

PPP LOAN FORGIVENESS UPDATED GUIDANCE

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TODAY'S PRESENTERS



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AGENDA

- ▶ PPP Recap, Safe Harbor and News
- ▶ PPP Loan Forgiveness Application
- ▶ PPP Documentation Requirements
- ▶ PPP Loan Forgiveness Application

PPP PROGRAM RECAP, SAFE HARBOR AND CURRENT NEWS



PAYCHECK PROTECTION PROGRAM RECAP

- ▶ Summary of PPP Approved Lending (includes both rounds of funding as of 5/16/20)
 - Loan Count 4,341,145
 - Approved Dollars \$513,271,137,359
 - Lender Count 5,496
- ▶ [Frequently Asked Questions \(5/13/2020\)](#)
- ▶ [Interim Final Rule on Extension of Limited Safe Harbor with Respect to Certification Concerning Need for PPP Loan Request \(5/8/2020\)](#)
- ▶ [Interim Final Rule on Loan Increases \(5/13/2020\)](#)
- ▶ [Interim Final Rule on Eligibility of Certain Electric Cooperatives \(5/14/2020\)](#)
- ▶ [Interim Final Rule on Treatment of Entities with Foreign Affiliates \(5/18/2020\)](#)
- ▶ [Interim Final Rule on Second Extension of Limited Safe Harbor with Respect to Certification Concerning Need for PPP Loan and Lender Reporting \(5/20/2020\)](#)

PPP SAFE HARBOR FAQ AND PPP CHANGES

- ▶ 46. Q: How will SBA review borrowers' required good-faith certification concerning the necessity of their loan request?
 - A: ...Any borrower that, together with its affiliates that received PPP loans with an original principal amount of less than \$2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith....If SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification concerning the necessity of the loan request....If the borrower repays the loan after receiving notification from SBA, SBA will not pursue administrative enforcement.

5/21 - Changing landscape, additional discussions taking place in Congress today, relating to covered period, % usage, term, rehire deadline and tax treatment...stay tuned!

PPP LOAN POTENTIAL OUTCOMES

- ▶ Currently, you have a loan at 1% interest, no payments for 6 months, then termed out over remaining 18 months, with the potential for a portion or all of it to be forgiven.
 - Total Forgiveness – Spent on all eligible costs, meet all requirements of forgiveness remaining loan balance equals zero after forgiveness.
 - Partial Forgiveness/Partial Repayment or Term Loan – **potential for wide range of outcomes, including negative ones, if forgiveness expected and not received on expenses incurred and paid from PPP in covered period.**
 - No Forgiveness – Spent none of the money, can repay or term out.
- ▶ Opportunity to manage costs during covered period to achieve desired outcome and avoid any potential negative surprises on forgiveness eligibility.

HOW CAN PPP LOANS BE USED?

- ▶ Payroll costs (as defined in the Act and in 2.f.);
 - Non-owner employees gross wages (limited to covered period amount maximum of \$15,385 for 8 weeks – 56 days)
 - Owner/Employee, self-employed, or general partners – limited to 8/52 of 2019 comp or up to \$15,385, whichever is lower.
 - Employer (for employees) paid health (health, dental, and vision) and retirement benefits
 - Employer (for employees) paid SUTA
- ▶ Mortgage interest payments (but not mortgage prepayments or principal payments)*;
- ▶ Rent payments*;
- ▶ Utility payments (include electric, gas, water, internet, telephone, and transportation utilities (fuel costs)*; and/or
- ▶ Interest payments on any other debt obligations that were incurred before February 15, 2020

LOAN FORGIVENESS APPLICATION



FORGIVENESS APPLICATION COMPONENTS

- ▶ Instructions
- ▶ PPP Loan Forgiveness Calculation Form – all borrowers must submit this
- ▶ PPP Schedule A – all borrowers must submit this
- ▶ The PPP Schedule A Worksheet
- ▶ The (Optional) PPP Borrower Demographic Information Form

LOAN FORGIVENESS CALCULATION FORM

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: ☐

SCHEDULE A

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.

FORGIVENESS AMOUNT CALCULATION

- ▶ Line 1: Enter total eligible payroll costs incurred or paid during the Covered Period or the Alternative Payroll Covered Period.
 - To calculate these costs, complete PPP Schedule A. Enter the amount from PPP Schedule A, line 10.
- ▶ Line 2: Enter the amount of business mortgage interest payments during the Covered Period for any business mortgage obligation on real or personal property incurred before February 15, 2020. Do not include prepayments.
- ▶ Line 3: Enter the amount of business rent or lease payments for real or personal property during the Covered Period, pursuant to lease agreements in force before February 15, 2020.

FORGIVENESS CALC CONT

- ▶ Line 4: Enter the amount of business utility payments during the Covered Period, for business utilities for which service began before February 15, 2020.
 - NOTE: For lines 2-4, you are not required to report payments that you do not want to include in the forgiveness amount.
- ▶ Line 5: Enter the number from PPP Schedule A, line 3. This amount reflects the loan forgiveness reduction required for salary/hourly wage reductions in excess of 25% for certain employees as described in PPP Schedule A.
- ▶ Line 6: Add lines 1 through 4, subtract line 5, enter the total. If this amount is less than zero, enter a zero.
- ▶ Line 7: Enter the number from PPP Schedule A, line 13.

FORGIVENESS CALC CONT

- ▶ Line 8: Enter the amount on line 6 multiplied by the amount on line 7. This calculation incorporates the loan forgiveness reduction required for any full-time equivalency (FTE) employee reductions as described in PPP Schedule A.
- ▶ Line 9: Enter the PPP Loan Amount.
- ▶ Line 10: Divide the amount on line 1 by 0.75, and enter the amount. This determines whether at least 75% of the potential forgiveness amount was used for payroll costs. For more information, see Interim Final Rule on Paycheck Protection Program posted on April 2, 2020 (85 FR 20811).
- ▶ Line 11: Enter the smallest of lines 8, 9, or 10. Note: If applicable, SBA will deduct EIDL Advance Amounts from the forgiveness amount remitted to the Lender.

COVERED PERIODS

- ▶ **Covered Period:** 8 week (56 day) – first day is the date of **first** PPP loan disbursement. i.e. Loan received on 4/20 – 4/20 is the first day and 6/14 is the last day of covered period
- ▶ **Alternative Payroll Covered Period:** For convenience, borrowers with a **biweekly or more frequent payroll schedule** can elect to calculate eligible payroll costs using the 8-week period that begins on the first day of their first payroll following the PPP loan disbursement. **Alt period only for payroll and must be consistently used throughout.**
- ▶ For example, if the borrower received their PPP loan proceeds on Monday, April 20, and the first day of its first pay period following its PPP loan disbursement is Sunday, April 26, the first day of the alternative payroll covered period is Sunday, April 26, and the last day of the alternative payroll period is Saturday, June 20 (8 weeks or 56 days).

WHAT'S IN “PAYROLL COSTS”?

- ▶ Cash Compensation: Enter the sum of gross salary, gross wages, gross tips, gross commissions, paid leave (vacation, family, medical or sick leave, not including leave covered by the Families First Coronavirus Response Act), and allowances for dismissal or separation paid or incurred during the Covered Period or the Alternative Payroll Covered Period.
- ▶ For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of \$100,000, as prorated for the Covered Period; therefore, do not enter more than \$15,385 in Table 1 or Table 2 for any individual employee.

PAYROLL COSTS - CONT

- ▶ During the Covered Period or the Alternative Payroll Covered Period:
 - Total amount paid for employer contributions for employee health insurance, including employer contributions to a self-insured, employer-sponsored group health plan.
 - Total amount paid for employer contributions to employee retirement plans, excluding any pre-tax or after-tax contributions by employees.
 - Total amount paid for employer state and local taxes assessed on employee compensation (e.g., state unemployment insurance tax); do not list any taxes withheld from employee earnings.
 - Enter any amounts paid to owners (owner-employees, a self-employed individual, or general partners). This amount is capped at **\$15,385 (the eight-week equivalent of \$100,000 per year) for each individual or the eight-week equivalent of their applicable compensation in 2019, whichever is lower.**
 - Incurred but not paid: Payroll costs incurred but not paid during the last pay period of the 8-week period are eligible for forgiveness if paid on or before the next regular payroll date. Otherwise, costs must be paid during the 8 weeks.

PAYROLL COSTS - OWNERS

- ▶ Enter any amounts paid to owners (owner-employees, a self-employed individual, or general partners). **This amount is capped at \$15,385 (the eight-week equivalent of \$100,000 per year) for each individual or the eight-week equivalent of their applicable compensation in 2019, whichever is lower.**
 - Does not provide a minimum threshold for ownership for this provision, so potential for additional clarification
- ▶ See Interim Final Rule on Additional Eligibility Criteria and Requirements for Certain Pledges of Loans posted on April 14, 2020 for more information (85 FR 21747, 21749).

ELIGIBLE NON-PAYROLL COSTS

- ▶ Nonpayroll costs eligible for forgiveness consist of:
 - a) covered mortgage obligations: payments of interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before February 15, 2020 (“business mortgage interest payments”);
 - b) covered rent obligations: business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020 (“business rent or lease payments”); and
 - c) covered utility payments: business payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020 (“business utility payments”).
- ▶ Eligible nonpayroll costs cannot exceed 25% of the total forgiveness amount. Count nonpayroll costs that were both paid and incurred only once. An eligible nonpayroll cost must be paid during the Covered Period or incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period.

FORGIVENESS CALCULATION

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 75% Requirement (divide line 1 by 0.75):

Forgiveness Amount

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

SALARY/HOURLY WAGE REDUCTION

- ▶ **Salary/Hourly Wage Reduction:** This calculation will be used to determine whether forgiveness must be reduced due to a salary/hourly wage reduction of more than 25% during the 8-week period or the alternate payroll period as compared to the first quarter of 2020, on average.
- ▶ Salary and hourly employees' wages are based on their rate, not total wages.
- ▶ Use last 4 digits of social, only applies to employees employed in the covered period and did not receive an annualized rate in any pay period in 2019 greater than \$100k.
- ▶ **Salary/Hourly Safe Harbor:** As long as the salary/hourly wage reduction is restored by June 30, 2020, then no reduction in forgiveness will be applied.

SALARY/WAGE REDUCTION TABLE

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
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

WAGE REDUCTION CALCULATION – STEP 1

- ▶ Determine if pay was reduced more than 25%.
 - a) Enter average annual salary or hourly wage during Covered Period or Alternative Payroll Covered Period: _____.
 - b) Enter average annual salary or hourly wage between January 1, 2020 and March 31, 2020: _____.
 - c) Divide the value entered in 1.a. by 1.b.: _____.
- ▶ If 1.c. is 0.75 or more, enter zero in the column above box 3 for that employee; otherwise proceed to Step 2.

WAGE REDUCTION CALCULATION – STEP 2

- ▶ Determine if the Salary/Hourly Wage Reduction Safe Harbor is met.
 - a) Enter the annual salary or hourly wage as of February 15, 2020: _____.
 - b) Enter the average annual salary or hourly wage between February 15, 2020 and April 26, 2020: _____.
 - * If 2.b. is equal to or greater than 2.a., skip to Step 3. Otherwise, proceed to 2.c.
 - c) Enter the average annual salary or hourly wage as of June 30, 2020: _____. If 2.c. is equal to or greater than 2.a., the Salary/Hourly Wage Reduction Safe Harbor has been met – enter zero in the column above box 3 for that employee. Otherwise proceed to Step 3.

WAGE REDUCTION CALCULATION – STEP 3

► Determine the Salary/Hourly Wage Reduction

- a) Multiply the amount entered in 1.b. by 0.75: _____.
- b) Subtract the amount entered in 1.a. from 3.a.: _____. If the employee is an hourly worker, compute the total dollar amount of the reduction that exceeds 25% as follows:
- c) Enter the average number of hours worked per week between January 1, 2020 and March 31, 2020: _____.
- d) Multiply the amount entered in 3.b. by the amount entered in 3.c. _____. Multiply this amount by 8: _____. Enter this value in the column above box 3 for that employee. If the employee is a salaried worker, compute the total dollar amount of the reduction that exceeds 25% as follows:
- e) Multiply the amount entered in 3.b. by 8: _____. Divide this amount by 52: _____. Enter this value in the column above box 3 for that employee.

FTEE CALCULATION

- ▶ Average FTE: This calculates the average full-time equivalency (FTE) during the Covered Period or the Alternative Payroll Covered Period.
 - For each employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth. The maximum for each employee is capped at 1.0.
 - A simplified method that assigns a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours may be used at the election of the Borrower.
 - This calculation will be used to determine whether the Borrower's loan forgiveness amount must be reduced due to a statutory requirement concerning reductions in full-time equivalent employees.
 - Borrowers are eligible for loan forgiveness for certain expenditures during the Covered Period or the Alternative Payroll Covered Period. However, the actual loan forgiveness amount that the Borrower will receive may be less, depending on whether the Borrower's average weekly number of FTE employees during the Covered Period or the Alternative Payroll Covered Period was less than during the Borrower's chosen reference period (see Instructions to PPP Schedule A, Line 11). The Borrower is exempt from such a reduction if the FTE Reduction Safe Harbor applies.

FTE SAFE HARBOR

- ▶ FTE Reduction Safe Harbor: A safe harbor under applicable law and regulation exempts certain borrowers from the loan forgiveness reduction based on FTE employee levels.
- ▶ Specifically, the Borrower is exempt from the reduction in loan forgiveness based on FTE employees described above if both of the following conditions are met: **(1) the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and (2) the Borrower then restored its FTE employee levels by not later than June 30, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020.**

FTE REDUCTION SAFE HARBOR

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 EXCEPTIONS

- ▶ FTE Reduction Exceptions: Indicate the FTE of
 - 1) any positions for which the Borrower made a good-faith, written offer to rehire an employee during the Covered Period or the Alternative Payroll Covered Period which was rejected by the employee; and
 - 2) any employees who during the Covered Period or the Alternative Payroll Covered Period (a) were fired for cause, (b) voluntarily resigned, or (c) voluntarily requested and received a reduction of their hours.
- ▶ In all of these cases, include these FTEs on this line only if the position was not filled by a new employee. Any FTE reductions in these cases do not reduce the borrower's loan forgiveness.

PPP DOCUMENTATION REQUIREMENTS



DOCUMENTATION REQUIREMENTS - PAYROLL

- ▶ Payroll: Documentation verifying the eligible cash compensation and non-cash benefit payments from the “Covered Period” consisting of each of the following:
 - a) Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
 - b) Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
 - i. Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
 - ii. State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
 - c) Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the Borrower included in the forgiveness amount (PPP Schedule A, lines (6) and (7)).

DOCUMENTATION REQUIREMENTS - FTE

- ▶ FTE: Documentation showing (at the election of the Borrower):
 - a) the average number of FTE employees on payroll per month employed by the Borrower between February 15, 2019 and June 30, 2019;
 - b) the average number of FTE employees on payroll per month employed by the Borrower between January 1, 2020 and February 29, 2020; or
 - c) in the case of a seasonal employer, the average number of FTE employees on payroll per month employed by the Borrower between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or any consecutive twelve week period between May 1, 2019 and September 15, 2019.
- ▶ The selected time period must be the same time period selected for purposes of completing PPP Schedule A, line 11. Documents may include payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state. Documents submitted may cover periods longer than the specific time period.

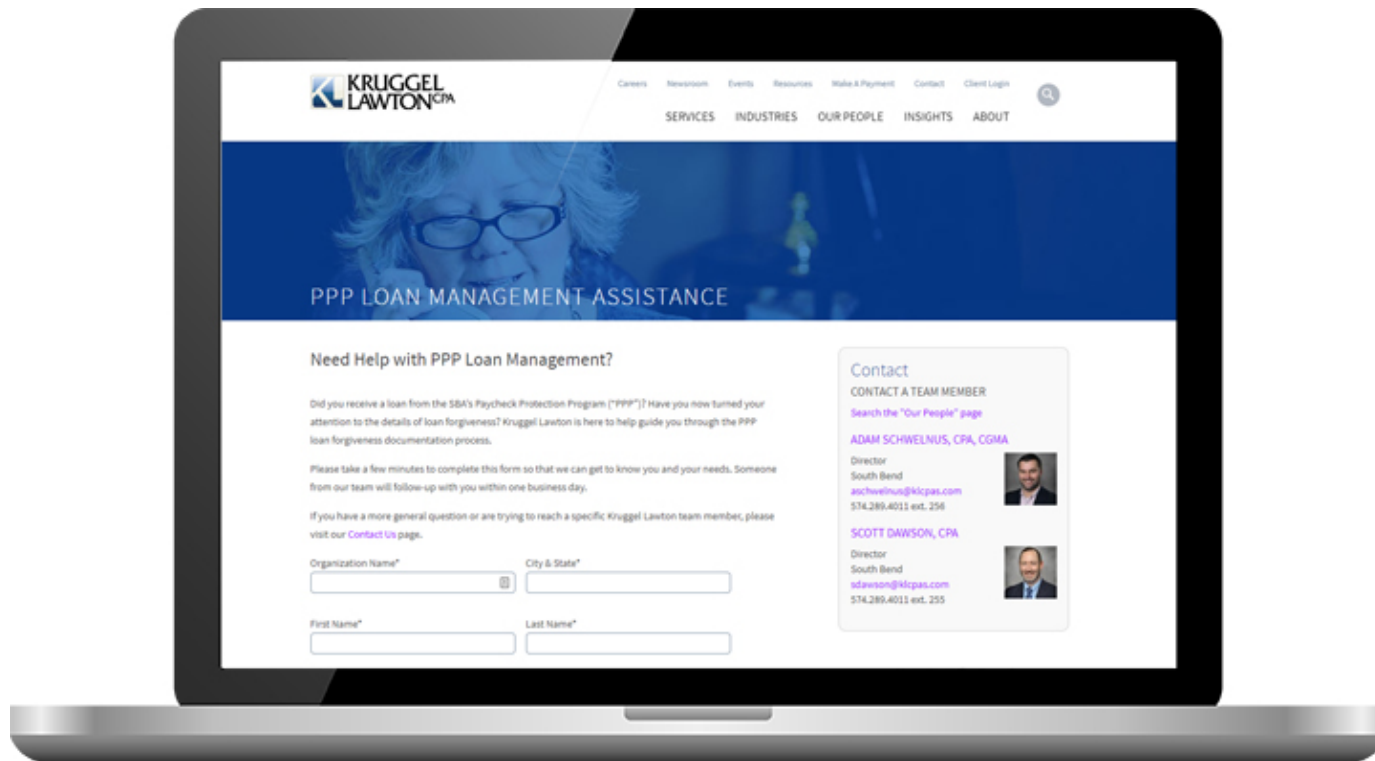
DOCUMENTATION REQUIREMENTS - NONPAYROLL

- ▶ Nonpayroll: Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period.
 - a) Business mortgage interest payments: Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
 - b) Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.
 - c) Business utility payments: Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.

NEXT STEPS – PPP LOAN MANAGEMENT



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Thank You!