



HAYASHI | WAYLAND

November 23rd, 2020

To Our Valued Clients and Friends:

We want to share with you some updates on the Paycheck Protection Program (PPP) Loan Forgiveness, as well as changes in California Legislation. Below are more in-depth updates:

Small Business Administration (SBA) to Require PPP Loan Necessity Form from Large Borrowers

The SBA recently issued additional guidance for those companies that received PPP loan proceeds of \$2 million or more. Companies (For-Profit as well as Non-Profit) will have an additional form that will be required to be submitted with their application. The purpose of these forms is to gather additional information so that the SBA can make a determination regarding the “good-faith” certification that borrowers made when they applied for their PPP funding.

To find out more information regarding this guidance please see the attached article from the Journal of Accountancy. Included in this summary is also access to the AICPA town hall meeting which goes into more detail regarding the new forms which gather information regarding necessity of the loan proceeds. (Here)

<https://www.journalofaccountancy.com/news/2020/nov/sba-ppp-loan-necessity-questionnaire.html>

IRS Clarifies Stance on No Deductibility of Expenses Paid with PPP Funds

The IRS recently released new guidance related to the treatment of PPP loans. The key development is the timing of the non-deductibility of the expenses paid for with PPP funds. Essentially, most PPP recipients will be required to pay tax on the value of their PPP loan if they reasonably expect the balance to be forgiven in the current or future year. Most calendar year taxpayers will be required to pay tax on the value of the PPP funds received with their 2020 tax year. The year in which the loan is forgiven is irrelevant to the timing of the unfavorable tax impact. The attached article from Forbes breaks it down well. (Here)

<https://www.forbes.com/sites/brianthompson1/2020/11/19/irs-clarifies-stance-on-no-deductibility-of-expenses-paid-with-ppp-funds/?sh=1476cb05a528>

SB 1447 - Small Business Hiring Credit - Use it or Lose it

In September the Governor signed a bill that allows businesses with 100 employees to receive a credit for increased hiring after July 1, 2020. The credit is \$1000 per net new hire compared to their workforce in the second quarter of 2020.



This credit is only available for the 2020 tax year. The CDTFA will begin taking tentative credit reservations on December 1, and only \$100 million in available credit will be assigned on a first-come, first-served basis. A comprehensive list of information required to apply can be found on the CDTFA's website: (Here) <https://www.cdtfa.ca.gov/taxes-and-fees/SB1447-tax-credit.htm>

Closing

As always, please do not hesitate to contact the HW partner or team member you work with for assistance or with any questions you may have. We are here to help and are committed to serving you as best we can at all times. On behalf of everyone here at Hayashi Wayland, I wish you health and peace of mind as we navigate through this challenging time.

Sincerely,

A handwritten signature in cursive script that reads "Michael T. Briley".

Michael Briley, CPA, CGMA
Managing Partner

