



PPP Loan Forgiveness

PPP Guidelines Update

Webinar 05/20/2020

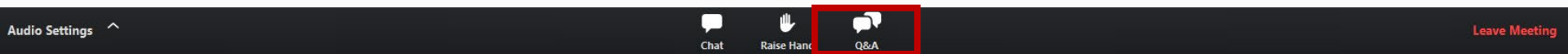
Presented By:
Gineris & Associates

GinerisLtd.com



After the presentation we will host a Q&A session.

Please write your questions in the Q&A section in the menu below.



We will enable your microphone to ask your question.

- Please designate in your question if you'd prefer me to read it for you.



- Some of you received communication from your lender with language reminding you that

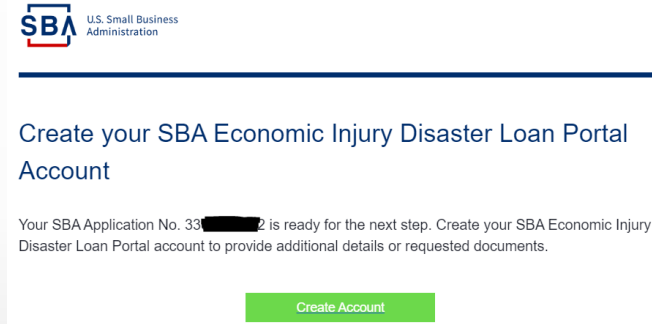
When you applied, you certified that “current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.”

You have the opportunity to withdraw your application if you do not feel you meet this criteria.

If you've already been funded, and you believe you do not meet this criteria, you can repay your loan by May 14, 2020 and the SBA will treat that repayment as being in good faith.

- **SBA clarified on 5/13 that loans less than \$2 million were in good faith** and thus will not be under further audit scrutiny around the necessity of the loan.

- Many of you have gotten Economic Injury Disaster Loan (EIDL) grant advances (\$1000 per employee) (>3MM advances worth ~\$10BB)
- Most of you have gotten emails from SBA about creating a portal



- Unless you want to borrow additional money direct from SBA (3.75% for 30 years), don't take additional action
- EIDL grant advances either got rolled into your PPP loan (if you received EIDL and disclosed to your PPP lender prior to PPP loan approval/funding), or the grant portion will be deducted from the forgivable PPP portion



SBA released 5/15/20

Before we get into details of the application, a few high-level thoughts

- **Your Account Manager** will help you complete the application – calculations, data
- Connect with them after the webinar to discuss **strategy**
- We have guided you based on best available information at the time, and update you as things change
- “Building the plane as they fly it”



- Lenders have advised not to actually complete (nor submit) the application until after the 8-week covered period in case
 - The application itself changes
 - Additional guidance emerges
- Lenders will inform borrowers of their (lenders') process and timelines
- There are still questions to be answered (and thus, additional guidance and clarifications expected)



- **Business owners cannot pay themselves more than they paid themselves in 2019.**
- Certification: *“The dollar amount for which forgiveness is requested does not exceed eight weeks’ worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual”*
- Only *wages* are capped; the cap does not include benefits
 - Health insurance contributions (employer contributions EXCLUDING contributions by employees)
 - Retirement contributions (employer contributions EXCLUDING contributions by employees)
 - State unemployment taxes



- **Covered Period (CP)** – 8 weeks/56 days; begins on loan disbursement date.
 - Always applies to rent, mortgage interest (not principal), and utilities (electricity, gas, water, transportation, telephone, or internet) expenses paid or incurred
 - Expenses must have been in place before 2/15/2020
 - CANNOT DO PREPAYMENTS
- **Alternative Payroll Covered Period (APCP)** – 8 weeks/56 days; begins on the first day of first pay period after receiving the PPP loan.
 - Allowed if weekly or biweekly payroll, to allow for 8 or 4 payrolls.
 - If elected, must use consistently through application if “Alternative Payroll Covered Period” is an option



- **Eligible payroll costs**

- Payroll costs paid and incurred during the eight-week (56-day) CP (or APCP)
- Paid = the day paychecks are distributed, or Borrower originates an ACH credit transaction.
- Incurred = the day that the employee's pay is earned.
- Payroll costs incurred but not paid during the Borrower's last pay period of the CP (or APCP) are eligible for forgiveness if paid on or before the next regular payroll date.
- Otherwise, payroll costs must be paid during the CP (or APCP).
- 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.
- Count payroll costs that were both paid and incurred only once.



- **Eligible payroll costs**
 - Cash compensation = 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 CP (or APCP).
 - Cannot exceed \$15,385 for any individual employee for 8-week period



FTE Calculations

- 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.
- Do not include any independent contractors, owner-employees, self-employed individuals, or partners



Need to maintain FTE headcount as compared to reference period to avoid reduction in forgiveness.

FTE Reduction Exceptions

- Written offer to rehire or
- Employees fired for cause, voluntarily resigned, or voluntarily requested and received a reduction of their hours
- Provided that the position wasn't filled by a new employee

* Have documentation



FTE Reduction Safe Harbor

- Both of the following conditions must be 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.



Salary / Hourly Wage Reduction

- If salaries or hourly wages were reduced by more than 25% during the CP (or APCP) as compared to 1/1/20-3/31/20.
- This is a per-employee situation – an employee's *rate of pay* must have been reduced by >25%.

Salary / Hourly Wage Safe Harbor

- If the average annual salary or hourly wage as of 6/30/20 is equal to or greater than the annual salary or hourly wage as of 2/15/20



Documents you'll need

- Payroll (cash compensation and non-cash benefit payments)
 - Bank statements or payroll reports showing employee pay
 - Payroll tax filing forms (i.e., 941)
 - State quarterly wage reports
 - Unemployment insurance tax filings
 - Payment receipts, cancelled checks or account statements documenting the amount of employer contributions to health insurance and retirement plans



Documents you'll need

- FTE
 - Documentation (likely payroll reports) showing average # of FTE employees on the payroll per month
 - Between 2/15/19 and 6/30/19 OR (at the election of the borrower) between 1/1/20 and 2/29/20
 - Or, if seasonal employer, any consecutive 12-week period between 5/1/19 and 9/15/19.



Documents you'll need

- Non-Payroll
 - Documentation verifying the existence of obligations/services prior to 2/15/20
 - Documentation of eligible payments during the Covered Period
 - **Business mortgage interest payments:**
 - 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.



Documents you'll need

- Non-Payroll
 - Documentation of eligible payments during the Covered Period
 - **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.
 - **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.



Maintain all documentation for 6 years after the date of forgiveness or repayment

- PPP loan application
- all documentation submitted with 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 permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request.



- The definition of business owner (and whether spouses or children count) – attribution issues, community property states
 - Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin, Puerto Rico.
 - From what we can tell right now, it just says owner.
- Tax treatment of expense deductions that were part of the forgivable loan. (IRS Notice 2020-32 not in line with the intent of the law and there's continued discussion and pushback from Congress)
- More guidance is still needed.







COVID-19 Related FAQs

Updated 5/20/2020 4am Central Time: This page will be periodically updated to provide you with relevant information that affects your tax, business or financial circumstances, as well as Gineris & Associates operational protocols.

The SBA released the [PPP Loan Forgiveness Application](#) on 5/15, and also updated their [Frequently Asked Questions](#) as of 5/19. Connect with your Account Manager now regarding your PPP forgiveness strategies, and connect with them after your 8-week covered period is up to prepare your forgiveness application. Banks have advised clients to wait on completing the application until that time in the event the application itself changes or additional guidance emerges.

On May 13th, the Treasury and Small Business Administration updated their [Frequently Asked Questions](#) (Question 46) to clarify that **"Any borrower that...received PPP loans...of less than \$2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith** and thus will not be under further audit scrutiny around the necessity of the loan. A number of clients have received communication from their banks reminding them about the "necessary" certification they made when applying for the PPP and about "returning the funds" before the safe harbor deadline. *Those instructions generally apply to public companies who had access to other capital.*

On April 27th, the \$320 billion 2nd round of Paycheck Protection Program (PPP) funding went live. **Apply if you have not.** [Here](#) is the SBA Frequently Asked Questions (FAQ) regarding the PPP, updated as of 4/28/2020.

- Consistently updated
- Features FAQs for
 - Employers
 - Employees
 - Individuals
 - Business Owners



1. Connect with your Account Manager regarding strategy
2. Begin gathering needed documents for forgiveness
3. If you need help, reach out to us
4. If you're not a current client, we'd be happy to start a relationship with you