

A Walkthrough the PPP Loan Forgiveness Application

June 4, 2020

GUS BATES
— insurance & investments —

Disclaimer

- This presentation and related materials are designed only to provide general information regarding the subject matter discussed during this presentation. The statutes, authorities, and other laws cited in this presentation are subject to change.
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Economic Injury Disaster Loan & Emergency Economic Injury Grants

Economic Injury Disaster Loan (EIDL)

- What is it?
 - \$150,000 loan (reduced from \$2 million)
 - 30 year term with one year deferment on first payment
 - 3.75% interest for businesses and 2.75% for nonprofits
- Who is Eligible?
 - Small businesses including sole proprietors
 - Independent contractors
 - Cooperatives and employee owned businesses
 - Private non-profits
 - Tribal small businesses
- When to Apply?
 - No longer accepting new applications, except for agriculture companies
 - Agricultural businesses includes those businesses engaged in the production of food and fiber, ranching, and raising of livestock, aquaculture, and all other farming and agricultural related industries (as defined by section 18(b) of the Small Business Act (15 U.S.C. 647(b))

Economic Injury Disaster Grant (EIDG)

- If you have been in business since January 31, 2020, you will also qualify for the Economic Injury Disaster Grant (EIDG)
 - Reduced from \$10,000 to \$1,000 per employee up to 10 employees
 - Does not need to be paid back under any circumstance
 - May be used for a variety of business costs (payroll, production costs, business obligations, rent and mortgage)

APR 28 2020	CREDIT FOR SBAD TREAS 310 MISC PAY CO REF- EIDG [REDACTED] ✓	\$1,000.00
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Additional details:

- Any loan made under this program before December 31, 2020 will not require a personal guarantee if less than \$200,000
- Apply for this loan – <https://disasterloan.sba.gov/ela/>
- **Note:** Any amounts received as an EIDL Grant will reduce your PPP Forgivable Portion



Paycheck Protection Program Loan

Paycheck Protection Loan

- \$660 billion in loans available to:
 - Businesses with fewer than 500 employees
 - Sole proprietors
 - Nonprofits
 - Must have been in operation on February 15, 2020
- 100% guaranteed by the federal government through December 31, 2020 – no personal guarantee required
- 1% interest rate
- Proceeds can be used to cover payroll, mortgage payments, rent, utilities and any other debt service requirements
- Zero loan fees / Zero prepayment fee
- Payments for any loan amount not forgiven will be deferred for a total of 6 months to 1 year after disbursement
- When to Apply - Now – if you can find a bank to accept your application

How is the loan size determined?

- Short and Sweet – 2.5 times your average monthly payroll costs
- Payroll costs include:
 - Compensation - salary, wages, commissions, or similar compensation, payment of a cash tip or equivalent, capped at \$100,000
 - For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee
 - Payment for vacation, parental, family, medical or sick leave
 - Allowance for dismissal or separation
 - Payment for group health care benefits, including premiums
 - Payment of any retirement benefits
 - Payment of state or local tax assessed on the compensation of employees
- Payroll costs do not include:
 - Payroll taxes
 - Any compensation of an employee whose principal place of residence is outside the U.S.
 - Any qualified sick leave or family medical leave for which a credit is allowed under the new Coronavirus Relief Act

How Can the Loan Be Used?

- Payroll costs (as noted before)
- Continuation of group health care benefits during periods of paid sick, medical or family leave and insurance premiums
- Employee salaries, commissions, or similar compensations
- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
- Rent (including rent under a lease agreement)
- Utilities
- Interest on any other debt obligation that were incurred before the covered period

Popular Questions – Hiring and Re-Hiring

1. Do we have to maintain staff through June 30th or just the 8-week period?

Forgiveness will be determined based on the 8-week period

2. Do all employees need to return at the same time or can some stay on unemployment?

SBA reiterated many times that no one can choose to stay on unemployment. Also if you've offered a job back to someone and they've declined the offer, this will not count against you as a decrease – document!

3. How soon do I need to rehire someone that was let go?

Guidance is silent on this, you just need to maintain your FTE count.

Popular Questions – Using PPP Funds

1. Can I include part time employees in the forgiven wages?

Yes all are included.

2. Let's say I receive \$850K for the PPP and after 8 weeks I only use \$600K. Will the \$250K I didn't use turn into a loan, or will I have to return that \$250K?

Yes, it will turn into a loan, but you will have to check your loan documents to see about returning unused portions without penalties

3. What is included in utilities and transportation costs?

Utilities can include telephone expense. The SBA has yet to issue guidance on transportation costs, however we have seen transportation costs being defined as the same as tax law, which would allow for either the standard mileage rate or actual expense method.



Loan Forgiveness Application

PPP Loan Forgiveness Application Form

- Friday, May 15th the SBA released the loan forgiveness application
- Application has four required forms:
 1. PPP Loan Forgiveness Calculation Form
 2. Representations and Certifications Form
 3. Schedule A
 4. Schedule A Worksheet
 5. Demographic Information Form (this is optional)



**Paycheck Protection Program
Loan Forgiveness Application**

OMB Control Number 3245-0407

Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
			() -
		Primary Contact	E-mail Address

SBA PPP Loan Number: _____ Lender PPP Loan Number: _____

PPP Loan Amount: _____ PPP Loan Disbursement Date: _____

Employees at Time of Loan Application: _____

Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ EIDL Application Number: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

- Weekly Biweekly (every other week) Twice a month Monthly Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:

Submit this to
your lender



**Paycheck Protection Program
Loan Forgiveness Application**

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
		Primary Contact	E-mail Address

PPP Loan Amount: _____
 PPP Loan Disbursement Date: _____

Employees at Time of Loan Application: _____

Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ EIDL Application Number: _____

Weekly Twice a week Other _____
 Payroll is paid to employees _____

Maximum amount of loan eligible for forgiveness

Date you received the funds – generally the start of your 8-week period

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:



**Paycheck Protection Program
Loan Forgiveness Application**

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PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
Business Address	Business TIN (EIN, SSN)	Business Phone
		() -
	Primary Contact	E-mail Address

SBA PPP Loan Number: _____ Lender PPP Loan Number: _____

PPP Loan Amount: _____ PPP Loan Disbursement: _____

Employees at Time of Loan Application: _____

Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ EIDL Application Number: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

- Weekly Biweekly (every other week) Twice a month Monthly Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:

Don't really see how this impacts the application, but they are asking for it



Paycheck Protection Program
Loan Forgiveness Application

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
		(N, SSN)	Business Phone
		() -	
		Contact	E-mail Address

If you received an Economic Injury
Disaster Loan Advance (Grant) – it
will reduce your forgiveness
amount

SBA PPP Loan Number: _____

PPP Loan Amount: _____ PPP Loan Disbursement Date: _____

Employees at Time of Loan Application: _____

Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ EIDL Application Number: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

- Weekly Biweekly (every other week) Twice a month Monthly Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:



Paycheck Protection Program
Loan Forgiveness Application

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PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")	DBA or Tradename, if applicable
	Business Phone
	() -
	E-mail Address

SBA will use this to determine when payroll costs are **paid or incurred** and eligible for forgiveness and will be used in calculating full time equivalent

SBA PPP Loan Number: _____

PPP Loan Amount: _____ PPP Loan Disbursement Date: _____

Employees at Time of Loan Application: _____

Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ EIDL Application Number: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

Weekly
 Biweekly (every other week)
 Twice a month
 Monthly
 Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:



Paycheck Protection Program
Loan Forgiveness Application

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PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business TIN (EIN, SSN)		Business Phone	
		() -	
Primary Contact		E-mail Address	

8-week period beginning on the date you received the loan disbursement

SBA PPP Loan Number: _____

PPP Loan Amount: _____ Disbursement Date: _____

Employees at Time of Loan Application: _____

Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ EIDL Application Number: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

- Weekly Biweekly (every other week) Twice a month Monthly Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:

Covered Period Rules

- Only costs paid OR incurred within the 8-week period are eligible for forgiveness
- **Specific for payroll costs**
 - Payroll is considered paid on the day paychecks are distributed or the borrower originates an ACH credit
 - Example: Pay period is for April 1st through 14th. You received the loan April 16th. You pay the payroll on the 18th. You can use the forgivable funds for this payment.
 - **Note: What we don't know – how far back can you go back? Pay all of March in April?**
 - Payroll is incurred on the day the wages are earned
 - Example: Pay period ends on the last day of your 8-week period, but you pay your employees the day after the 8-weeks expires. Because it was incurred during 8-week period it would be allowed as long as it was paid before the next regular payroll
- **Specific for Mortgage, Rent, and Utilities:**
 - You are fine if paid during the 8-week period
 - Also fine if incurred during the 8-week period and paid by its next regular due date, even if it is outside the 8-week period

Flexibility for 8-week period (56 days) specific to Payroll Costs

Allowed to choose “alternative payroll covered period” beginning on the first day of the first pay period following the disbursement date, if payroll is biweekly or more frequent

Doesn't apply to rent, mortgage, or utilities

Have to use it anywhere the application says “alternative payroll covered period”

EIDL Advance Amount: _____ EIDL Application Number: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

Weekly Biweekly (every other week) Twice a month Monthly Other _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:



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Loan Forgiveness Application

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PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
Business Address	Business TIN (EIN, SSN)	Business Phone
	Primary Contact	() - E-mail Address

SBA PPP Loan Number: _____ Lender PPP Loan Number: _____

PPP Loan Amount: _____ PPP Loan Disbursement Date: _____

Employees at Time of Loan

Employees at Time of Application

EIDL Advance Amount

Payroll Schedule

SBA has safe harbor for loans that are less than \$2 million
DO NOT CHECK IF SMALL BORROWER

Weekly Biweekly (every other week) Twice a month Monthly Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:



Now Let's Calculate Starting with Schedule A Worksheet

Schedule A Worksheet

- Four Computations

1. Eligible compensation for each employee
2. Calculate compensation cap of \$100,000 per employee on an annualized basis
3. Determine the number of full-time equivalent employees (FTEs)
4. Use the FTEs to determine if a reduction of eligible forgiveness is required

Employee Compensation

- Identify each employee, but do not include:
 - Independent contractors – not eligible for forgiveness
 - Self-employed individuals – forgiveness for payroll costs is 8/52 of Line 31 of the individual's 2019 Schedule C
 - Owner-employees – these are included later
 - Partners – these are included later

Table 1

- List employees with annualized compensation for ALL pay periods in 2019 of less than \$100,000
 - Still no guidance on bonuses given



**Paycheck Protection Program
Loan Forgiveness Application**

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Schedule A Worksheet

Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FIE Reduction Exceptions :				
Totals :		Box 1	Box 2	Box 3

Table 1 Breakdown – Cash Compensation

- Includes:
 - Salary, wage, commission, or similar compensation
 - Payment of cash tip or equivalent
 - Payment for vacation, parental, family, medical, or sick leave
 - Allowance for dismissal or separation
- Does not include:
 - The compensation of an individual employee in excess of an annual salary of \$100,000
 - NOTE: You should not enter more than \$15,384 in this column for either Table 1 or Table 2
 - Any compensation of an employee whose principal place of residence is outside of the United States
 - Qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act (Public Law 116–127)
 - Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116–127)

Table 1 Breakdown – Average FTE

- How to calculate FTE: Average number of hours worked during the covered period (or alternative period) and divide by 40 before rounding to the nearest 10th
- Maximum amount for each employee is 1.0
- There is a simplified method:
 - Each employee that worked 40 hours gets 1.0
 - Each employee that worked less than 40 hours gets 0.5
- Choose the option that maximizes your FTE number

Employee	Hours	Detailed FTE	Simplified FTE
A	60	1.0	1.0
B	40	1.0	1.0
C	28	0.7 (28/40)	0.5
D	20	0.5 (20/40)	0.5
E	20	0.5 (20/40)	0.5
Total		3.7	3.5

Source: <https://www.forbes.com/sites/anthonymitti/2020/05/16/sba-releases-paycheck-protection-program-loan-forgiveness-application-a-deep-dive/#1cbad5fd1b2f>

Table 1 Breakdown – Salary/Hourly Wage Reduction

- Loan forgiveness will be reduced by:
 - Any reduction in the total Annual Salary or Average Wages of any employee during the covered 8-week period who did not receive wages or salary in 2019 of more than \$100,000
- Reduction is required if the reduction in wages is in excess of 25% of the total salary or wages from January 1, 2020 through March 31, 2020
- Steps to determine the amount of the reduction (must be done by employee):
 1. Determine the average annual salary or hourly wage for each employee during the 8-week period
 2. Determine the average annual salary for each employee from January 1, 2020, through March 31, 2020
 3. Divide Step 1 by Step 2
 4. If Step 3 is greater than 75%, no reduction is required and you DO NOT fill out this column in Table 1 for the employee
 5. If Step 3 is less than 75%, a reduction **could be** required *stay tuned*

Tentative Limitation Calculation

- If Step 3 is less than 75%
 - For a Salary Employee
 1. Multiply amount determined in Step 2 by 75%
 2. Subtract from that result the amount from Step 1
 3. Take this result and divided by 52, then multiply by 8
 - For an hourly employee
 1. Calculate the average number of hours worked per week from January 1, 2020 through March 31, 2020
 2. Multiply by [(75% of Step 2) less (Step 1)]
 3. Take this result and multiply by 8

What?!?

Example

- Employee A

- Annual Salary for 2019 - \$100,000
- Paid \$20,000 from January 1, 2020 through March 31, 2020
- Paid \$8,000 during the 8-week covered period

1. Step 1: Determine the average annual salary or hourly wage for each employee during the 8-week period **\$52,000** ($\$8,000/8*52$)
2. Determine the average annual salary for each employee from January 1 2020, through March 31, 2020 **\$80,000** ($\$20,000*4$)
3. Divide Step 1 by Step 2 **65%** ($\$52,000/\$80,000$)
4. If Step 3 is greater than 75%, no reduction is required and you DO NOT fill out this column in Table 1 for the employee **N/A**
5. For a Salary Employee
 1. Multiply amount determined in Step 2 by 75% **\$60,000** ($\$80,000*75\%$)
 2. Subtract from that result the amount from Step 1 **\$8,000** ($\$60,000 - \$52,000$)
 3. Take this result and divided by 52, then multiply by 8 **\$1,230** ($\$8,000/52*8$)

Source: <https://www.forbes.com/sites/anthonymitti/2020/05/16/sba-releases-paycheck-protection-program-loan-forgiveness-application-a-deep-dive/#1cbad5fd1b2f>

There's More – Safe Harbor

- No reduction is required if the safe harbor is met – remember “could be”
- Safe Harbor Calculation:
 1. Determine the annual salary or hourly wages as of February 15, 2020
 2. Determine the average annual salary or hourly wage from February 15, 2020 through April 26, 2020
 3. If Step 2 is greater than Step 1 – safe harbor DOES NOT apply; If Step 2 is less than Step 1 – keep going
 4. Determine the average annual salary or hourly wage for the employee as of June 30, 2020
 5. If that amount is equal to or greater than Step 1, safe harbor HAS been met

Example

- Employee A

- Annual Salary for 2019 - \$100,000
- Annual Salary on February 15, 2020 - \$75,000
- Annual Salary from February 15 through April 26, 2020 – reduced to \$55,000
- Annual Salary by June 30, 2020 – increased to \$75,000

1. Determine the annual salary or hourly wages as of February 15, 2020 \$75,000
2. Determine the average annual salary or hourly wage from February 15, 2020 through April 26, 2020 \$55,000
3. If Step 2 is greater than Step 1 – safe harbor DOES NOT apply; If Step 2 is less than Step 1 – keep going
4. Determine the average annual salary or hourly wage for the employee as of June 30, 2020 \$75,000
5. If that amount is equal to or greater than Step 1, safe harbor HAS been met Therefore, nothing to put in “Salary/Hourly Wage Reduction” column. If it was not met, \$1,230 would be entered in this column

- Instructions with the forgiveness application lay out how to do this for hourly employees

Source: <https://www.forbes.com/sites/anthonymitti/2020/05/16/sba-releases-paycheck-protection-program-loan-forgiveness-application-a-deep-dive/#1cbad5fd1b2f>

Table 2

- List employees with annualized compensation of more than \$100,000
- Total compensation costs for these employees cannot exceed \$15,385

Table 2: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of more than \$100,000 for any pay period in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Totals:		Box 4	Box 5

Attach additional tables if additional rows are needed.

- Best part of this table – no “Salary/Hourly Wage Reduction” column – does not apply to employees who earn more than \$100,000

FTE Reduction Safe Harbor

- Remember loan forgiveness can be reduced if pay or headcount (FTE) reduces during the 8-week period

FTE Reduction Safe Harbor:

- Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: _____.
- Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: _____.
- Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, the FTE Reduction Safe Harbor is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
- Step 4. Enter the borrower's total FTE as of June 30, 2020: _____.
- Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor has been satisfied. Otherwise, the FTE Reduction Safe Harbor does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

FTE Reduction Calculation

- Forgiveness will be reduced if your average number of FTEs during the cover period is **less than** the average during the following periods (**you get to choose**):
 1. Beginning February 15, 2019 and ending June 30, 2019
 2. Beginning January 1, 2020 and ending February 29, 2020
 3. For a seasonal employer (check SBA definition) either:
 - Either 1 or 2 above or
 - Any 12-week period between May 1, 2019 and September 15, 2019

FTE Example

Employee	Hours	8-Week Period Detailed FTE	8-Week Period Simplified FTE	February 15, 2019 – June 30, 2019
A	60	1.0	1.0	45 hours – 1.0
B	40	1.0	1.0	40 hours – 1.0
C	28	0.7 (28/40)	0.5	40 hours – 1.0
D	20	0.5 (20/40)	0.5	28 hours – 0.7
E	20	0.5 (20/40)	0.5	28 hours – 0.7
F				40 hours – 1.0
G				40 hours – 1.0
Total		3.7	3.5	6.4

Loan must be reduced by multiplying costs eligible for forgiveness by (3.7/6.4).

Source: <https://www.forbes.com/sites/anthonymitti/2020/05/16/sba-releases-paycheck-protection-program-loan-forgiveness-application-a-deep-dive/#1cbad5fd1b2f>

There's More – Safe Harbor

1. Look at two additional periods:
 1. Period 1 - February 15, 2020 through April 26, 2020
 2. Period 2 - Pay Period that includes February 15, 2020
2. If average FTEs for Period 1 is less than Period 2, then compare Period 2 to total FTEs as of June 30, 2020
3. If June 30, 2020 is greater, the safe harbor is met and no reduction

Basically, if you can put your FTEs back to at least what they were for Period 2 (pay period that includes February 15th) by June 30th you are good even if February 15th is less than 2019 or first two month averages.

Other Considerations that WILL NOT count as a reduction in FTEs:

- If you made a good-faith, written offer to rehire an employee but employee rejected
- Employee was fired for cause
- Employee voluntarily resigned or voluntarily asked to received a reduction in hours

Schedule A

First half of Schedule A is pulling numbers from Schedule A Worksheet, so easy enough to follow instructions:



Paycheck Protection Program Loan Forgiveness Application

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here and enter 0 on line 3.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:

Non-Cash Compensation Payroll

Amounts we can included in forgivable costs in addition to “payroll costs”:

- Employee health insurance
- Employee retirement plans
- Employer state and local taxes assessed on employee compensation
- **Note: Not limited to \$100,000 cap**

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance: _____

Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans: _____

Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation: _____

Compensation to Owner-Employees/Self-employed Individuals/General Partners

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners: _____
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

- These individuals should not be included in Table 1 or Table 2
- **New Information: Instructions say line is capped at the LESSER of:**
 1. \$15,384 (max 8-week compensation based on \$100,000)
 2. 8/52 of the 2019 compensation
- Instructions do not require these payments to be “compensation”, so guaranteed payments (not considered payroll) would be included
- What we do not see: a place to include health care and retirement costs attributable to the owners/general partners – hopefully more guidance to come

Line 10 – Easy!



Paycheck Protection Program Loan Forgiveness Application

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PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1: _____

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1: _____

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP
Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll
Covered Period was at least 75% of such employee's average annual salary or hourly
wage between January 1, 2020 and March 31, 2020, check here and enter 0 on line
3. _____

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2: _____

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2: _____

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance: _____

Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans: _____

Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee
compensation: _____

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is
more than one individual included, attach a separate table that lists the names of and
payments to each. _____

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9): _____

FTE Reduction Calculation

Full-Time Equivalency (FTE) Reduction Calculation

If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here , skip lines 11 and 12 and enter 1.0 on line 13.

Line 11. Average FTE during the Borrower's chosen reference period:

Line 12. Total Average FTE (add lines 2 and 5):

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met:

Back to the Actual Application

The Four Expense Categories

- Line 1 – Payroll Costs – use amounts from Schedule A, Line 10
- Line 2 – Business Mortgage Interest Payment
 - Only covers interest
 - Must be a liability of the borrower on real or personal property
 - Incurred before February 15, 2020
- Line 3 – Business Rent or Lease Payments
 - Leasing agreement in force before February 15, 2020
- Line 4 – Business Utility Payments
 - Payment for a service for the distribution of:
 - Electricity, gas, water, transportation, telephone, internet access
 - For service that began before February 15, 2020
- Remember paid or incurred during the 8-week period
- Also remember – no more than 25% of the loan forgiveness may be attributable to non-payroll costs (line 2, 3, and 4)

Adjustments for Reductions

- Use amounts from Schedule A to reduce eligible forgiveness amount

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):

Forgiveness Amount - Finally

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):

Line 9. PPP Loan Amount:

Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75):

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):

- Loan Forgiveness is the lessor of:
 - Line 8 – Total costs less salary/FTE reduction calculation
 - Line 9 – Original loan amount
 - Line 10 – 75% Rule

- Line 11 – We are made it!

Next Steps

- Submit the application to your lender that is servicing the loan with
- Documentation – see page 10 of the application
- Then wait – the lender has 60 days after the date on which they receive the application to issue a decision on the application

A few more questions...

Questions to Answer

1. I normally fund my 2020 retirement plan contribution at the end of the year, should I push that funding to the 8-week period?
2. What should you consider when opting for the alternative 8-week period?
3. Do the forgiveness requirements only need to be met during the 8-week covered period?
4. Is wage reduction on a per employee or overall payroll basis?
5. When we applied for the PPP loan, we understood payments of outstanding debt to be qualified for forgiveness – is that still the case?



Paycheck Protection Program Flexibility Act of 2020

HB 7010

1. **Borrowers Can Extend the 8 Week “Covered Period” to the earlier of 24 Weeks or December 31, 2020**
 - Pro: Extends time to spend forgivable funds
 - Con: Could make it more difficult to meet salary and FTE requirements
 - If you have a loan already outstanding, you can elect to use the original 8-week period
 - Could potentially also mean that annualized salary for 24-week period is \$46,153, replacing any of the references to \$15,384 above
2. **75/25 Test Changes to 60/40**
 - Must use at least 60% of the loan amount for payroll costs, and may use up to 40% for payments of interest on any covered mortgage obligation (which shall not include prepayment or payment of principal), any payment on any covered rent obligation, or any covered utility payment
 - This has a cliff effect – if you do not spend 60% of loan proceeds on payroll, you will receive ZERO in forgiveness

HB 7010 Cont.

3. June 30th becomes December 31st for Penalty and Reduction of Work Force Calculations

- We know this applies to new loans
- We don't know if you have an outstanding loan and elect to stick with the 8-week period

4. New Exemption

- Your loan forgiveness will not be reduced if you have a reduction of workforce between February 15, 2020 and December 31, 2020 and you can document:
 1. You could not find a qualified employee to hire (must have both):
 1. Inability to rehire individual who was employed on February 15, 2020
 2. Inability to hire similarly qualified employee before December 31, 2020
 2. You could not return to the same level of business that you had as of February 15, 2020 due to compliance with requirements established or guidance issued by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration during the period beginning on March 1, 2020, and ending December 31, 2020, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19

HB 7010 Cont.

5. Repayment and Deferral Period Extended

- Loans that do not qualify for forgiveness can be repaid over 5 years, instead of 2 years
- Payments on the loans can be deferred until the date on which the SBA makes a determination on loan forgiveness, instead of a flat 6 months
- Technically, only applies to loans made after the passage of HB 7010, lenders and borrowers are free to renegotiate the terms of existing loans
- Interest rate remains 1%

6. Employer's Share of Payroll Taxes Deferral Now Allowed for PPP Recipients

- Employer's share of the 6.2% Social Security tax that would otherwise be due from the date of enactment through December 31, 2020 can be paid on December 31, 2021 (50%) and December 31, 2022 (50%)
- Employer can direct PEO to defer the applicable payments

Questions HR 7010 Leaves Us

1. Is cash compensation limit going to be \$46,153 instead of \$15,385?
2. Will this change the cap for forgiveness of compensation to owner-employees to be the lesser of \$46,153 or 25/52nd of the 2019 compensation?
3. Do self-employed taxpayers now get to use 24/52nd of their Line 31 of 2019 Form Sch C?
4. Do you have to wait until the 24 week period is over to apply for forgiveness?
5. As we know from the Treasury Department, amounts paid with forgivable funds will not be deductible. If you stretch this out until December 31st, and are waiting on forgiveness when you go to file your 2020 tax return next spring, how do you not deduct amounts that you are still waiting on forgiveness from?

FAQ's and more guidance is expected to come – we hope! 😊

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Questions?

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