

PPP Loan Forgiveness

- Timing limitations and considerations
- Review of eligible expenses
- FTE and wage limitations and exceptions
- Forgiveness calculation
- Unknowns
- Questions

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Covered Period OR Alternative Payroll Covered Period

- Covered period
 - Begins date first PPP funds received
 - Ends 24 weeks later (Monday – Sunday)
- Alternative payroll covered period
 - Only available if payroll period is biweekly or shorter
 - Begins with start of payroll period after PPP Funds received
 - Ends 24 weeks later (Monday – Sunday)
 - **ONLY** for payroll expenses

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Paid OR Incurred

- Paid
 - Date of paychecks, OR
 - Date ACH or direct deposit
- Incurred
 - Date pay earned, AND
 - Paid by next regular payroll date
- May combine methods
- Applicable to payroll AND other eligible expenses

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Eligible Expenses – Payroll Related (>60%)

- Gross wages (and bonuses) up to \$100,000 maximum
- Employer health insurance contributions
- Employer retirement plan contributions
- State/local taxes (based on compensation)
 - Unemployment
 - Transit (Trimet/CAT/SCTD/SMART, etc...)
- Special rules for sole proprietors and partners

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Eligible Expenses – Other (<u>40%</u>)

- Mortgage interest (real or personal property)
- Rent and lease payments
- Utilities
 - The usual – electricity, gas, water, telephone
 - Transportation – fuel
 - Assumed – sewer, garbage, cell Phone
- Must have existed on or before 2/15/2020



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FTE Calculation

- FTE = (F)ull (T)ime (E)quivalent = 40 hours per week
- Maximum of 1 FTE per employee (>40 hours = 1 FTE)
- Part-time employees (choose same method for ALL)
 - Fractional method (by tenths), **OR**
 - Half-time method (0.5 FTE) for each part-time employee
 - Based on average weekly hours
- On a per employee basis



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FTE Limitation

- Calculate for the covered period chosen
- Calculate FTEs for the two allowable base periods
 - 2/5/2019 – 6/30/2019, **OR**
 - 1/1/2020 – 2/29/2020
- Choose the period with the smaller FTE amount
- Divide the covered period FTE by the base period FTE

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Wage Reduction Limitation

- Employees with greater than \$100,000 in 2019
 - Based on annualized calculation from highest payroll
 - Exempt from wage reduction calculation
- On a per employee basis
- Only employees employed during the 24-week period
- Compare to 1st quarter 2020
- Annualized for salaried employees
- Hourly employees based on average rate

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Exemptions/Safe Harbor from FTE Limitation

- FTE Exemptions
 - Employee voluntarily quits or is fired for cause
 - Employee voluntarily requests reductions in hours
 - Good faith written offer rejected by employee
 - Offer must be during the 24 week period
 - Offer must restore salary or wages and hours
 - Employer must notify state unemployment within 30 days
- FTE and Wage Exemption Safe Harbor
 - Restore FTE and/or wage reductions by 12/31/2020
 - Only for reductions between 2/15/2020 – 4/26/2020



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Forgiveness Calculation Overview

- Categories of Employees
 - Employees with < \$100,000 annualized wages in 2019
 - Employees with > \$100,000 annualized wages in 2019
 - Owner employees, self-employed individuals, and partners
- \$100,000 annualized wages calculation
 - Considers each pay period in 2019
 - Annualizes largest amount (consider bonuses)
- Other costs MUST be in the covered period



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Forgiveness Application

- SBA Form 3508 forgiveness application
 - Begin by completing PPP Schedule A Worksheet (page 9)
 - The worksheet is used to complete PPP Schedule A (page 6)
 - The schedule is used to complete the calculation (page 3)
- Payroll costs are totaled (lines 1-4)
- Reductions and limitations are applied (lines 5-10)
- Forgiveness amount is calculated (line 11)

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Forgiveness Calculator

- Aggregates items/amounts required on application
- Totals items from supporting documents for bank
- Can be used for planning to maximize forgiveness
- Items requiring user input are shaded grey
- Subject to change based on forthcoming guidance

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Unknowns

- How long must the restoration last for safe harbor?
 - Could be just 1 day (12/31/2020) – not defined
- Are shareholder-employees considered owner-employees?
 - Could limit shareholder-employee wages to 8/52 or 24/52 of 2019

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Questions?

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