

GETTING THE MOST OUT OF THE PPP

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GETTING THE MOST OUT OF THE PPP

WEDNESDAY, JUNE 10, 2020 • 9:00 - 10:00 a.m. CDT



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Paycheck Protection Program (PPP)

This presentation is for informational and educational purposes. Please seek advisement from your tax professional for specific information depending on your situation.

Useful Resources

U.S. Department of the Treasury

<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

U.S. Small Business Administration

<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

Paycheck Protection Program (PPP)

- **Main Driver of Small Business Stimulus**

- Stabilizing and assisting the American economy by keeping American workers paid and employed
- Helping small businesses meet short-term, ongoing expenses including payroll costs and other costs
- Managed jointly by the Small Business Administration (SBA) and the Department of the Treasury utilizing existing E-Tran

- **High Level Overview: Paycheck Protection Program (PPP)**

- Provide Operating Funds to Small Businesses across the U.S. (CARES Act)
- Now totals \$659 billion (original \$349 billion plus additional \$310 billion)
- Permitted uses are payroll & other limited purposes (2.5 times monthly payroll)
- Up to \$10 million per borrower
- Loan payments will be paid by SBA for six months
- 100% SBA Guaranty, Unsecured, and No Personal Guarantee
- SBA pays origination fees to financial institutions
- Loans forgiven when used for payroll & other limited purposes

Paycheck Protection Program (PPP) Summary of PPP Approved Lending

Overview of the Program (06/06/2020)

- Loan Count is 4,531,833
- Amount dispersed \$511,382,171,979
- Louisiana has received \$7,233,685,896 (68,533)
- Amount of funding remaining is \$130,681,819,671

Paycheck Protection Program (PPP)

Passage of the PPP Flexibility Act (June 3, 2020)

- Provides greater flexibility for loan forgiveness and spending
- Mitigates the confusion for business owners due to slow release of guidance
- Addresses the challenges of competing with the unemployment coverage
- Relieves pressure of having to rehire employees in a narrow time frame
- Expands timeframe of loan for payback period (New Loans & Current Loans Modified)

Paycheck Protection Program (PPP) Flexibility Act (June 3, 2020)

Changes to the Paycheck Protection Program (PPP)

- The forgiveness period has been extended from eight weeks to twenty-four weeks.
- Current PPP borrowers will still have the option of adhering to the eight week period.
- New borrowers will have 24-weeks, not to exceed December 31, 2020.
- New Borrowers have 5 years to repay PPP Loan (was 2 years) and still 1% rate.
- The deadline to apply is still June 30, 2020 or until funds are depleted.
- If 60% is not met on payroll, partial forgiveness will be allowed.

Paycheck Protection Program (PPP) Flexibility Act (June 3, 2020)

Changes to the Paycheck Protection Program (PPP)

- The ratio has been revised to spend at least 60% of the funding on payroll costs.
- The new deadline for restoring payroll and headcount is December 31, 2020 (FTE Reduction Safe Harbor)
- Exempt employers from rehiring requirement if unable to attain pre-covid levels because of public health/safety limits or spacing requirements.

Qualified Expenses

Eligible expenses for PPP loan forgiveness

- Payroll costs - salaries, wages, commissions, or tips (\$100,000 max per employee—gross earnings)
- Interest on mortgages (for loans incurred before February 15, 2020)
- Rent (under lease agreements pre-February 15, 2020)
- Utilities (if service began before February 15, 2020)

Payroll

The following are all considered forgivable payroll expenses

- Salaries (\$100,000 cap)
- Wages
- Commissions
- Tips
- State and Local Employer Payroll Taxes
- Health Insurance Premiums
- Employee Retirement Plans
- Net Profit (if Self-Employed with \$100,000 cap – 8/52)

Utilities

The following are all considered forgivable utilities expenses for the PPP:

- Electricity
- Water bill
- Gas
- Sewage
- Telephone (cell phone and landline)
- Internet bill
- Transportation costs
- * Agreements for each utility must have been in place prior to February 15th, 2020. Any agreements that began after February 15 would not be eligible for forgiveness.

Rent & Mortgage

The following are all considered forgivable:

- Any payment on a covered rent or lease obligation
- Interest on a covered mortgage obligation
- Home Office Expenses (Based on IRS Formula)

****Any agreements that began after February 15 would not be eligible for forgiveness.**


Forgiveness Application



Forgiveness Application Modified SBA 3508

Application can be downloaded
from SBA website:

<https://www.sba.gov/document/sba-form--paycheck-protection-program-loan-forgiveness-application>

 **Paycheck Protection Program
Loan Forgiveness Application** OMB Control Number 3245-0487
Expiration Date: 10/31/2020

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

To apply for forgiveness of your Paycheck Protection Program (PPP) loan, you (the Borrower) must complete this application as directed in these instructions, and submit it to your Lender (or the Lender that is servicing your loan). Borrowers may also complete this application electronically through their Lender.

This application has the following components: (1) the PPP Loan Forgiveness Calculation Form; (2) PPP Schedule A; (3) the PPP Schedule A Worksheet; and (4) the (optional) PPP Borrower Demographic Information Form. All Borrowers must submit (1) and (2) to their Lender.

Instructions for PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")/DBA or Tradename (if applicable)/Business TIN (EIN, SSN): Enter the same information as on your Borrower Application Form.

Business Address/Business Phone/Primary Contact/E-mail Address: Enter the same information as on your Borrower Application Form, unless there has been a change in address or contact information.

SBA PPP Loan Number: Enter the loan number assigned by SBA at the time of loan approval. Request this number from the Lender if necessary.

Lender PPP Loan Number: Enter the loan number assigned to the PPP loan by the Lender.

PPP Loan Amount: Enter the disbursed principal amount of the PPP loan (the total loan amount you received from the Lender).

Employees at Time of Loan Application: Enter the total number of employees at the time of the Borrower's PPP Loan Application.

Employees at Time of Forgiveness Application: Enter the total number of employees at the time the Borrower is applying for loan forgiveness.

PPP Loan Disbursement Date: Enter the date that you received the PPP loan proceeds from the Lender. If loan proceeds were received on more than one date, enter the first date on which you received PPP loan proceeds.

EIDL Advance Amount: If the Borrower received an Economic Injury Disaster Loan (EIDL) advance, enter the amount.

EIDL Application Number: If the Borrower applied for an EIDL, enter the Borrower's EIDL Application Number.

Payroll Schedule: Select the box that corresponds to your payroll schedule.

Covered Period: Enter the eight-week (56-day) Covered Period of your PPP loan. The first day of the Covered Period must be the same as the PPP Loan Disbursement Date. For example, if the Borrower received its PPP loan proceeds on Monday, April 20, the first day of the Covered Period is April 20 and the last day of the Covered Period is Sunday, June 14.

Alternative Payroll Covered Period: For administrative convenience, Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the eight-week (56-day) period that begins on the first day of their first pay period following their PPP Loan Disbursement Date (the "Alternative Payroll Covered Period"). For example, if the Borrower received its 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 April 26 and the last day of the Alternative Payroll Covered Period is Saturday, June 20. Borrowers who elect to use the Alternative Payroll Covered Period must apply the Alternative Payroll Covered Period wherever there is a reference in this application to "the Covered Period or the Alternative Payroll Covered Period." However, Borrowers must apply the Covered Period (not the Alternative Payroll Covered Period) wherever there is a reference in this application to "the Covered Period" only.

If Borrower Received PPP Loans in Excess of \$2 Million: Check the box if the Borrower, together with its affiliates (to the extent required under SBA's interim final rule on affiliates ([52 FR 20812](#)) (April 15, 2020)) and not waived under 15 U.S.C. 636(a)(3)(D)(i)(v)), received PPP loans with an original principal amount in excess of \$2 million.

Paycheck Protection Program (PPP)

Points to consider:

- Borrower must complete the SBA form 3508 or the modified version and submit the form to the bank where the PPP loan was done.
- The lender will review the application and make forgiveness determination.
- Application is more involved for business owners with employees.
- Waiting on further guidance pertaining to employees (FTE/PTE)

PPP Forgiveness Application

Four Main Components

- Instructions
- The Application
- PPP Schedule A (with instructions)
- PPP Schedule A Worksheet (with Instructions)

Paycheck Protection Program (PPP) Forgiveness Application

Page 1

- Basic Loan Information – Name, Address, TIN, PPP Loan Number and Lender's Loan Number
- Enter Loan Amount and Disbursement Date.
- Enter the Number of Employees at application time and forgiveness.
- Indicate if EIDL Advance was received – amount and application number
- Enter the frequency of the payroll – Alternate payroll will not matter if using 24 weeks for forgiveness period.
- Check the box if the PPP Borrower and its affiliates total \$2 Million or more.

Paycheck Protection Program (PPP) Forgiveness 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 75% Requirement (divide line 1 by 0.75):

Forgiveness Amount

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

Paycheck Protection Program (PPP) Schedule A

Paycheck Protection Program Loan Forgiveness Application		OMB Control Number 3245-0087 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 <input type="checkbox"/> 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):		
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 <input type="checkbox"/> , 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:		

Paycheck Protection Program (PPP) Forgiveness Application 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
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

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

Paycheck Protection Program (PPP) Forgiveness Application

Exemptions on rehiring employees

- Employees who were employed as of February 15, 2020, and were laid off or put on furlough may not wish to be rehired onto payroll. If the employee rejects your re-employment offer, you may be allowed to exclude this employee when calculating forgiveness.

To qualify for this exemption:

- You must have made a written offer to rehire in good faith
- You must have offered to rehire for the same salary/wage and number of hours as before they were laid off
- You must have documentation of the employee's rejection of the offer

Paycheck Protection Program (PPP)

Documentation Required

- Bank account statements showing payroll expenditures or a third party payroll report
- Tax forms for the covered period typically a IRS Form 941
- State Quarterly wage reporting forms
- Payment receipts, cancelled checks, or account statements on any amount spent on health insurance or retirement contributions

Paycheck Protection Program (PPP)

Non Payroll Documentation

- Business Mortgage Interest Payments-Lender amortization schedule, receipts, cancelled checks verifying payments during the covered period.
- Business rent or Lease Payments- Copy of lease agreement, receipts or cancelled checks showing the payments during the covered period.
- Business Utility Payments – Copies of invoices or bills during the covered period and proof of payment – cancelled checks or receipts.

Paycheck Protection Program (PPP)

Documents that the borrower must keep but do not have to submit

- Documentation supporting the cash compensation amounts of each individual employee.
- Documentation on the cash compensation of any employees who made \$100,000 or more during the 2019 payroll period.
- Documentation of job offers, refusals, firings, voluntary resignations, and request by employee of a reduced work schedule.
- Documentation supporting the FTE Safe Harbor (Rehiring of employees that may have been let go or furloughed)

Borrower Demographic Information

PPP Forgiveness Form 3508 - Borrower Demographic Information

- Any 20% or more owner of the business must complete this form.
- Trustor – If the business is owned by a Trust
- Non-Profit –Officers and Directors must complete this form
- This form must have Name and Position but they do not have to complete the demographic information. This is voluntary and has no impact on forgiveness.



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IF WE ARE NOT ABLE TO ADDRESS YOUR QUESTION TODAY,
WE WILL WORK TO PROVIDE A TIMELY RESPONSE

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