

COVID-19: Navigating the Now



News You Can Use May 1, 2020

SEC Says PPP Loans MAY Require Disclosure to Clients

Yesterday, the [SEC announced staff guidance relating to reporting obligations for investment advisory firms that receive a Paycheck Protection Program \(PPP\) loan.](#)

The directive from SEC staff explains that “**if** the circumstances leading [an advisory firm] to seek a PPP loan...**constitute material facts** relating to your advisory relationship with clients,” then they should be disclosed. The SEC provided two examples of such material facts:

- If a PPP or other loan is being taken to pay the salaries of employees who are primarily responsible for performing advisory functions for clients, and
- If a firm is experiencing conditions that are reasonably likely to impair its ability to meet contractual commitments to clients, it may need to be disclosed in response to Item 18 (Financial Information) of Part 2A of Form ADV (brochure), or as part of Part 2A, Appendix 1 of Form ADV (wrap fee program brochure).

This guidance from the SEC appears inconsistent with [guidance issued by FINRA](#) several weeks ago, when it announced that PPP loans did not need to be reported as a ‘compromise with a creditor’ in response to Question 14K on Form U4.

AALU/GAMA continues to analyze this guidance and will keep members updated. Stay tuned to the COVID-19 action center and our emails for future updates.

Updated PPP Guidance – Expense Deductibility After PPP Loan Forgiveness

On Thursday night, the [IRS issued clarifying guidance](#) around the ability for small businesses to claim deductions for the wages and expenses paid using a PPP loan if that loan subsequently was forgiven.

Citing section 265 of the tax code, the IRS contends that businesses who met the qualifications and whose loans were forgiven and therefore not included in their gross income for tax purposes (a key feature of the loan program) could not also deduct those same expenses from their taxes, as is customary. As the statute is written, the IRS believes that would lead to a double tax benefit and therefore is impermissible.

Both Chairman of the Senate Finance and House Ways and Means Committees have indicated they may possibly seek a legislative adjustment to make the expenses deductible, leaving open the possibility of future legislation.

To Read More – [WSJ Report](#)

Upcoming Webinars: Register Today

- **Navigating the Now: Insights with Congress, feat. Congressman Kevin Brady (R-TX) (*Members Only*)** | Monday, May 4 | 1:00 p.m. EDT | [Register here](#)

Ways and Means Ranking Member Kevin Brady will join AALU/GAMA CEO Marc Cadin for an inside look at the CARES Act and what comes next.

- **My PPP Loan Was Approved – Now What?** | Tuesday, May 5 | 11:00 a.m. EDT | [Register here](#)

Join AALU/GAMA's Armstrong Robinson and Josh Caron for a webinar on the next steps once your PPP loan has been approved.

- **You Ask, We Answer: My PPP Loan Was Approved – Now What?** (*Members Only*) | Tuesday, May 5 | 1:00 p.m. EDT | [Register here](#)

Following up to the morning webinar, AALU/GAMA's Armstrong Robinson and Josh Caron will answer your individual questions. Space is limited, so register now to save your spot.

- **Are Life Insurance Companies #MeetingtheMoment?** | Wednesday, May 6 | 1:00 p.m. EDT | [Register here](#)

Join ACLI CEO Susan Neely and AALU/GAMA CEO Marc Cadin for a discussion on how life insurance companies are supporting the communities and people they serve.

New Resources

- **Qualified Plan Provisions in the CARES Act: Addressing Employee Challenges** | [Read here](#)

To address the economic challenges created by the COVID-19 pandemic, many employers must balance the desire to aid their employees with the need to conserve cash and ensure the continuity of the business. This WR Marketplace walks through the actions that can be taken under the new law and costs and benefits of various options to assist employees.

- **Have you applied for a PPP loan?** | [Read here](#)

This FAQ dives into detail on the Paycheck Protection Program and how to calculate your loan amount.

- **COVID-19 and Presidential Polling** | [Read here](#)

AALU/GAMA's Emily Tavino provides an update on the latest polling, looking at the effects of COVID-19 on the presidential race.

- **Advocating During COVID-19** | [Read here](#)

AALU/GAMA's James Bailey discusses how advocacy has changed with social distancing, what organizations are doing to stay connected, and how you can reach your lawmakers.

ICYMI: Recent Webinars

- **Fast-Tracking the Transformation in Underwriting** | [Watch Here](#)

Hear Agency One's Gonzalo Garcia, Claret's Dave Dorans, Principal Financial Group's Neal Halder, and Swiss Re's Nichole Myers discuss the changes in underwriting.

- **Helping Your Clients Monetize the Perfect Storm** (*Members Only*) | [Watch Here](#)

Capital Strategies Group, Inc.'s David Byers and BakerHostetler's Jonathan Forster share transferable business ideas on how they are helping their clients navigate planning and market volatility.

- **Navigating the Now: Insights with Congress** (*Members Only*) | [Watch Here](#)

Congressman Ron Estes (R-KS) joins AALU/GAMA's Marc Cadin for a behind-the-scenes look at the CARES Act, what comes next, and the importance of advocacy.

Please continue to visit the [AALU/GAMA COVID-19 Action Center](#) for the latest updates on what's happening in Washington and how it impacts you. [Send us your feedback](#), ideas, and stories about your business or how you're helping your clients during this time.

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