



May 7, 2020

In today's update, view the latest figures from the U.S. Small Business Administration (SBA) concerning Paycheck Protection Program (PPP) loans. See a letter Congressional leaders wrote the IRS, asking the agency reverse its position that forgiven PPP loan expenses may not be deducted for federal income tax purposes. Catch the latest VADA High Octane Podcast, featuring VADA Board Member and Steven Nissan Dealer Principal Jake Sodikoff. And see where the SBA extended the deadline by which businesses can return PPP loans and be deemed to have applied for the loan in good faith.

SBA issues new report, showing PPP loan figures from April 27 through May 1, 2020.

Last month, the U.S. Small Business Administration (SBA) issued a [report](#) on PPP loans through April 13, 2020. Read our [April 15 update](#) for a breakdown of those initial figures.

Yesterday (May 6), the SBA issued a [second report](#), showing PPP loan activity from April 27 through May 1, 2020.

As a reminder, we reached the \$349 billion limit Congress first appropriated the PPP as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in mid-April. This second report reflects loans made possible through added appropriations in \$484 billion legislation Congress passed and the President signed, in part, to replenish the PPP. Highlights from this second report are below:

- U.S. Loan Count: 2,211,791
- U.S. Gross Dollars: \$175.7 billion
- U.S. Lender Count: 5,432
- U.S. Average Loan Size: \$79,000
- Virginia Approved Loans: 46,368
- Virginia Approved Dollars: \$3.9 billion

U.S. Senate and House Committee Chairs ask Treasury to reverse PPP guidance.

Congressional leaders have requested the IRS change a position issued last week in the form of [IRS Notice 2020-32](#), which drastically modified the risk/reward analysis dealerships (and all businesses) must undergo when considering use of a PPP loan. The IRS notice stipulated forgiven PPP loan expenses that are excluded from income pursuant to the CARES Act may *not* be deducted for federal income tax purposes. (See our [May 5 update](#) for what IRS Notice 2020-32 means for your store(s) absent further guidance.)

In a [letter](#) sent Tuesday (May 5), Sen. Chuck Grassley, Chairman of the U.S. Senate Committee on Finance; Sen. Ron Wyden, Ranking Member of the U.S. Senate Committee on Finance; and Rep. Richard Neal, Chairman of the U.S. House of Representatives Committee on Ways and Means wrote U.S. Treasury Secretary Steven Mnuchin, saying:

“We believe the position taken in the Notice ignores the overarching intent of the PPP, as well as the specific intent of Congress to allow deductions in the case of PPP loan recipients.” They add, “Providing assistance to small businesses, only to disallow their business deductions as provided in Notice 2020-32, reverses the benefit that Congress specifically granted by exempting PPP loan forgiveness from income.”

Yesterday (May 6), legislators introduced a bill to make the expenses deductible. Click [here](#) for details on that bill, and stay tuned for more.

Progressive and Aggressive: Harrisonburg dealer posts record April sales

Earlier this month, Dealer Principal Jake Sodikoff posted on LinkedIn that his Harrisonburg, Va. Nissan store hit a new April store record — and came within 5 units of an all-time volume high. It's an impressive feat, considering April, by many industry analyses, may be considered rock bottom for 2020 car sales in the U.S.

In early 2020, Sodikoff, a VADA Board member and the association's NextGen Director, initiated a plan to focus more on online sales and home delivery — and when the pandemic hit, that plan paid off. April was Steven Nissan's record for the three Aprils it has been in business.

Sodikoff also attributes success to "a change in mindset," he says. "We were willing to do anything and everything to sell a car." Home deliveries constituted 30% of the dealership's April sales, with paperwork done, literally, on the hood of the new or pre-owned car.

In our latest episode of High Octane, hear Jake's keys to success in online sales, how he manages the tricky balance of pre-owned inventory, and how he takes care of employees during a challenging time.

[Watch our latest High Octane here.](#) Or listen to High Octane on your podcast service of choice: [Apple](#) | [Google Play](#)

Reminder: IRS extends deadline to return PPP funding from May 7 to May 14, 2020, issues additional guidance.

Last month, the SBA and Treasury issued [FAQs](#) (Questions 31 and 37) about whether businesses owned by large companies—*e.g.*, public companies or those owned by private equity—with adequate sources of liquidity to continue operations qualify for a PPP loan.

The guidance indicated PPP borrowers should carefully review the required certification on the Borrower Application Form that “[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.” SBA guidance and regulations further provided, “Any borrower that applied for a PPP loan prior to the issuance of this guidance and repays the loan in full by **May 7, 2020** will be deemed by SBA to have made the required certification in good faith” (emphasis added).

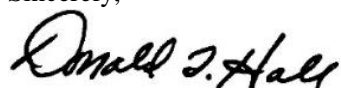
Tuesday (May 5), the SBA and Treasury issued more guidance, extending the date by which borrowers can return PPP funding received and be deemed to have made the above certification in good faith. **The new deadline is May 14, 2020**, as reflected in [SBA FAQs Question 43](#). NADA has requested further guidance from the SBA on this certification issue, and we will relay it once available.

The extension is also relevant for those dealers contemplating returning a PPP loan in light of [IRS Notice 2020-32](#) (as noted above). We recommend you consult your dealer group's controller, outside accountant, and counsel for individualized business decisions about your PPP loan.

Lastly, please note the **Employee Retention Tax Credit (ERTC)** exists for businesses not making use of PPP funding. NADA requested the IRS confirm that businesses that received a PPP loan but later repay it within the safe harbor period remain eligible for the ERTC. The IRS confirmed it Monday (May 4) through [IRS FAQs \(Question 80\)](#). While the FAQs still indicate the safe harbor deadline is May 7, the date stems from SBA guidance, and we anticipate the IRS language will soon reflect the SBA's new May 14 deadline mentioned above. We thank NADA for their efforts.

More than ever, it is a pleasure to serve the new car and truck dealers of Virginia.

Sincerely,



Donald L. Hall
President and CEO