

Financial Accounting

CPA Firms Seek Fewer PPP Loans as Economic Picture Brightens

By Amanda Iacone and Aaron Kessler

March 8, 2021, 4:45 AM

- Almost half of January CPA applicants were seeking second loan
 - Drop in demand for loans suggests firms recovering
-

Nearly 12,000 CPA firms received pandemic relief loans in the opening weeks of the latest round of the Paycheck Protection Program, representing a significant drop in demand from the government initiative's peak last year.

The decline in applications from the accounting profession mirrors the overall slower pace and size of loans issued since the program relaunched in January. The Small Business Administration has approved 2.2 million loans totaling \$156 billion so far—about a quarter the value of the 5.2 million loans issued last year. The number of CPA borrowers equals just a third of the nearly 38,000 accounting firms that received the loans as of last August.

The low loan appetite suggests that many firms have recovered enough from last year's shutdowns and drawn-out tax season that they don't need the additional assistance. Yet the data suggests that the brighter financial outlook isn't shared across the board. Almost half of the CPA firms approved for a loan in January and February also received a loan last year, according to a Bloomberg Tax review of SBA loan data.

"Firms can see straight. They know we're not out of the woods," said Allan Koltin, consultant to accounting and law firms on how to manage their businesses.

Firms Optimistic

A majority of CPA firms sought the relief last year as critical funding that curtailed potentially steep layoffs in the industry and ensured accountants were on hand to guide their panicked clients through a series of new pandemic-prompted government programs and related tax implications.

This year, CPA firms that work with industries hardest hit by the pandemic—like hospitality, retail, and restaurants—are most likely to need the assistance as their clients continue to grapple with health restrictions that limit hours and foot traffic. The size of a firm's clients and changes in business structure may also have played into decisions to seek the loans.

Brooklyn-based Roth & Co. was among the two-time borrowers, and its \$1.99 million loan was the largest among CPA firms applicants in January and February, according to the SBA data.

Rather than undertake layoffs and downsizing, the firm stuck by its staff throughout the pandemic, and the loans ensured that it could retain its 160-person team, said Zacharia Waxler, the firm's co-managing partner.

After the firm acquired a smaller firm in July, their combined revenue was down enough that the business was eligible for a second round of relief funding, he said.

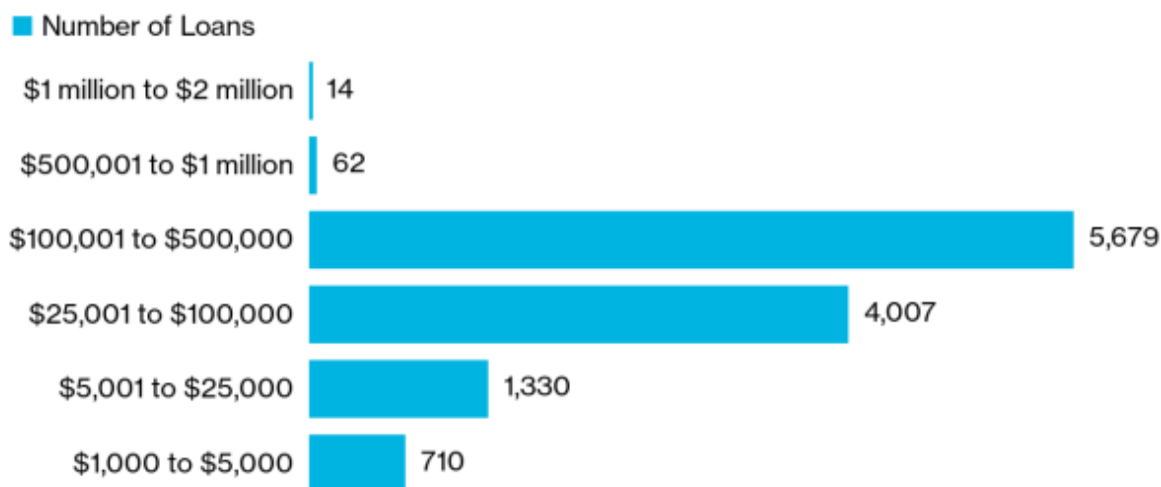
Waxler is optimistic that business will improve as 2021 grinds on. But he is concerned about his real estate clients, whose fate is tied to demand for New York's commercial properties. Most of the firm's other clients, including nonprofits and mid-market companies, have largely adapted to the post-pandemic reality, he said.

Congress provided \$284 billion to refund the loan program as part of a broader pandemic relief bill signed into law in December. The SBA began accepting fresh applications on Jan. 11, but with revised rules for borrowers seeking a second helping of PPP funding.

Loans were capped at \$2 million and limited to companies with 300 or fewer employees. And eligibility was limited to borrowers whose revenues declined at least 25% in any quarter compared to the prior year.

CPA Firms Receive \$593 Million in PPP Loans

2021 PPP data shows bulk of loans worth less than \$100,000



Source: Small Business Administration
Note: PPP data for January and February

Bloomberg Tax

Uncertainty Lingers

Amid slowing demand, the Biden administration opened up a two-week window starting Feb. 24 to give micro business exclusive access to apply for the loans. The goal was to focus lenders' attention on a group of employers largely left out of the first round of funding.

Keith Hall, president and CEO of the National Association for the Self-Employed, expects to see a surge in loan applications in the final weeks before the program closes on March 31. Among them will be more CPA firms, many of which are sole proprietorships who work with similarly small, local businesses.

"Everyone recognizes that small business is still struggling," Hall said. "There is still a tremendous need out there."

The American Institute of CPAs, accounting's largest professional group, just last week called for a two-month extension of the program, citing system errors and more rule changes that have frustrated business owners' attempts to seek the needed relief. Shifting guidelines, unprepared lenders, and technology systems that couldn't keep pace with demand stymied many applicants last year, as money quickly ran out.

Still for larger CPA firms, 2020 will go down in the books as a good year, with firms meeting or beating revenue projections. Yet small firms working with the smallest businesses are still feeling the pinch, the consultant Koltin said.

CPA firms benefited from lower expenses thanks to slashed travel and training budgets. Helping clients navigate pandemic relief programs, including PPP, contributed to the mix of revenue along with core compliance services for audits and taxes.

Accountant Kristen Rampe's clients are expecting revenues to remain flat this year or slightly increase. Although the panic and fear of last year has subsided, cautious CPAs may have decided the lingering uncertainty warrants a PPP loan, said Rampe, a practice management consultant in Grand Rapids, Mich.

To contact the reporters on this story: Amanda Iacone in Washington at aiacone@bloombergtax.com; Aaron Kessler in Washington at akessler@bloombergindustry.com

To contact the editors responsible for this story: Jeff Harrington at jharrington@bloombergindustry.com; Colleen Murphy at cmurphy@bloombergtax.com

Related Articles

[Thousands of CPA Firms Avoided 'Bloodbath' With PPP Loans](#) Sept. 17, 2020, 4:46 AM

[Minority, Women-Owned Businesses Get First Bid on New PPP Loans](#) Jan. 7, 2021, 11:02 AM

[Short PPP Window for Small Businesses Starts As Demand Drops \(1\)](#) Feb. 24, 2021, 2:01 PM

[CPAs Mobilize to Save Small Clients, Protect Their Firms](#) April 10, 2020, 4:46 AM

Topics

federal employment legislation
economic outlook
small business loans
acquisitions
layoffs

© 2021 The Bureau of National Affairs, Inc. All Rights Reserved