



October 26, 2020

RE: PPP Loan Forgiveness Process and Tax Planning

Dear Valued Client:

We hope this finds you and yours doing well. As we prepare to move forward, we would like to take a moment to carefully consider the impact of the PPP Loans that many companies acquired during 2020. There are two main items that should be addressed thoughtfully; the forgiveness process and tax planning.

PPP Loan Forgiveness:

(According to guidance provided by the SBA as of October 13, 2020)

Important Date: Forgiveness Application Due Date – 10 months after the end of the covered period. The Covered Period is defined as 24 – weeks (168 – day) period beginning on the PPP loan disbursement date or 12/31/2020. (whichever comes first).

Please visit www.sba.gov and search Loan Forgiveness FAQ for further current guidance.

If you would like assistance with the forgiveness process; please be aware you will need to contact one of our offices and request our assistance and sign a separate engagement letter for this service. If you do not contact our office for assistance it will be understood that you are taking responsibility for submitting the loan forgiveness application.

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(440) 286-4300 Fax

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PPP Loan Tax Planning:

One of the key tax issues for many businesses will be the way in which the expenses that were covered by forgiven PPP loan funds are handled. It is critical to be aware that according to current IRS Guidance; **expenses covered by PPP loan funds that are forgiven will not be deductible on your 2020 tax return** regardless of which year the forgiveness is granted.

This will result in higher than anticipated taxable net profits resulting in potentially higher than anticipated tax liabilities.

General Tax Planning:

2020 has been an unprecedented year of changes. In addition to PPP loans, there are many other circumstantial changes that may have affected your tax position. It is very important to review your overall tax situation to minimize the likelihood of surprises.

The intention of this communication is to make you aware of the above fact as well as to offer **additional** tax planning services to address the projected level of impact the above will have on your tax liability.

Please be aware that if your current contract with NMS, Inc. does not already include tax planning this service will be a separate engagement with an additional charge. Please feel free to reach out to any of our offices for further information or a quote for services.

Thank you for continuing to place your trust with NMS.

NMS, Inc.

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