

PAYCHECK PROTECTION PROGRAM Revised Loan Forgiveness Application

Presented by: Stephanie O'Rourke and Jeffrey Bobrosky

June 19, 2020

CohnReznick LLP



CohnReznick is an independent
member of Nexia International



WHAT'S NEW?

Guidance

Covered Period:

Either 1) the 24-week (168-day) period beginning on the PPP Loan Disbursement Date, or 2.) if the Borrower received its PPP loan before June 5, 2020, the Borrower may elect to use an eight-week (56-day) Covered Period.

- For example, if the Borrower is using a 24-week Covered Period and 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, October 4. In no event may the Covered Period extend beyond December 31, 2020.

Alternative Payroll Covered Period:

Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the 24-week (168-day) period (or for loans received before June 5, 2020 at the election of the borrower, the eight-week (56-day) period) that begins on the first day of their first pay period following their PPP Loan Disbursement Date.

- For example, if the Borrower is using a 24-week Alternative Payroll Covered Period and 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, October 10.

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.



WHAT'S NEW?

Guidance

Two Applications

I. Loan Forgiveness Application (SBA Form 3508)

II. EZ Forgiveness Application (SBA Form 3508EZ) - Borrower must be able to check at least 1 of the 3 boxes

- The Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483).
- The Borrower did not reduce annual salary or hourly wages of any employee that did not receive, during any single period during 2019 wages or salary at an annualized rate of pay in any amount more than \$100,000 by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020

and

The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period. Ignoring reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020 and a reduction in employee's hours that the Borrower offered to restore and the employee refused.

- The Borrower did not reduce annual salary or hourly wages of any employee that did not receive, during any single period during 2019 wages or salary at an annualized rate of pay in any amount more than \$100,000 by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 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 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.



WHAT'S NEW?

Guidance

Ratio of Forgivable Costs:

Requires a borrower to use at least 60% of the covered loan amount for payroll costs, and states that a borrower may use up to 40 percent for any payment of interest on any covered mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation), any payment on any covered rent obligation, or any covered utility payment.

If a borrower uses less than 60 percent of the loan amount for payroll costs during the forgiveness covered period, the borrower will continue to be eligible for partial loan forgiveness, subject to at least 60 percent of the loan forgiveness amount having been used for payroll costs.

Forgivable Costs:

Eligible payroll costs: Capping of salary, wages, and tips, at \$100,000 of annualized pay per employee as prorated by the covered period whose principal place of residence is in the United States:

- **For 24 weeks:** A maximum of \$46,154 per employee
- **For 8 weeks:** A maximum of \$15,385 per employee

In addition to salaries the rules include, “covered benefits for employees (but not owners), including health care expenses, retirement contributions, and state taxes imposed on employee payroll paid by the employer (such as unemployment insurance premiums).”

Amounts paid to owners: (owner-employees, a self-employed individual, or general partners), subject to limitations [inclusive of health insurance for S Corp owners and health insurance and retirement contributions for self employed individuals and general partners]:

- **For borrowers using a 24-week covered period:** Capped at the lower of 1) \$20,833 (the 2.5-month equivalent of \$100,000 per year); or 2) the 2.5-month equivalent of their applicable compensation in 2019
- **For borrowers using an 8-week covered period:** Capped at the lower of 1) \$15,385 (the eight-week equivalent of \$100,000 per year) for each employee; or 2) the eight-week equivalent of their applicable compensation in 2019



WHAT'S NEW?

Guidance

Elimination of Reductions in Loan Forgiveness

FTE Reduction Exceptions:

- Any positions for which the Borrower made a good-faith, written offer to rehire an individual who was an employee on February 15, 2020 and the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020.

FTE Reduction Safe Harbors:

- Borrower, in good faith, is able to document that it 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 for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.



WHAT'S NEW?

Guidance

Required Documentation to Maintain

- Documentation regarding any employee job offers and refusals, refusals to accept restoration of reductions in hours, firings for cause, voluntary resignations, written requests by any employee for reductions in work schedule, and any inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020.
- Documentation supporting the certification, if applicable, that 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. This documentation must include copies of the applicable requirements for each borrower location and relevant borrower financial records.

Certifications

- 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.



WHAT'S NEW?

Guidance

Expiration Date for Covered Period

June 30th to December 31, 2020

Maturity of Loans

The Paycheck Protection Program Flexibility Act of 2020 establishes that new PPP loans that are disbursed after the Act's enactment (June 5) would have a minimum maturity of five years, in lieu of the previous two years. It also allows borrowers and lenders to mutually agree to modify the maturity terms of loans already in place to adjust for this change.

Extension of Deferral Period

Extends the deferral period for borrower payments of principal, interest, and fees on PPP loans from at least 6 months and not more than a year to the date that SBA remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period).

Deferral of Payroll Taxes

The new Act permits PPP loan recipients who receive loan forgiveness to defer payroll tax payment (employer portion of Social Security) for the entire March 27 - December 31, 2020 period until 2021 and 2022.



APPLICATION RULES AND DEFINITIONS

Guidance

Covered Period Defined

Covered Period:

Either 1) the 24-week (168-day) period beginning on the PPP Loan Disbursement Date, or 2) if the Borrower received its PPP loan before June 5, 2020, the Borrower may elect to use an eight-week (56-day) Covered Period.

- For example, if the Borrower is using a 24-week Covered Period and 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, October 4. In no event may the Covered Period extend beyond December 31, 2020.

Alternative Payroll Covered Period:

Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the 24-week (168-day) period (or for loans received before June 5, 2020 at the election of the borrower, the eight-week (56-day) period) that begins on the first day of their first pay period following their PPP Loan Disbursement Date.

- For example, if the Borrower is using a 24-week Alternative Payroll Covered Period and 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, October 10.

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.



APPLICATION RULES AND DEFINITIONS

Guidance

Additional Guidance Needed

Forgivable Costs

Eligible payroll costs, as defined by the April 2 Interim Final Rules and the June 11 revisions to the rule. A June 16 Interim Final Rule capped salary, wages, and tips, at \$100,000 of annualized pay per employee whose principal place of residence is in the United States:

- **For 24 weeks:** A maximum of \$46,154 per employee
- **For 8 weeks:** A maximum of \$15,385 per employee

In addition to salaries the rules include, “covered benefits for employees (but not owners), including health care expenses, retirement contributions, and state taxes imposed on employee payroll paid by the employer (such as unemployment insurance premiums).”

Amounts paid to owners (owner-employees, a self-employed individual, or general partners), subject to limitations:

- **For borrowers using a 24-week covered period:** Capped at the lower of 1) \$20,833 (the 2.5-month equivalent of \$100,000 per year); or 2) the 2.5-month equivalent of their applicable compensation in 2019
- **For borrowers using an 8-week covered period:** Capped at the lower of 1) \$15,385 (the eight-week equivalent of \$100,000 per year) for each employee; or 2) the eight-week equivalent of their applicable compensation in 2019.
- According to the June 16 Interim Final Rule, this amount should exclude “any qualified sick leave equivalent amount for which a credit is claimed under Section 7002 of the Families First Coronavirus Response Act (FFCRA) (Public Law 116-127) or qualified family leave equivalent amount for which a credit is claimed under Section 7004 of FFCRA.”

- Definition of an owner-employee attribution rules – family of an owner?
- How is owner compensation determined if business started in 2020?
- Definition of applicable compensation. Prior guidance referred to general partners compensation as net self employment income which can result in a loss if taxable losses are in excess of guaranteed payments.



APPLICATION RULES AND DEFINITIONS

<u>Guidance</u>	<u>Additional Guidance Needed</u>
<p>Forgivable Costs - Continued</p> <p>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”).</p>	
<p>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”).</p>	<ul style="list-style-type: none">• Covered rent obligations - CAM or Real Estate Taxes?
<p>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”).</p>	<ul style="list-style-type: none">• Definition of transportation expense?

Non-Payroll Costs are not required to be reported payments if you do not want to include in the forgiveness amount.



APPLICATION RULES AND DEFINITIONS

Guidance

Timing of Forgivable Costs

Eligible Payroll Costs: Borrowers are generally eligible for forgiveness for the payroll costs paid and payroll costs incurred during the 24-week (168-day) or 8-week (56-day) Covered Period (or Alternative Payroll Covered Period) (“payroll costs”).

- Payroll costs are considered paid on the day that paychecks are distributed or the Borrower originates an ACH credit transaction.
- Payroll costs are considered incurred on the day that the employee’s pay is earned.
- Payroll costs incurred but not paid during the Borrower’s last pay period of the Covered Period (or Alternative Payroll Covered Period) are eligible for forgiveness if paid on or before the next regular payroll date. Otherwise, payroll costs must be paid during the Covered Period (or Alternative Payroll Covered Period).

Eligible Nonpayroll Costs: 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. Count nonpayroll costs that were both paid and incurred only once.



APPLICATION RULES AND DEFINITIONS

Guidance

Definition of a Full Time Equivalent Employee:

- For each employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth.
- Simplified method - Assign a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours.

Definition of Cash Compensation: Paid or incurred during the Covered Period or the Alternative Payroll Covered Period. Employee and may not exceed an annual salary of \$100,000, as prorated for the recipient's Covered Period

- 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)
- Allowances for dismissal or separation for each individual



APPLICATION RULES AND DEFINITIONS

Guidance

Additional Guidance Needed

Definition of Non-Cash Compensation:

Paid or incurred during the Covered Period or the Alternative Payroll Covered Period.

- Payment required for the provisions of group health care benefits, including employer contributions to a self-insured, employer-sponsored group health plan, but excluding any pre-tax or after tax contributions by employees.
- Payment of any retirement benefit excluding any pre-tax or after-tax contributions by employees.
- Payment of State or local tax assessed on the compensation of employees.

- Treatment of claims incurred prior to covered period but paid in covered for self-insured health plans
- Discretionary Profit Sharing Contributions - can these be prorated over the covered period or deemed a forgivable cost if paid during the covered period but relates to prior year?



APPLICATION RULES AND DEFINITIONS

Guidance

Ratio of Forgivable Costs:

- Eligible Payroll Costs - 60%
- Eligible Nonpayroll Costs - 40%

Economic Injury Disaster Loan Advance Amount: The SBA will reduce the amount forgiven by any EIDL advance that was received.

Loans in Excess of \$2M: Borrowers, together with its affiliates (to the extent required under SBA's interim final rule on affiliates and not have not been waived) will need to disclose that they received PPP loans with an original principal amount in excess of \$2 million. Waiver of affiliation rules.

- Business concern with not more than 500 employees that, as of the date on which the covered loan is disbursed, is assigned a North American Industry Classification System code beginning with 72;
- Business concern operating as a franchise that is assigned a franchise identifier code by the Administration; and
- Any business concern that receives financial assistance from a company licensed under section 681 of this title.



APPLICATION RULES AND DEFINITIONS

<u>Guidance</u>	<u>Additional Guidance Needed</u>
<p><u>Reduction in Loan Forgiveness:</u></p> <ul style="list-style-type: none">• 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.• Salary or hourly wages of certain employees during the Covered Period or the Alternative Payroll Covered Period was less (more than 25%) than during the period from January 1, 2020 to March 31, 2020.	<ul style="list-style-type: none">• If a borrower chooses the 24 week covered period and spends the funds and applies for forgiveness prior to the end of the 24 weeks - Confirmation from the Treasury that the average weekly number of FTEs will be measured based on the amount of weeks the loans were expended?
<p><u>Elimination of Reductions in Loan Forgiveness:</u></p> <p>Salary Reduction: Restored salary/hourly wage levels by the earlier of December 31, 2020 or the date the loan forgiveness application is submitted compared to the annual salary level as of February 15, 2020 for employees who earn less than \$100K per year and were employed during the Covered Period.</p>	



APPLICATION RULES AND DEFINITIONS

Guidance

Elimination of Reductions in Loan Forgiveness

FTE Reduction Exceptions:

- Any positions for which the Borrower made a good-faith, written offer to rehire an individual who was an employee on February 15, 2020 and the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020.
- Any positions for which the Borrower made a good-faith, written offer to restore any reduction in hours, at the same salary or wages, during the Covered Period or the Alternative Covered Period and the employee rejected the offer.
- 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 only if the position was not filled by a new employee.



APPLICATION RULES AND DEFINITIONS

Guidance

Additional Guidance Needed

Elimination of Reductions in Loan Forgiveness

FTE Reduction Safe Harbors:

- Borrower, in good faith, is able to document that it 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 for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.
- The Borrower is exempt from the reduction in loan forgiveness based on a reduction in FTE employees described above if both of the following conditions are met: (a) the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and (b) the Borrower then restored its FTE employee levels by not later than December 31, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020.

- Metrics to be utilized by the SBA to determine a recipient's inability to return to the same level of business activity
- Restrictions on operations due to compliance with state and local regulations but based on federal health agencies
- Is the Borrower permitted to lay off employees after the Covered Period or December 31, 2020?



APPLICATION RULES AND DEFINITIONS

Guidance

Required Documentation to Submit to Lender

Payroll:

- Bank account statements or third-party payroll service provider reports
- Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941)
- State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported
- 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

FTEs: 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. Documents submitted may cover periods longer than the specific time period.

Nonpayroll:

- Business mortgage interest payments - Copy of lender amortization schedule and receipts or cancelled checks
- Business rent or lease payments: - Copy of current lease agreement and receipts or cancelled checks
- 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



APPLICATION RULES AND DEFINITIONS

Guidance

Required Documentation to Maintain

PPP Schedule A Worksheet or its equivalent and the following:

- Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1, including the “Salary/Hourly Wage Reduction” calculation, if necessary.
- Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 2; specifically, that each listed employee received during any single pay period in 2019 compensation at an annualized rate of more than \$100,000.
- Documentation regarding any employee job offers and refusals, refusals to accept restoration of reductions in hours, firings for cause, voluntary resignations, written requests by any employee for reductions in work schedule, and any inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020.
- Documentation supporting the certification, if applicable, that 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. This documentation must include copies of the applicable requirements for each borrower location and relevant borrower financial records.
- Documentation supporting the PPP Schedule A Worksheet “FTE Reduction Safe Harbor.”



APPLICATION RULES AND DEFINITIONS

Guidance

Required Documentation to Maintain

All records relating to the Borrower's PPP loan

- 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
- 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.



APPLICATION RULES AND DEFINITIONS

Guidance

Certifications

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.
- Borrower understands 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.
 - Borrower has 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.



APPLICATION RULES AND DEFINITIONS

Guidance

Certifications - Continued

- The tax documents that have been submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency.
- Borrower understands, acknowledges, and agrees 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.
- The information provided in Borrower's application and the information provided in all supporting documents and forms is true and correct in all material respects. Borrower understands that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, (including imprisonment of not more than five years and/or a fine of up to \$250,000, two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- Borrower understands, acknowledges, and agrees 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.



APPLICATION RULES AND DEFINITIONS

Guidance

Certifications - Concluded

- 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.



PPP – FTE COMPUTATION STRATEGIES

Which FTE method works best for you?

If the majority of your part-time employees work under 20 hrs per week then The Standard Method will calculate less FTE's than The Simplified Method and therefore deemed a preferred method of choice

	Average Weekly Hours Worked	Standard Method Calculation	Simplified Method Calculation
Employee 1	15	0.4	0.5
Employee 2	10	0.3	0.5
Employee 3	10	0.3	0.5
Employee 4	10	0.3	0.5
Employee 5	15	0.4	0.5
Employee 6	25	0.6	0.5
Employee 7	25	0.6	0.5
		2.8	3.5
		Total FTE Calculation	Total FTE Calculation

If the majority of your part-time employees work over 20 hrs per week then The Simplified Method will calculate less FTE's than The Standard Method and therefore deemed a preferred method of choice

	Average Weekly Hours Worked	Standard Method Calculation	Simplified Method Calculation
Employee 1	15	0.4	0.5
Employee 2	15	0.4	0.5
Employee 3	25	0.6	0.5
Employee 4	25	0.6	0.5
Employee 5	25	0.6	0.5
Employee 6	35	0.9	0.5
Employee 7	35	0.9	0.5
		4.4	3.5
		Total FTE Calculation	Total FTE Calculation



PPP – NO REDUCTION – PERFECT SCENARIO

Facts

PPP Loan Amount	\$	75,000
PPP Loan Disbursement date		5/1/2020
Covered Period End Date (24 weeks)		10/16/2020

Payroll and Nonpayroll Costs

Payroll Costs	\$	54,000
Business Mortgage Interest Payments	\$	-
Business Rent or Lease Payments	\$	15,000
Business Utility Payments	\$	3,000
Total Payroll and Nonpayroll Costs	\$	72,000

Employees during 24-week covered period:

Employee Name	Total Cash Compensation	Employee Benefits & SALT	(a)	(b)	Average FTE (divide (a) by 40 hours; capped at 1)
			Average # of Hours per week	Average Hourly Wage	
Employee A	\$ 10,000	\$ 2,500	45	\$ 28	1.00
Employee B	\$ 9,000	\$ 1,000	42	\$ 27	1.00
Employee C	\$ 7,000	\$ 1,000	40	\$ 22	1.00
Employee D	\$ 12,000	\$ 1,500	50	\$ 30	1.00
Employee E	\$ 9,000	\$ 1,000	40	\$ 28	1.00
Total	\$ 47,000	\$ 7,000			5.00

Potential Forgiveness Computation

1 Salary/Hourly Wage Reduction (in excess of 25%)

Step 1 - Determine if pay was reduced more than 25%

	Period	Average Annual Salary or Hourly Wage				
		Employee A	Employee B	Employee C	Employee D	Employee E
1a	Covered / Alternative Payroll Period	\$ 28	\$ 27	\$ 22	\$ 30	\$ 28
1b	January 1, 2020 and March 31, 2020	\$ 28	\$ 27	\$ 29	\$ 30	\$ 29
1c	% Ratio (1a divided by 2b)	1.00	1.00	0.75	1.00	0.97

If 1c is 0.75 or more, no wage reduction for that particular employee; otherwise proceed to Step 2.

None of the employees are under 0.75; No wage reduction is required so Step 2 is not necessary

2 FTE (Full-Time Equivalency) Reduction

Period	Total Avg. FTE
1a February 15, 2019 to June 30, 2019 OR	5.00
1b January 1, 2020 to February 29, 2020	-
1c	5.00
1d Covered / Alternative Payroll Period (b)	5.00
1e FTE Reduction Quotient (1d divided by 1c)	1.00

Seasonal employees can also elect a consecutive 12-week period between May 1, 2019 and September 15, 2019

Safe Harbors

If you satisfy any of the 3 Safe Harbor criteria, above FTE reduction calculation does not have to be done. The reduction quotient per 1e can then be included as 1.



PPP – NO REDUCTION – PERFECT SCENARIO

Facts						Potential Forgiveness Computation (Continued)					
PPP Loan Amount	\$	75,000				PPP Schedule A Worksheet - Example					
PPP Loan Disbursement date		5/1/2020				Table 1					
Covered Period End Date (24 weeks)		10/16/2020				<input type="checkbox"/> 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 <input type="checkbox"/> 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.					
Payroll and Nonpayroll Costs											
Payroll Costs	\$	54,000									
Business Mortgage Interest Payments	\$	-									
Business Rent or Lease Payments	\$	15,000									
Business Utility Payments	\$	3,000									
Total Payroll and Nonpayroll Costs	\$	72,000									
Employees during 24-week covered period:											
			(a)			(b)					
Employee Name	Total Cash Compensation	Employee Benefits & SALT	Average # of Hours per week	Average Hourly Wage	Average FTE (divide (a) by 40 hours; capped at 1)	Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage	Average FTE Reduction
Employee A	\$ 10,000	\$ 2,500	45	\$ 28	1.00	Employee A	XXX-XX-XXXX	\$ 10,000.00	1.0	\$	-
Employee B	\$ 9,000	\$ 1,000	42	\$ 27	1.00	Employee B	XXX-XX-XXXX	\$ 9,000.00	1.0	\$	-
Employee C	\$ 7,000	\$ 1,000	40	\$ 22	1.00	Employee C	XXX-XX-XXXX	\$ 7,000.00	1.0	\$	-
Employee D	\$ 12,000	\$ 1,500	50	\$ 30	1.00	Employee D	XXX-XX-XXXX	\$ 12,000.00	1.0	\$	-
Employee E	\$ 9,000	\$ 1,000	40	\$ 28	1.00	Employee E	XXX-XX-XXXX	\$ 9,000.00	1.0	\$	-
Total	\$ 47,000	\$ 7,000			5.00	FTE Reduction Exceptions:					
FTE (Full-Time Equivalency) Reduction						Totals:		\$ 47,000	5.00	\$	-
	Period	Total Avg. FTE					Box 1	Box 2 (b)	Box 3		
1a	February 15, 2019 to June 30, 2019 OR	5.00									
1b	January 1, 2020 to February 29, 2020	-									
1c		5.00									
1d	Covered / Alternative Payroll Period (b)	5.00									
1e	FTE Reduction Quotient (1d divided by 1c)	1.00									



PPP – NO REDUCTION – PERFECT SCENARIO

Facts			Potential Forgiveness Computation (Continued)			
PPP Loan Amount	\$	75,000	<u>DIRECTLY FROM LOAN FORGIVENESS CALCULATION FORM</u>			
PPP Loan Disbursement date		5/1/2020	Line 1. Payroll Costs:			\$ 54,000
Covered Period End Date (24 weeks)		10/16/2020	Line 2. Business Mortgage Interest Payments:			\$ -
Payroll and Nonpayroll Costs			Line 3. Business Rent or Lease Payments:			\$ 15,000
Payroll Costs	\$	54,000	Line 4. Business Utility Payments:			\$ 3,000
Business Mortgage Interest Payments	\$	-				\$ 72,000
Business Rent or Lease Payments	\$	15,000	<u>Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions</u>			
Business Utility Payments	\$	3,000	Line 5. Total Salary/Hourly Wage Reduction:			\$ -
Total Payroll and Nonpayroll Costs	\$	72,000	Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:			\$ 72,000
Employees during 24-week covered period:						
			(a)		(b)	
Employee Name	Total Cash Compensation	Employee Benefits & SALT	Average # of Hours per week	Average Hourly Wage	Average FTE (divide (a) by 40 hours; capped at 1)	
Employee A	\$ 10,000	\$ 2,500	45	\$ 28	1.00	
Employee B	\$ 9,000	\$ 1,000	42	\$ 27	1.00	
Employee C	\$ 7,000	\$ 1,000	40	\$ 22	1.00	
Employee D	\$ 12,000	\$ 1,500	50	\$ 30	1.00	
Employee E	\$ 9,000	\$ 1,000	40	\$ 28	1.00	
Total	\$ 47,000	\$ 7,000			5.00	
FTE (Full-Time Equivalency) Reduction						
	Period	Total Avg. FTE				
1a	February 15, 2019 to June 30, 2019 OR	5.00				
1b	January 1, 2020 to February 29, 2020	-				
1c		5.00				
1d	Covered / Alternative Payroll Period (b)	5.00				
1e	FTE Reduction Quotient (1c divided by 1d)	1.00 (c)				
						Line 7. FTE Reduction Quotient:
						1.00 (c)
						<u>Potential Forgiveness Amounts</u>
						Line 8. Modified Total (multiply line 6 by line 7):
						\$ 72,000
						Line 9. PPP Loan Amount:
						\$ 75,000
						Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60):
						\$ 90,000
						<u>Forgiveness Amount</u>
						Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):
						\$ 72,000
						<u>Remaining Loan Amount</u>
						Original PPP Loan Amount
						\$ 75,000
						Less: Forgiveness Amount
						(72,000)
						Net: Remaining PPP Loan
						3,000



PPP – REDUCTION IN FORGIVENESS

Facts

PPP Loan Amount	\$ 105,000
PPP Loan Disbursement date	5/1/2020
Covered Period End Date (24 weeks)	10/16/2020

Payroll and Nonpayroll Costs

Payroll Costs	\$ 54,000
Business Mortgage Interest Payments	\$ -
Business Rent or Lease Payments	\$ 28,000
Business Utility Payments	\$ 5,000
Total Payroll and Nonpayroll Costs	\$ 87,000

Employees during 24-week covered period:

Employee Name	Total Cash Compensation	Employee Benefits & SALT	(a) Average # of Hours per week	Average Hourly Wage	(b) Average FTE (divide (a) by 40 hours; capped at 1)
Employee A	\$ 10,000	\$ 2,500	45	\$ 28	1.00
Employee B	\$ 9,000	\$ 1,000	35	\$ 32	0.90
Employee C	\$ 13,000	\$ 1,700	30	\$ 54	0.80
Employee D	\$ 15,000	\$ 1,800	40	\$ 47	1.00
Total	\$ 47,000	\$ 7,000			3.70

Potential Forgiveness Computation

1 Salary/Hourly Wage Reduction (in excess of 25%)

Step 1 - Determine if pay was reduced more than 25%

	Period	Average Annual Salary or Hourly Wage			
		Employee A	Employee B	Employee C	Employee D
1a	Covered / Alternative Payroll Period	\$ 28	\$ 32	\$ 54	\$ 47
1b	January 1, 2020 and March 31, 2020	\$ 41	\$ 44	\$ 60	\$ 48
1c	% Ratio (1a divided by 2b)	0.68	0.73	0.90	0.98

If 1c is 0.75 or more, no wage reduction for that particular employee; otherwise proceed to Step 2.

Two of the employees are under 0.75 so need to complete Step 2.

Step 2- Determine if the Salary/Hourly Wage Reduction Safe Harbor is met.

	Period	Average Annual Salary or Hourly Wage			
		Employee A	Employee B	Employee C	Employee D
2a	As of February 15, 2020	\$ 41	\$ 44	N/A	N/A
2b	February 15, 2020 and April 26, 2020	\$ 38	\$ 31	N/A	N/A
	Is 2.b equal to or greater than 2a?	FALSE	FALSE	N/A	N/A

If 2b is equal to or greater than 2a, skip to Step 3. Otherwise, proceed to 2c



PPP – REDUCTION IN FORGIVENESS

Potential Forgiveness Computation

1 Salary/Hourly Wage Reduction (in excess of 25%)

Step 1 - Determine if pay was reduced more than 25%

	Period	Average Annual Salary or Hourly Wage			
		Employee A	Employee B	Employee C	Employee D
1a	Covered / Alternative Payroll Period	\$ 28	\$ 32	\$ 54	\$ 47
1b	January 1, 2020 and March 31, 2020	\$ 41	\$ 44	\$ 60	\$ 48
1c	% Ratio (1a divided by 2b)	0.68	0.73	0.90	0.98

If 1c is 0.75 or more, no wage reduction for that particular employee; otherwise proceed to Step 2.

Two of the employees are under 0.75 so need to complete Step 2

Step 2- Determine if the Salary/Hourly Wage Reduction Safe Harbor is met.

	Period	Average Annual Salary or Hourly Wage			
		Employee A	Employee B	Employee C	Employee D
2a	As of February 15, 2020	\$ 41	\$ 44	N/A	N/A
2b	February 15, 2020 and April 26, 2020	\$ 38	\$ 31	N/A	N/A
	Is 2.b equal to or greater than 2a?	FALSE	FALSE	N/A	N/A

If 2b is equal to or greater than 2a, skip to Step 3. Otherwise, proceed to 2c

Potential Forgiveness Computation (Continued)

Two of the employees didn't meet the criteria so need to proceed to 2.c

	Period	Average Annual Salary or Hourly Wage			
		Employee A	Employee B	Employee C	Employee D
2c	As of earlier of December 31, 2020 and the date the application is submitted	\$ 30	\$ 44	N/A	N/A
	Is 2.c equal to or greater than 2a?	FALSE	TRUE	N/A	N/A

If 2c is equal to or greater than 2a, the Salary/Hourly Wage Reduction Safe Harbor has been met for that employee. Otherwise proceed to Step 3.

Employee B restored wages and met the Safe Harbor; Employee A didn't so need to complete Step 3

Step 3. Determine the Salary/Hourly Wage Reduction. (For HOURLY employee)

	Period	Average Annual Salary or Hourly Wage			
		Employee A	Employee B	Employee C	Employee D
3a	75% ceiling of prior quarter's wages (1b x 0.75)	\$ 31	Safe Harbor	N/A	N/A
3b	Excess over 25% wage reduction (3a minus 1a)	\$ 2.97	Safe Harbor	N/A	N/A

	Period	Average # of Hours Worked			
		Employee A	Employee B	Employee C	Employee D
3c	January 1, 2020 and March 31, 2020	45	Safe Harbor	N/A	N/A
3d	Total Reduction (3b x 3c x 24 weeks)	\$ 3,210	Safe Harbor	N/A	N/A

This is the wage reduction for each employee.



PPP – REDUCTION IN FORGIVENESS

Facts

PPP Loan Amount	\$	105,000
PPP Loan Disbursement date		5/1/2020
Covered Period End Date (24 weeks)		10/16/2020

Payroll and Nonpayroll Costs

Payroll Costs	\$	54,000
Business Mortgage Interest Payments	\$	-
Business Rent or Lease Payments	\$	28,000
Business Utility Payments	\$	5,000
Total Payroll and Nonpayroll Costs	\$	87,000

Employees during 24-week covered period:

Employee Name	Total Cash Compensation	Employee Benefits & SALT	(a) Average # of Hours per week	Average Hourly Wage	(b) Average FTE (divide (a) by 40 hours; capped at 1)
Employee A	\$ 10,000	\$ 2,500	45	\$ 28	1.00
Employee B	\$ 9,000	\$ 1,000	35	\$ 32	0.90
Employee C	\$ 13,000	\$ 1,700	30	\$ 54	0.80
Employee D	\$ 15,000	\$ 1,800	40	\$ 47	1.00
Total	\$ 47,000	\$ 7,000			3.70

Salary/Hourly Wage Reduction (in excess of 25%)

	Period	Average # of Hours Worked
		Employee A
3c	January 1, 2020 and March 31, 2020	45
3d	Total Reduction (3b x 3c x 24 weeks)	\$ 3,210

This is the wage reduction for each employee.

Potential Forgiveness Computation (Continued)

PPP Schedule A Worksheet - Example

Table 1

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 Average Reduction
Employee A	XXX-XX-XXXX	\$ 10,000.00	1.0	\$ 3,210
Employee B	XXX-XX-XXXX	\$ 9,000.00	0.9	\$ -
Employee C	XXX-XX-XXXX	\$ 13,000.00	0.8	\$ -
Employee D	XXX-XX-XXXX	\$ 15,000.00	1.0	\$ -
FTE Reduction Exceptions:				
Totals:		\$ 47,000	3.70	\$ 3,210

Box 1

Box 2 (b)

Box 3 (c)



PPP – REDUCTION IN FORGIVENESS

Facts						Potential Forgiveness Computation (Continued)													
PPP Loan Amount	\$	105,000				2 FTE (Full-Time Equivalency) Reduction													
PPP Loan Disbursement date		5/1/2020																	
Covered Period End Date (24 weeks)		10/16/2020																	
Payroll and Nonpayroll Costs																			
Payroll Costs	\$	54,000																	
Business Mortgage Interest Payments	\$	-																	
Business Rent or Lease Payments	\$	28,000																	
Business Utility Payments	\$	5,000																	
Total Payroll and Nonpayroll Costs	\$	87,000																	
Employees during 24-week covered period:																			
			(a)		(b)														
Employee Name	Total Cash Compensation	Employee Benefits & SALT	Average # of Hours per week	Average Hourly Wage	Average FTE (divide (a) by 40 hours; capped at 1)														
Employee A	\$ 10,000	\$ 2,500	45	\$ 28	1.00														
Employee B	\$ 9,000	\$ 1,000	35	\$ 32	0.90														
Employee C	\$ 13,000	\$ 1,700	30	\$ 54	0.80														
Employee D	\$ 15,000	\$ 1,800	40	\$ 47	1.00														
Total	\$ 47,000	\$ 7,000			3.70														
						<table border="1"> <thead> <tr> <th>Period</th> <th>Total Avg. FTE</th> </tr> </thead> <tbody> <tr> <td>1a February 15, 2019 to June 30, 2019 OR</td> <td>5.00</td> </tr> <tr> <td>1b January 1, 2020 to February 29, 2020</td> <td>-</td> </tr> <tr> <td>1c</td> <td>5.00</td> </tr> <tr> <td>1d Covered / Alternative Payroll Period (b)</td> <td>3.70</td> </tr> <tr> <td>1e FTE Reduction Quotient (1d divided by 1c)</td> <td>0.74</td> </tr> </tbody> </table>		Period	Total Avg. FTE	1a February 15, 2019 to June 30, 2019 OR	5.00	1b January 1, 2020 to February 29, 2020	-	1c	5.00	1d Covered / Alternative Payroll Period (b)	3.70	1e FTE Reduction Quotient (1d divided by 1c)	0.74
Period	Total Avg. FTE																		
1a February 15, 2019 to June 30, 2019 OR	5.00																		
1b January 1, 2020 to February 29, 2020	-																		
1c	5.00																		
1d Covered / Alternative Payroll Period (b)	3.70																		
1e FTE Reduction Quotient (1d divided by 1c)	0.74																		
						<p>Seasonal employees can also elect a consecutive 12-week period</p>													
						<p>Safe Harbors If you satisfy any of the 3 Safe Harbor criteria, above FTE reduction calculation does <u>not</u> have to be done. The reduction quotient per 1e can then be included as 1.</p>													



PPP – REDUCTION IN FORGIVENESS

Facts			Potential Forgiveness Computation (Continued)			
PPP Loan Amount	\$	105,000	<u>DIRECTLY FROM LOAN FORGIVENESS CALCULATION FORM</u>			
PPP Loan Disbursement date		5/1/2020	Line 1. Payroll Costs:		\$	54,000
Covered Period End Date (24 weeks)		10/16/2020	Line 2. Business Mortgage Interest Payments:		\$	-
Payroll and Nonpayroll Costs			Line 3. Business Rent or Lease Payments:		\$	28,000
Payroll Costs	\$	54,000	Line 4. Business Utility Payments:		\$	5,000
Business Mortgage Interest Payments	\$	-			\$	87,000
Business Rent or Lease Payments	\$	28,000	<u>Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions</u>			
Business Utility Payments	\$	5,000	Line 5. Total Salary/Hourly Wage Reduction:		\$	3,210
Total Payroll and Nonpayroll Costs	\$	87,000	Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:		\$	83,790
Employees during 24-week covered period:			Line 7. FTE Reduction Quotient:			0.74 (c)
	(a)	(b)	<u>Potential Forgiveness Amounts</u>			
Employee Name	Total Cash Compensation	Employee Benefits & SALT	Average # of Hours per week	Average Hourly Wage	Average FTE (divide (a) by 40 hours; capped at 1)	
Employee A	\$ 10,000	\$ 2,500	45	\$ 28	1.00	
Employee B	\$ 9,000	\$ 1,000	35	\$ 32	0.90	
Employee C	\$ 13,000	\$ 1,700	30	\$ 54	0.80	
Employee D	\$ 15,000	\$ 1,800	40	\$ 47	1.00	
Total	\$ 47,000	\$ 7,000			3.70	
FTE (Full-Time Equivalency) Reduction			Line 8. Modified Total (multiply line 6 by line 7):		\$	62,005
	Period	Total Avg. FTE	Line 9. PPP Loan Amount:		\$	105,000
1a	February 15, 2019 to June 30, 2019 OR	5.00	Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60):		\$	90,000
1b	January 1, 2020 to February 29, 2020	-	<u>Forgiveness Amount</u>			
1c		5.00	Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):		\$	62,005
1d	Covered / Alternative Payroll Period (b)	3.70	<u>Remaining Loan Amount</u>			
1e	FTE Reduction Quotient (1d divided by 1c)	0.74 (c)	Original PPP Loan Amount		\$	105,000
			Less: Forgiveness Amount			(62,005)
			Net: Remaining PPP Loan			42,995