPP otherwise has a loan balance)
I got $150,000 EIDL loan but did not request the Advance. Do I get to reduce my EIDL loan pay back?

• No
PPP1 and PPP2 Forgiveness Changes
From Economic Aid Act
Forgiveness on PPP1 & PPP2

- $50,000 and under
  - Form 3508S
- $150,000 and under
  - Form 3508S?
General PPP1 (and PPP2) Forgiveness Advice by JM

• 10 months from the end of your 24 (or 8) week PPP period
• If you didn’t cut salary/hourly wages, use the 3508EZ form
  • No employee math!!
• Doctor or Owner Payroll
  • Write on your payroll reports
    • “capped owner Jessica Smith, OD payroll at $20,833”
    • “capped non-owner John Smith, OD at $46,154”
  • Make it easy for banker and SBA to follow the math
General PPP1 (and PPP2) Forgiveness Advice by JM

• Documenting non-payroll expenses (example telephone)
  • Copy front page of Feb 1 bill
    • Write on the bill “proof it existed before Feb 15”
  • Copy front page of any telephone bill you used for PPP

• Use AOA.org documents to assist you
  • CARES Spreadsheet & CDC Eye Care Documentation form
    • Personalize both of these documents
    • AOA.org > COVID-19 > Optometry Support & Relief (then look on right side)
• Questions can be sent to:
  AskAOA@aoa.org

• Comments and feedback can be sent to:
  President@aoa.org
AOA President-Elect

• Robert Layman, OD