



# PPP Forgiveness

Wes Sternenberg and Jeremy Wilson

June 29, 2020

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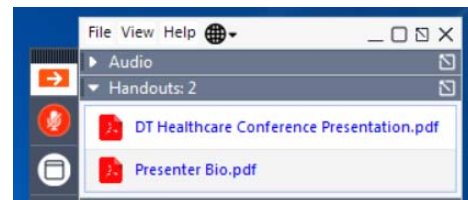
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## Presentation Materials and Presenter Bios

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Materials and Presenter Bios for today's presentation can be accessed in the "Handouts Box".

After today's presentation, a link to the webinar recording will be available on our website.



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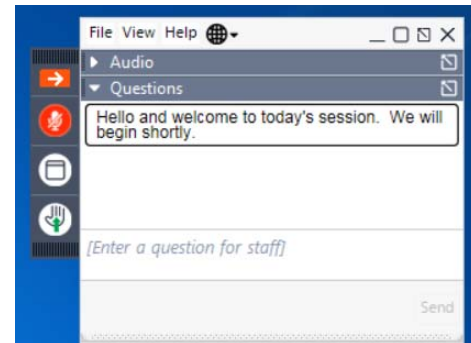
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## Any Questions?

During today's presentation, if you have any questions, please use the "Questions Box".

We will follow up with any questions that were not addressed during the presentation.



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## Description and Learning Objectives:

- Today we will cover the SBA Paycheck Protection Program (PPP) loan forgiveness application and process to apply for forgiveness. At the end of the presentation, participants should be familiar with the application, the most recent legislation that will impact the forgiveness application and the forgiveness application process.
- Provisions of the program are changing at rapid rates. The information in this presentation considers guidance and information available through June 25, 2020. We encourage you to visit the SBA/Treasury website for the most current information.

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## Resources Available

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- U.S. Treasury Webpage - <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
  - Program overview
  - Loan Application
  - Loan Forgiveness Application
  - Interim Final Rules – 4/2, 4/3, 4/14, 4/24, 4/27, 4/28, 4/30, 5/5, 5/8, 5/13, 5/14, 5/18, 5/20, 5/22 (2), 6/5, 6/11, 6/12, 6/17, 6/22, 6/24
    - Rules on Eligibility
    - Rules on Forgiveness
  - Frequently Asked Questions – Many Updates!

Monitor Frequently!!

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## Polling Question #1

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What was the amount of your PPP loan?

- Less than \$50,000
- \$50,001 - \$750,000
- \$750,001 - \$2,000,000
- \$2,000,001 - \$5,000,000
- More than \$5,000,000

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## Paycheck Protection Program Flexibility Act of 2020



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## Paycheck Protection Program Flexibility Act of 2020

The Act was signed into law on June 5, 2020, making the following modifications:

- Extended the maturity of loans made after June 5<sup>th</sup> to 5 years, rather than 2 years (does not prevent earlier loans from being modified)
- Rehire and wage restoration safe harbors are extended until December 31, 2020 (originally June 30, 2020)
- Covered period for expenditures is increased to 24 weeks, rather than 8 weeks
- Safe Harbor for Employee Availability
  - Unable to rehire employees or similarly qualified employees on or before 12/31/2020
  - Unable to return to same level of business activity (as compared to 2/15/2020) due to compliance with requirements established or guidance issued by HHS, CDC or OSHA due to COVID-19

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## Paycheck Protection Program Flexibility Act of 2020

Modifications continued:

- Reduced payroll expenditure requirement to 60% (from 75%)
- Repayment deferral is extended from 6 months to the date on which the amount of forgiveness is remitted to the lender. However, if forgiveness is not applied for within 10 months after the end of the covered period, repayment begins 10 months after the end of the covered period.
- Allows PPP loan recipients to participate in payroll tax deferrals of the employer-portion as provided under the CARES Act

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## Paycheck Protection Program Flexibility Act of 2020

Clearly missing from the Flex Act is the allowance of expenses paid for from PPP funds as deductions for income tax purposes.

- The IRS opined on this issue in IRS Notice 2020-32
- Several members of Congress have publicly stated this was not the intent
- Senate Bill 3612 was introduced to the Senate Finance Committee on May 5<sup>th</sup>, where it remains at this time
- If Congress wants to alter the position of the IRS, it will likely require inclusion in a future bill or advancing S.B. 3612.

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## Polling Question #2

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Have you reviewed the Loan Application and Instructions?

- Yes
- No
- Unsure

Exit full screen mode if you don't see the poll automatically pop up. If you're still unable to see the poll, please submit response using the Questions box.

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## Forgiveness Application Process

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1. Complete Form 3508/3508EZ Loan Forgiveness Application
2. Submit application and required supporting documentation
  1. Determine covered period (can apply prior to the end of your covered period)
  2. Accumulate allowable costs and compute applicable reductions
3. Lender has **60 days** to provide a decision to SBA
4. SBA has **90 days** to remit the appropriate forgiveness amount to the Lender
5. If borrower has made payments on amounts forgiven, lender will refund
  1. Can defer payments of principal and interest until SBA compensates lender for amounts forgiven or 10 months after covered period ends
6. If loan forgiveness is denied, or not 100% is eligible for forgiveness then the remaining loan must be repaid on or before the 2 year maturity date (5 year maturity date if you renegotiate with the bank).

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# PPP Application



**Paycheck Protection Program  
Loan Forgiveness Application Revised June 16, 2020**

**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:

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# PPP Application

**Forgiveness Amount Calculation:**

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): \_\_\_\_\_

Line 2. Business Mortgage Interest Payments: \_\_\_\_\_

Line 3. Business Rent or Lease Payments: \_\_\_\_\_

Line 4. Business Utility Payments: \_\_\_\_\_

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): \_\_\_\_\_

Potential Forgiveness Amounts

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

Line 9. PPP Loan Amount: \_\_\_\_\_

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60): \_\_\_\_\_

Forgiveness Amount

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

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# Certifications



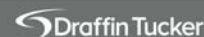
Paycheck Protection Program  
Loan Forgiveness Application Revised June 16, 2020

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

**By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:**

The authorized representative of the Borrower certifies to all of the below by **initialing** next to each one.

- The dollar amount for which forgiveness is requested:
  - was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
  - includes all applicable reductions due to decreases in the number of full-time equivalent employees and salary/hourly wage reductions;
  - includes payroll costs equal to at least 60% of the forgiveness amount;
  - if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and
  - if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.
- I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.
- The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.
- I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.



# Certifications

- The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 U.S.C. 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 U.S.C. 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 U.S.C. 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.
- I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.
- If the Borrower has checked the box for FTE Reduction Safe Harbor 1 on PPP Schedule A, the Borrower was unable to operate between February 15, 2020 and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, 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, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

\_\_\_\_\_  
Signature of Authorized Representative of Borrower

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title





## PPP EZ Application

- If you meet one of the three bullets below you can submit Form 3508EZ
  - The borrower is self employed, independent contractor or sole proprietor who had no employees at the time of the application and did not include any employee salaries in the application
  - The borrower did not reduce annual salary or hourly wages of any employee more than 25% during the covered period compared to the 1<sup>st</sup> quarter 2020 **AND** the borrower did not reduce the number of employees or average paid hours of employees between January 1, 2020 and the end of the covered period, after considering safe harbors.
  - The borrower did not reduce annual salary or hourly wages of any employee more than 25% during the covered period compared to the 1<sup>st</sup> quarter 2020 **AND** the borrower was unable to operate during the covered period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by HHS, CDC or OSHA related to the standards of sanitation, social distancing or other safety requirements related COVID.

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## Allowable Costs

- Payroll Costs
  - Cash Compensation to **employees**
    - Salary, wages, commissions or similar payments to employees, including furloughed employees
    - Bonuses and hazard pay
    - Cash tips or equivalent
    - Payment for vacation, parental, family, medical or sick leave (unless credit was taken under Families First Coronavirus Response Act)
    - Allowance for dismissal or separation
    - Limited to \$100,000 when annualized
  - Non-cash Compensation on behalf of **employees**
    - Employer portion of group health benefits including premiums paid and self insurance
    - Employer portion of retirement benefits
    - Employer payment of state or local taxes (SUTA)
  - Compensation to **owner-employees/self employed individuals/general partners**
    - Lesser of comparable 2019 compensation or \$100,000 when annualized

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## Allowable Costs

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- Nonpayroll Costs
  - Business Mortgage Interest
    - Interest payments on business mortgage obligations on real or personal property – obligations incurred before 2/15/20
  - Business Rental or Lease Payments
    - Business rent or lease obligations for real or personal property – obligations incurred before 2/15/20
  - Business Utility Payments
    - Payments for a service for the distribution of electricity, gas, water, transportation, telephone or internet access – service began by 2/15/20
      - Gas for business vehicles
      - Cell phones
  - Nonpayroll cost limitation – 40% of loan

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## Covered Period - Payroll

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- Covered Period (CP)
  - 8 weeks beginning with the date the first loan proceeds were received
  - 24 weeks beginning with the date the first loan proceeds were received
- Alternative Payroll Covered Period (APCP)
  - Must have biweekly or more frequent payroll periods
  - Begins with the first day of the first payroll period following the first date loan proceeds were received
  - Payroll cost only

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## Incurred and Paid - Payroll

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- Includes amounts paid during the CP or APCP
  - Day checks are distributed
  - Day borrower originates ACH credit transaction
- Includes amounts incurred during the CP or APCP
  - Incurred the day the employee earns the pay (worked or scheduled)
  - Can include all or a portion of last payroll during the end of the CP and APCP as long as paid by next regular payroll date
- Instructions only reference paid during the period for:
  - Employer group health plan
  - Employer retirement contributions
  - Employer SUTA contributions

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## Polling Question #3

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Have you considered the Alternative Covered Period vs the Covered Period for payroll costs?

- Yes
- No
- Unsure

Exit full screen mode if you don't see the poll automatically pop up. If you're still unable to see the poll, please submit response using the Questions box.

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## CP vs APCP

- Facts:
- Received PPP loan proceeds on **4/10/20** & 8 week CP ends **6/4/20**
  - APCP begins **4/18/20** and ends **6/12/20**
  - Payroll is constant at \$200,000 every 2 weeks with \$10,000 incurred per day
  - Payroll periods are as follows:

<u>Pay Period Begin Date</u>	<u>Pay Period End Date</u>	<u>Date of Check</u>	
4/4/2020	4/17/2020	<b>4/22/2020</b>	Paid in CP & APCP
4/18/2020	5/1/2020	5/6/2020	I&P in CP & APCP
5/2/2020	5/15/2020	5/20/2020	I&P in CP & APCP
5/16/2020	5/29/2020	6/3/2020	I&P in CP & APCP
5/30/2020	6/12/2020	6/17/2020	Incurred in CP & APCP

- Payroll Costs using CP -  $(4 * 200,000) + (10,000 * 6) =$  \$ 860,000
- Payroll Costs using APCP -  $(5 * 200,000) =$  \$ 1,000,000

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## Incurred and Paid - Nonpayroll

- Includes amounts paid during the CP
  - Day checks are distributed
  - Day borrower originates ACH credit transaction
- Includes amounts incurred during the CP
  - Incurred the day the service is provided as long as the bill is paid on or before the next billing date
- Prepayments
  - Advanced mortgage interest payments are not allowed
  - Silent as to prepaying other costs
- APCP not available for nonpayroll costs

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## Polling Question #4

Approximately what percentage of your employees have experienced a pay decrease?

- None
- 5%
- 10%
- 30%
- 50% or more

Exit full screen mode if you don't see the poll automatically pop up. If you're still unable to see the poll, please submit response using the Questions box.

*Reminder:* To receive CPE credit, you will be required to answer a minimum of nine (9) polling questions.

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## Limitation of Forgiveness

Loan forgiveness is the lesser of:

- The amount of the PPP Loan,
- Total payroll costs incurred, divided by 0.60, and
- Total qualifying expenditures during the covered period adjusted for wage rate and FTE reductions.

Potential Forgiveness Amounts

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

Line 9. PPP Loan Amount:

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60):

Forgiveness Amount

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

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# Limitation of Forgiveness

Loan forgiveness is reduced if there are decreases in the FTE count of the borrower or if wages of certain employees are reduced during the covered period.



Paycheck Protection Program  
Loan Forgiveness Application Revised June 16, 2020

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
<b>FTE Reduction Exceptions:</b>				
<b>Totals:</b>		<b>Box 1</b>	<b>Box 2</b>	<b>Box 3</b>

**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
<b>Totals:</b>		<b>Box 4</b>	<b>Box 5</b>



# Limitation of Forgiveness – Wage Reduction

Loan forgiveness is reduced if there is a greater than 25% reduction in the average annual salary or average hourly wage during the covered period for any employee who:

- Had 2019 compensation of \$100,000 or less, or
- Was not employed by the borrower during 2019.

Owners, self-employed individuals and partners are excluded from these calculations.



## Limitation of Forgiveness – Wage Reduction

The amount of the loan forgiveness is calculated by comparing:

1. 75% of the employee's average annual salary or average hourly wage during Q1 of 2020, and
2. The average annual salary or average hourly wage during the covered period.

To the extent that #1 exceeds #2, forgiveness is reduced.

**Note:** If the reduction in compensation during the covered period is caused by a decrease in hours, rather than a reduced pay rate, a wage reduction has not occurred. However, forgiveness may be reduced due to a decrease in FTEs.

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## Limitation of Forgiveness – Wage Reduction

		Salaried	Hourly
Step 1	Average for 1/1/2020-3/31/2020	40,000/yr	15.00/hr
Step 2	Multiply by 75%	30,000/yr	11.25/hr
Step 3	Average for Covered Period	28,000/yr	10.00/hr
Step 4	If amount in Step 3 < Step 2, Go to Step 5 (Otherwise, there is no reduction)		
Step 5	Subtract Step 3 from Step 2	(2,000)	(1.25)
Step 6	Salaried – Multiply Step 5 by 8/52 (or 24/52)	(308) or (923)	
	Hourly – Multiply Step 5 by average hours from Q1 and then multiply by 8 weeks (or 24 weeks)		(400) or (1,200)

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## Limitation of Forgiveness – Wage Reduction

### Forgiveness Amount Calculation:

#### Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

#### 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):

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## Limitation of Forgiveness – Wage Reduction

What if wages for one or more employees were reduced by more than 25%, but were later restored?

- Safe Harbor – Must meet the following two requirements:
  - Average annual salary or average hourly wage between 2/15/20 – 4/26/20 is less than average annual salary or average hourly wage for pay period that included 2/15/20, **and**
  - Average annual salary or average hourly wage as of 12/31/20 is greater than or equal to the average annual salary or average hourly wage for the period including 2/15/20

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## Polling Question #5

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By what percentage have you reduced employee hours?

- None
- 5%
- 10%
- 30%
- 50% or more

Exit full screen mode if you don't see the poll automatically pop up. If you're still unable to see the poll, please submit response using the Questions box.

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## Limitation of Forgiveness – FTE Reduction

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Who is included in the FTE count?

- Does not include owner employees
- Does include all non-owner employees, including those making more than \$100,000
- Count is not reduced for the following individuals:
  - Separated employees where a good faith offer to rehire was not accepted
  - Employees fired “for cause”
  - Employees who voluntarily resigned
  - Employees who requested and were granted a reduction in hours

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## Limitation of Forgiveness – FTE Reduction

How do we count those employees who are included?

- Fulltime employees are recorded as 1 FTE (overtime hours do not increase the FTE count beyond 1) – For PPP loan purposes, full-time is 40 hours
- Part-time employees may be counted in one of two ways
  - Divide the actual hours worked by 40 and round to the nearest 1/10
  - Simplified Method – assign each employee working less than 40 hours a value of 0.5
  - You must use the same method for all employees in both the covered period and the reference period
- What about employees who were paid, but were not actually able to work?
  - Based on Question 5d from the IFR on Forgiveness, it appears that you can use the hours assumed to be worked based on the amounts paid (assuming the same pay rate as the reference period)

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## Limitation of Forgiveness – FTE Reduction

Borrower may select the reference period as follows:

- 2/15/19 – 6/30/19;
- 1/1/20 – 2/29/20; or
- Any consecutive 12 week period between 5/1/19 and 9/15/19 (**Seasonal Employers Only**)

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## Limitation of Forgiveness – FTE Reduction

ABC, Inc. has 3 employees: EE1, EE2 and EE3. The following table shows the hours worked by each for the two reference periods and the covered period:

Period	EE1 Hours	EE2 Hours	EE3 Hours	Total FTEs
02/15/19 – 06/30/19	40	24	28	
FTE Conversion	1.0	0.6	0.7	2.3
01/01/20 – 02/29/20	45	40	30	
FTE Conversion	1.0	1.0	0.8	2.8
Covered Period	40	16	16	
FTE Conversion	1.0	0.4	0.4	1.8

Using the 2019 reference period, ABC, Inc. would have loan forgiveness limited to 78.26% ( $1.8/2.3 = 0.7826$ ). However, by using the simplified method (part-time employees are deemed 0.5 FTEs) for the 2019 reference period, ABC, Inc. does not have its loan forgiveness reduced ( $2.0/2.0 = 1$ ).

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## Limitation of Forgiveness – FTE Reduction

### Full-Time Equivalency (FTE) Reduction Calculation

If you satisfy **any** of the following three criteria, check the appropriate box, skip lines 11 and 12, and enter **1.0** on line 13; otherwise, complete lines 11, 12, and 13:

**No reduction in employees or average paid hours:** 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 .

**FTE Reduction Safe Harbor 1:** If you were unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, 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 related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19, check here .

**FTE Reduction Safe Harbor 2:** If you satisfy FTE Reduction Safe Harbor 2 (see PPP Schedule A Worksheet), check here .

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 any of the above criteria are met: \_\_\_\_\_

SBA Form 3508 (06/20)  
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## Limitation of Forgiveness – FTE Reduction

### 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):


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## Limitation of Forgiveness – FTE Reduction

What if our workforce was reduced, but it was later restored?

- Safe Harbor – Must meet the following two requirements:
  - FTE count during 2/15/20 – 4/26/20 is less than FTE count for pay period that included 2/15/20, **and**
  - FTE count as of 12/31/20 is greater than or equal to the count for the period including 2/15/20

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## Loan Forgiveness

Based on the following example in the IFR on Revisions to Loan Forgiveness (6/22/2020), borrowers may apply for forgiveness prior to the end of their 24-week covered period, if they so choose.

Example: A borrower is using a 24-week covered period. This borrower reduced a full-time employee's weekly salary from \$1,000 per week during the reference period to \$700 per week during the covered period. The employee continued to work on a full-time basis during the covered period, with an FTE of 1.0. In this case, the first \$250 (25 percent of \$1,000) is exempted from the loan forgiveness reduction. The borrower seeking forgiveness would list \$1,200 as the salary/hourly wage reduction for that employee (the extra \$50 weekly reduction multiplied by 24 weeks). If the borrower applies for forgiveness before the end of the covered period, it must account for the salary reduction for the full 24-week covered period (totaling \$1,200).

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## Loan Forgiveness – Example

Example:

- ZYX, Inc. has 5 full-time employees, each of whom has an annual salary of \$60,000. Based on the payroll data, ZYX received a PPP loan of \$62,500 on May 1, 2020.
- During the covered period, one employee dropped to 30 hours, resulting in a FTE reduction of 0.2 FTEs. This results in an FTE Reduction Quotient of 96% ( $4.8 \text{ FTEs} / 5.0 \text{ FTEs} = 96\%$ ).
- During the covered period, one employee incurred a salary reduction of \$20,000. For the 24-week period, this would result in an adjustment of \$2,307 in the Modified Total Expenditures. ( $\$60,000 \times 75\% = \$45,000 - \$40,000 = \$5,000 \times 24/52 = \$2,307$ )
- For the first 12 weeks, costs incurred were as follows: payroll costs of \$60,000, rent of \$15,000 and utilities of \$5,000.

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## Loan Forgiveness – Example

Based on the facts, ZYX, Inc. would qualify its entire PPP Loan for forgiveness with 12 weeks of qualifying expenditures, despite having a wage reduction and despite having an FTE reduction.

### Forgiveness Amount Calculation:

#### Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): 60,000

Line 2. Business Mortgage Interest Payments: 0

Line 3. Business Rent or Lease Payments: 15,000

Line 4. Business Utility Payments: 5,000

#### 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): 2,307

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: 77,693

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): 0.96

#### Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7): 74,585

Line 9. PPP Loan Amount: 62,500

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60): 100,000

#### Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): 62,500

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## Documentation Requirements - Submission

- Payroll Costs
  - Bank statements or third party service provider reports supporting cash compensation
  - Tax forms or equivalent third party service reports that overlap CP or APCP
    - 941's
    - State quarterly wage reports and unemployment insurance filings that overlap the CP or APCP
  - Payment receipts, cancelled checks, or account statements
    - Employer contributions to retirement plans
    - Employer contributions to health plans
- FTE (at the election of the borrower)
  - The average number of FTEs – 2/15/19 – 6/30/19
  - The average number of FTEs – 1/1/20 – 2/29/20
  - Tax forms identified above for support

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## Documentation Requirements - Submission

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- Nonpayroll Costs – Documentation verifying existence prior to 2/15/20 and eligible payments during the CP
  - Business mortgage interest payments
    - Lender amortization schedule and receipts or canceled checks, or
    - Lender account statements from February 2020 through one month following the end of the CP
  - Business rent or lease payments
    - Copy of current agreement and receipts or canceled checks, or
    - Lessor account statements from February 2020 through one month following the end of the CP
  - Business utility payments
    - Copy of invoices from February 2020 and those paid during the CP, and
    - Receipts, canceled checks or account statements

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## Polling Question #6

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Will it be difficult to compile the documentation that must be submitted?

- Yes
- No
- Unsure

Exit full screen mode if you don't see the poll automatically pop up. If you're still unable to see the poll, please submit response using the Questions box.

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## Documentation Requirements – Maintain

- PPP Schedule A Worksheet
  - Support for amounts in the tables
  - Safe Harbors
    - Documentation supporting any job offers and refusals, refusals to restore hours, firings for cause, voluntary resignations, written requests for reduced hours and inability to hire similarly qualified employees for unfilled positions.
    - Documentation supporting the certification that business activity was limited due to HHS, CDC, or OSHA restrictions related to sanitation, social distancing, or other safety requirements due to COVID.
    - Documentation supporting FTE reduction and restoration by not later than December 31, 2020 to levels as of February 15, 2020
- All records related to the loan application including documents supporting amounts and certifications.

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## Documentation Requirements – Maintain

### PPP Schedule A Worksheet

- 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
<b>FTE Reduction Exceptions:</b>				
<b>Totals:</b>		<b>Box 1</b>	<b>Box 2</b>	<b>Box 3</b>

**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
<b>Totals:</b>		<b>Box 4</b>	<b>Box 5</b>

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## Documentation Requirements – Maintain

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- “All records relating to the Borrower’s PPP loan, including documentation submitted with its PPP loan application, documentation supporting the Borrower’s certifications as to the necessity of the loan request and its eligibility for a PPP loan, documentation necessary to support the Borrower’s loan forgiveness application, and documentation demonstrating the Borrower’s material compliance with PPP requirements. **The Borrower must retain all such documentation in its files for six years after the date the loan is forgiven or repaid in full**, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request.”

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## SBA Reviews

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- “a. Will SBA review individual PPP loans? Yes. SBA may review any PPP loan, as the Administrator deems appropriate, as described below.”
  - Borrower eligibility
  - Loan amounts and use of proceeds
  - Loan forgiveness amounts
- “For a PPP loan of any size, SBA may undertake a review at any time in SBA’s discretion. For example, SBA may review a loan if the loan documentation submitted to SBA by the lender or any other information indicates that the borrower may be ineligible for a PPP loan, or may be ineligible to receive the loan amount or loan forgiveness amount claimed by the borrower.”

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## Next Steps

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- Review the forgiveness application and instructions, interim final rules and FAQs
- Monitor and review your expenditures – payroll and nonpayroll
- Compile supporting documentation
- Anticipate future changes in business operations that may impact forgiveness
- Evaluate the best forgiveness period
- Seek help if needed
- Work with your bank on the process in advance

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## Polling Question #7

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Are you prepared to begin your application?

- Yes
- No
- Unsure

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## Contact Information

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R. Wes Sternenberg,  
CPA, CITP

Partner

[wssternberg@draffin-tucker.com](mailto:wssternberg@draffin-tucker.com)

(229) 883-7878



R. Jeremy Wilson,  
CPA, CFP®

Partner

[jwilson@draffin-tucker.com](mailto:jwilson@draffin-tucker.com)

(404) 220-8494

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## We Want To Hear From You

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Shortly after the presentation you will receive a survey. Please take a few moments to provide your feedback.

If you have any follow up questions or comments you can contact today's presenters or email [sdekutowski@draffin-tucker.com](mailto:sdekutowski@draffin-tucker.com).

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The slide features a dark blue header with the Driffin Tucker logo and tagline. Below this, the text 'COVID-19 RESOURCE CENTER' is displayed in large, bold letters. The main content area is white and contains a 'Resources' section with a list of four links. A dark grey footer contains the page number '55' and the Driffin Tucker logo.

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Let's Think Together.™

# COVID-19 RESOURCE CENTER

## Resources

- <https://draffin-tucker.com/>
- <https://draffin-tucker.com/covid-19/>
- <https://www.linkedin.com/company/draffintucker/>
- <https://www.linkedin.com/groups/8671582/> (CAH Group)

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