



WHAT IS "SOBREMESA?"

A platform for the restaurant community to share resources and make connections. "Sobremesa" is the Spanish tradition of relaxing at the table with conversation and dessert after a meal.



TABLE TALKS: LAST CALL ON THE PPP



Updated: 3/21/2021



Overview & Agenda

- LOOKING FOR TAKEAWAYS
- WHAT IS PPP?
 - General Overview and Qualifications
 - “DRAW 2”
 - What the second round PPP means for you and who qualifies.
- HOW DOES PPP APPLY TO RESTAURANTS?
 - Forgiveness & Tax Implications
 - ERC + PPP interactions
- RESTAURANT REVITALIZATION FUND GRANTS
 - New program with latest relief bill
- QUESTION & ANSWER



A SMALL DISCLOSURE

TAKEAWAY #1: This information changes a lot, so stay tuned

DISCLAIMER: This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.



WHAT IS THE PPP?

*The Paycheck Protection Program (PPP) is a gov't-backed, potentially forgivable loan that helps businesses keep their workforce employed during the COVID-19 crisis. The application process now ends on May 31st, 2021.**



PPP: How it works

How much can I get?

- 2.5x your monthly payroll
- Draw 1 vs Draw 2?
- Can be used with EIDL Loans
- Can be used for payroll and *“covered costs” (we’ll get to this later)*
- Required you to have run payroll before 2/15/2020

How it’s forgiven

- 10 Months to apply for forgiveness*
- 3508S for borrowers who obtained loans of \$150,000 or less.
- 3508EZ for borrowers who obtain more than \$150,000 - \$2m and;
 - ◆ The borrower didn’t reduce the # of employees or employee’s hours
 - ◆ Business was unable to operate between 02/15/2020 and the end of the covered period at normal levels per gov’t requirements
- 3508 for everyone else 😬



Special PPP Considerations for Restaurants

Draw 2 Loan Amount & Requirements

- Revenue Reduction of 25% or great in comparison to 2020 to 2019 by Quarter
 - ◆ Must be the same quarter
- Must have spent all of draw 1
- Less than 300 employees
- Not a publicly traded company
- Loan for business with a NAICS Code beginning with 72 is 3.5x monthly payroll

1065 U.S. Return of Partnership Income

Form 1065-0123
OMB No. 1545-0123

For calendar year 2017, or tax year beginning 2017, ending 2017

Department of the Treasury Internal Revenue Service

Go to www.irs.gov/Form1065 for instructions and the latest information.

Employer identification number **2017**

A Principal business activity	Name of partnership	D Employer identification number
B Principal product or service	Number, street, and room or suite no. If a P.O. box, see the instructions.	E Date business started
C Business code number	City or town, state or province, country, and ZIP or foreign postal code	F Total assets (see the instructions)
		\$

G Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return (6) Technical termination - also check (1) or (2)

H Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶

J Check if Schedules C and M-3 are attached

Caution. Include *only* trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

1a Gross receipts or sales	1a	
b Returns and allowances	1b	
c Balance. Subtract line 1b from line 1a		1c
2 Cost of goods sold (attach Form 1125-A)		2
3 Gross profit. Subtract line 2 from line 1c		3
4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)		4
5 Net farm profit (loss) (attach Schedule F (Form 1040))		5
6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)		6
7 Other income (loss) (attach statement)		7
8 Total income (loss). Combine lines 3 through 7		8
9 Salaries and wages (other than to partners) (less employment credits)		9
10 Guaranteed payments to partners		10
11 Repairs and maintenance		11
12 Bad debts		12
13 Rent		13
14 Taxes and licenses		14
15 Interest		15
16a Depreciation (if required, attach Form 4562)	16a	
b Less depreciation reported on Form 1125-A and elsewhere on return	16b	16c
17 Depletion (Do not deduct oil and gas depletion.)		17
18 Retirement plans, etc.		18
19 Employee benefit programs		19
20 Other deductions (attach statement)		20
21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20.		21
22 Ordinary business income (loss). Subtract line 21 from line 8		22

Sign Here

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

Signature of partner or limited liability company member _____ Date _____

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No



When should I apply for forgiveness?

Ask your accountant, but most should probably at least wait until you are CERTAIN, you hit 100% forgiveness.

TAKEAWAY #2: Evaluate your relationship with your banker;

TAKEAWAY #3: Don't rush to forgiveness



Should I use the 8-week or 24-week period for my PPP loan forgiveness?

If you reduce your full-time employee count or employee wages after the 8-week period, that might reduce your eligible forgiveness amounts if you don't fall within the safe harbors discussed above. However, a longer, 24-week covered period gives you more time to cure any reductions in employee count or wages. Run both scenarios to see where forgiveness is higher.



PPP: Safe Harbors

FTE Reduction Safe Harbor 1

- If you were not able to operate at the same level between February 15, 2020, and the end of the Covered Period because of compliance with guidelines issued between March 1 and December 31 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration. For loans disbursed after December 27, 2020, the period is extended to the end of your 8 to 24 week covered period.

FTE Reduction Safe Harbor 2

Must complete both!

1. You reduced your FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and
2. You restored its FTE employee levels by not later than December 31, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020. For loans disbursed after December 27, 2020, this is extended to the end of your 8 to 24 week covered period.

FTE Reduction Exception

Any of these work!

- Refused to return to work
- Couldn't hire a qualified replacement
- Fired an employee for cause

Wage Reduction

Either of these work!

- If the average annual wage or salary paid between February 15, 2020 and April 26, 2020 is equal to or more than their average annual wage or salary as of February 15, 2020, the safe harbor applies.
- If the average annual wage or salary as of December 31, 2020 is equal to or more than the annual wage or salary as of February 15, 2020, the safe harbor applies. For a PPP loan made after December 27, 2020, they will use the last day of your 8 to 24 week covered period.

Will the safe harbor apply to draw 2?

We're reasonably confident that the answer is yes. It's just the answer provided is very poorly structured.

Borrower Responsibilities: The Borrower must comply with all requirements in the Paycheck Protection Program Rules (Sections 7(a)(36), 7(a)(37), and 7A of the Small Business Act, the PPP interim final rules, and SBA guidance issued through the date of this application), and must attest to its compliance on the Loan Forgiveness Application. Those requirements include the following:

- Requested Loan Forgiveness Amount (which may not exceed the principal amount of the PPP loan):
 - must have been used by the Borrower to pay business costs that are eligible for forgiveness (payroll costs to retain employees, business mortgage interest payments, business rent or lease payments, business utility payments, covered operations expenditures, covered property damage costs, covered supplier costs, or covered worker protection expenditures) during the Covered Period;
 - must include payroll costs equal to at least 60% of the Requested Loan Forgiveness Amount;
 - for any owner-employee (with an ownership stake of 5% or more) or self-employed individual/general partner, must not exceed 2.5 months' worth of compensation received during the year used to calculate the PPP loan amount, capped at \$20,833 per individual in total across all businesses; and
 - **for loans of more than \$50,000 and loan of \$50,000 or less to Borrowers** that together with their affiliates received First Draw PPP Loans totaling \$2 million or more or **Second Draw PPP Loans** totaling \$2 million or more, **must meet the requirements of either (A) or (B): (A)** is not subject to reductions because the Borrower did not reduce annual salaries or hourly wages of any employee by more than 25 percent during the Covered Period compared to the most recent full quarter before the Covered Period **and** either (1) the Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period; **(2) the Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 (or, for a PPP loan made after December 27, 2020, requirements established or guidance issued between March 1, 2020 and the last day of the Covered Period the last day of the Covered Period)** by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19; **or (B)** the Borrower has included any required reductions as described in SBA Form 3508 and its instructions.
- The Borrower must accurately calculate the Requested Loan Forgiveness Amount and verify the payments for the eligible



Can old expenses vendor bills be paid with round 2?

Any purchase made prior to receiving a PPP loan 1 is an eligible cost, as long as it is essential to operations.

Expect to have “healthy dialogue” with your banker on this.



Are the forgiven loans taxable income?

Federally no, but in Massachusetts the answer is still up in the air. It looks like Massachusetts will follow suit with the federal government and will be determined shortly. [We'll find out Thursday. More information.](#)

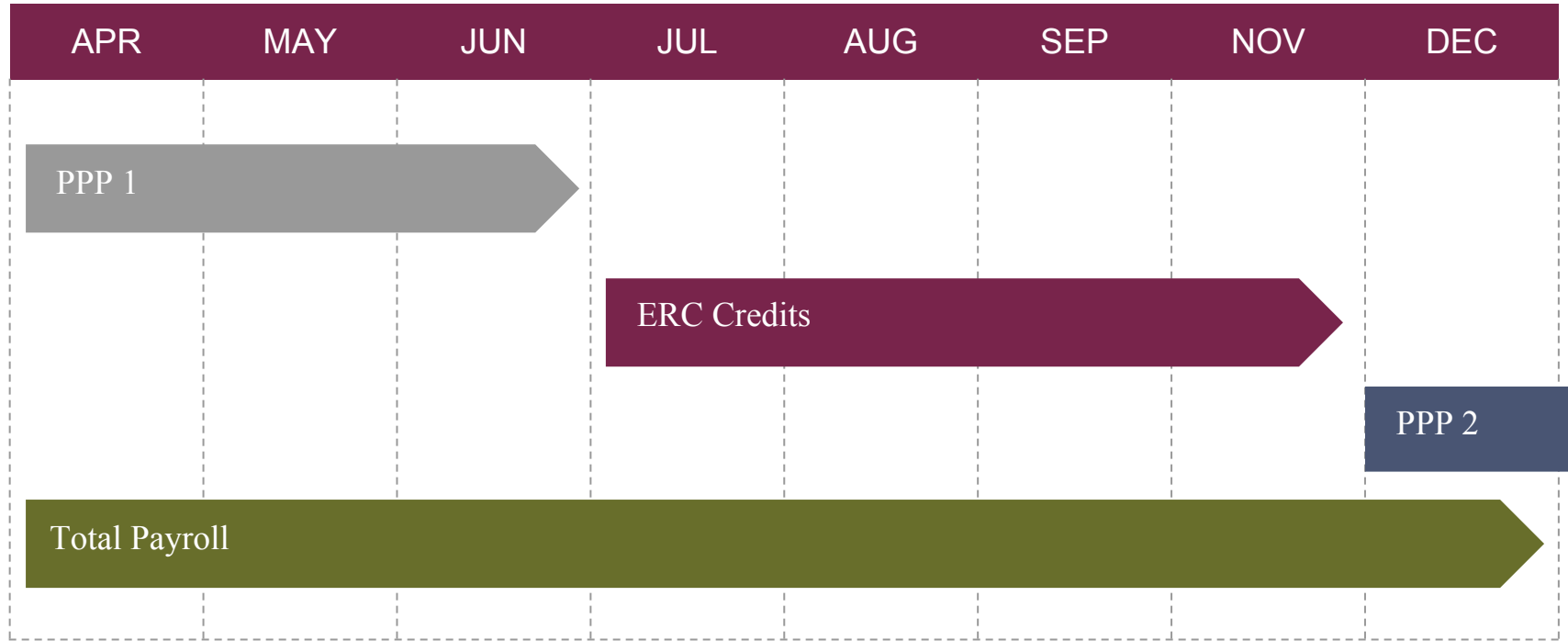


Employee Retention Credits (ERC)

- Refundable credit of up to \$5,000 for each full-time employee you retained between March 13 and Dec. 31, 2020 and up to \$14,000 for each retained employee between Jan. 1 and June 30, 2021. So, an employer could claim \$7,000 per quarter per employee or \$14,000 for 2021.
- You qualify if you were ordered to fully or partially shut down or if your gross receipts fell below 50% for the same quarter in 2019 (for 2020) and below 80% (for 2021).
- If you were not in business in 2019, you can use the corresponding quarters from 2020.
- You can claim your credit immediately by reducing payroll taxes sent to the IRS.
 - ◆ If your credits exceed payroll taxes, you can request a direct refund from the IRS.
- This is now retroactive to March 27, 2020 and allows employers who received Paycheck Protection Program (PPP) loans to claim the ERC for qualified wages that were not included in PPP forgiveness
- A lot of payroll companies are working being able to help with the ERC tax credits. Alternatively, if you don't want to wait, there are a few firms out there that are working on this specifically. Your CPA/accountant **may** be able to help.



PPP, ERC, + PPP 2: A Timeline



RESTAURANT REVITALIZATION FUND

*"Opening in weeks, not months " - U.S. Rep. Blumenauer,
Oregon (D)*



RRF: The Deets

...are still in the works, but SBA is expected to release guidance after the bill is signed into law. Here's what we do know:

- SBA is managing the grants
- Must be able to demonstrate a loss of revenue
- Must have under 20 locations
- Cannot be publicly traded
- Up to \$5m per location, or \$10m per group
- 2020 businesses qualify!



Should I take a PPP Draw 2 or RRF Grant?

It depends on you.

TAKEAWAY #4: Understand your risk tolerance.



Open Question & Answer:



Review of Takeaways

- TAKEAWAY #1: This information changes a lot, so stay tuned
- TAKEAWAY #2: Don't rush to forgiveness
- TAKEAWAY #3: Evaluate your banking relationships
- TAKEAWAY #4: Understand your risk tolerance



hello@prixfixe.accountants

prixfixe.accountants



@prixfixeaccounting



@prixfixeaccounting



@CMacksey



info@marestaurantsunited.com

marestaurantsunited.com



@massrestaurantsunited



@massrestaurantsunited



@MARestosUnited