



So You Had PPP Funds and Used Them, Now What?





Presented by



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Agenda

- Review of
 - Update from last webinar
 - Forgiveness refresher
 - FAQs recently answered
 - Commonly asked Loan Forgiveness Application Questions
 - Final thoughts
- Q&A – webinar attendees



Since our last webinar, here are some of the major changes:

- 1) There are now 3 different PPP loan forgiveness application forms.
- 2) Explanation of the appeals process for Lender and/or SBA Loan forgiveness decisions.
- 3) New rules limiting eligibility of rent paid to related parties and limit on owner compensation
- 4) New rules for loans \$50,000 and under
- 5) Clarification of effect of PPP loan forgiveness on transfers of ownership.

**“The only constant in life is change” –
Heraclitus**



Three Loan Forgiveness Applications

1. Simplified Application (3508S)
2. EZ Application (3508EZ)
3. Standard Application (Form 3508)

We will discuss these forms in detail later on in the webinar.



PPP Appeals Process

The two main takeaways from this interim final rule are –

- 1) An appeal can't be filed until the SBA makes a final decision
 - a) However, borrowers can request the SBA to “review” a lender's decision prior to a final ruling.
- 2) Borrowers have 30 days from the date of the SBA's final loan review decision to appeal to the SBA's Office of Hearings and Appeals.

A blue surgical mask is positioned diagonally across the top left of the image. Below it, a fan of US dollar bills is spread out, showing various denominations including \$100, \$50, and \$20 bills. The bills are fanned out from the bottom left towards the center.

PPP Related Party Rules

Owner Employee Definition

Owner-employees owning less than a 5% interest in a C or S corporation are not subject to the owner-employee compensation restriction.

Related Party Rent

Although rental payments paid under a lease in effect prior to February 15, 2020 are eligible for forgiveness, if such payments are paid to a related party the forgiveness amount is limited to the amount of any mortgage interest the related party incurred during the covered period.

Essentially the SBA is looking at the related parties as one consolidated entity to even the playing field with those companies who own their own buildings.



Transfers of Ownership

There are two key questions that have to be answered when evaluating the effects of a PPP loan on a sales/acquisition transaction.

The first is, "Has as a change of ownership occurred?"

A change of ownership is deemed to have occurred when:

1. at least 20 percent of the common stock or other ownership interest of a PPP borrower (including a publicly traded entity) is sold or otherwise transferred, whether in one or more transactions, including to an affiliate or an existing owner of the entity,
2. the PPP borrower sells or otherwise transfers at least 50 percent of its assets (measured by fair market value), whether in one or more transactions, or
3. a PPP borrower is merged with or into another entity.



Transfers of Ownership

The second major question is, "Has the PPP note been satisfied in full?"

A PPP note is considered fully satisfied if a PPP borrower has:

1. Repaid the PPP Note in full; or
2. Completed the loan forgiveness process in accordance with the PPP requirements and:
 - SBA has remitted funds to the PPP Lender in full satisfaction of the PPP Note; or
 - The PPP borrower has repaid any remaining balance on the PPP loan.

Once the two key questions above have been answered, the buyer and seller can begin determining what steps to take next to complete the purchase/sale of the target entity.



Transfers of Ownership

PPP Note Considered Fully Satisfied Prior to Closing

If the PPP Note is considered fully satisfied in accordance with the above, then there are no restrictions on a change of ownership. The change of ownership transaction can occur without SBA or PPP lender approval.

PPP Note NOT Considered Fully Satisfied Prior to Closing

However if the PPP Note is not fully satisfied prior to the change in ownership then the PPP borrower will have to either get PPP Lender or SBA approval prior to closing depending on the situation.

- Obtaining PPP Lender approval will be typically much quicker than SBA approval.



Transfers of Ownership

Important Note –

In certain scenarios, an escrow account may need to be established if a PPP borrower is seeking only PPP Lender approval for the sale. The escrow account will be controlled by the PPP Lender with funds equal to the outstanding balance of the PPP loan.

After the forgiveness process (including any appeal of SBA's decision) is completed, the escrow funds must be disbursed first to repay any remaining PPP loan balance plus interest.

In order to avoid establishing an escrow account, PPP borrowers would need to get SBA approval of the transfer of ownership.

The most common scenario is transfers of ownership of more than 50% (equity or asset sale) where the loan forgiveness process has not been completed.

Loan Forgiveness Refresher

LOAN APPLICATION FORM

About You

Name.....

Current address and postcode.....

How long at this address.....

Occupational status: Owner / Private re.....
Married / Single / Separated /



Paycheck Protection Program

How much will be forgiven and is it taxable?

The loan forgiveness amount is based upon the total costs for payroll, interest, rent, and utilities made during the 8 or 24 week period following the loan disbursement date.

Amounts forgiven will not be includable in taxable income. Currently expenses paid with PPP funds are not deductible for tax purposes.

The PPP is designed to provide payroll and necessary operating expenses for small businesses. Assumed that not more than 40% of the forgiven amount may be for non-payroll costs.



Paycheck Protection Program

What are eligible payroll costs?

Generally speaking, payroll costs include salary, wages, cash tips, state and local taxes assessed on payroll and employee benefits including employer paid health insurance and retirement benefits.

What are the exceptions?

Salary and wages are capped at \$100K annual compensation (Assumed \$46,155 for 24 weeks) per employee, any amounts paid in excess of that amount will not be included in the calculation. Also wages paid to foreign individuals or for qualified sick leave or family leave wages for which a credit is allowed under the Families First Coronavirus Response Act.

Bonuses and hazard pay can be paid subject to the \$100K annual compensation cap.

Items of Note

Are there caps on the amount of loan forgiveness available for owner-employees and self-employed individuals' own payroll compensation?

Yes, the amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation can be no more than the lesser of 8/52 (or 24/52) of 2019 compensation (i.e., approximately 15.38 or 46.15 percent of 2019 compensation) or \$15,385 (or \$20,833) per individual in total across all businesses.



Items of Note, Continued

- Owner-employees are capped by the amount of their 2019 employee cash compensation and employer retirement and health care contributions made on their behalf.
- Schedule C filers are capped by the amount of their owner compensation replacement, calculated based on 2019 net profit.
- General partners are capped by the amount of their 2019 net earnings from self-employment (reduced by claimed section 179 expense deduction, unreimbursed partnership multiplied by 0.9235).

No additional forgiveness is provided for retirement or health insurance, contributions for self-employed individuals, including Schedule C filers and general partners, as such expenses are paid out of their net self employment income.



Paycheck Protection Program

How much can the loan forgiveness be reduced?

Formula based: reduction in the total number of average full-time equivalent employees (FTEs) and/or salary reductions of employees.

Remember, the goal of this program is to cover payroll costs. The government wants employers to keep their employees employed (and off unemployment), so any reduction in employee count or costs that would have normally occurred if the COVID-19 crisis was not in effect will reduce the available forgiveness amount.



Paycheck Protection Program

The reduction amount due to a decrease in FTEs is calculated as follows:

- The total eligible loan forgiveness amount multiplied by
- The average # of FTEs for the 8 or 24 week period divided by (at the borrowers election) either the
 - Average # of FTEs from 2-15-19 through 6-30-19
 - Average # of FTEs from 1-1-20 through 02-29-20
 - Average # of FTEs from 2-15-19 through 6-30-19 (Seasonal ERs only)

Note – The credit cannot be increased in the scenario where additional workers were hired.



Paycheck Protection Program

The reduction amount in FTEs is not impacted by the following:

- Any position for which the borrower made a good-faith, written offer to rehire an employee which was rejected by the employee
- Any employee fired for cause
- Any employee who voluntarily resigned
- Any employee who voluntarily requested and received a reduction of their hours

More guidance is needed on FTE reduction safe harbor provision - (December 31, 2020)



Paycheck Protection Program

Reduction for wages paid

The loan forgiveness amount will be further reduced for any reduction in salary or hourly wages for an employee who is in excess of 25% of the total salary and wages of the employee during the most recent quarter.

In other words, if you decrease an employee's payroll by more than 25%, each \$ above 25% will reduce the loan forgiveness amount.

Note - Reductions in excess of 25% for employees with annual salaries of \$100K or more are excluded (no proration or cap)

FAQs



FAQs

When should I apply for forgiveness?

This is by far the #1 question we are being asked. Our general recommendation is that unless a PPP borrower qualifies for full forgiveness using either the Simplified or EZ Forgiveness Application that they should wait until after the dust settles in the upcoming elections.

Nothing like the PPP program had ever been implemented before and there were bound to be unforeseen and unintended problems with the program. Unfortunately, given that it is an election year, fixes to the PPP program have been slow.



FAQs

When should I apply for forgiveness, Cont.

In addition, those PPP borrowers expecting a significant drop in FTEs prior to year end (i.e layoffs) may want to file earlier than December 31, 2020.

One of the FTE safe harbors on the PPP forgiveness application compares the companies FTEs as of 2/15/20 to the FTEs as of the earlier of the date of application or December 31, 2020.

In the scenario where you had a drop in FTEs during your covered period, but have recovered to staffing levels pre-COVID (as of 2/15/20) and expect layoffs prior to December 31, 2020, you will want to file forgiveness before your FTE drop.



FAQs

How long do I have to apply for forgiveness?

PPP borrowers can apply for forgiveness anytime before the maturity date of the loan, which is either two or five years from the loan origination date.

However, if a borrower does not apply for loan forgiveness within 10 months after the last day of the borrower's loan forgiveness covered period, loan payments are no longer deferred and the borrower must begin making payments on the loan.



FAQs

How long does the forgiveness process take?

Up to 5 months.

Your PPP lender has 60 days from the date you submit your application to process it and render its decision. Once your lender has made a decision, the application is forwarded to the SBA who has 90 days to review and approve the application and remit the forgiveness amount to the lender in satisfaction of the loan, completing the forgiveness process.

The SBA has six years from the date the loan is forgiven to audit the PPP loan forgiveness application.



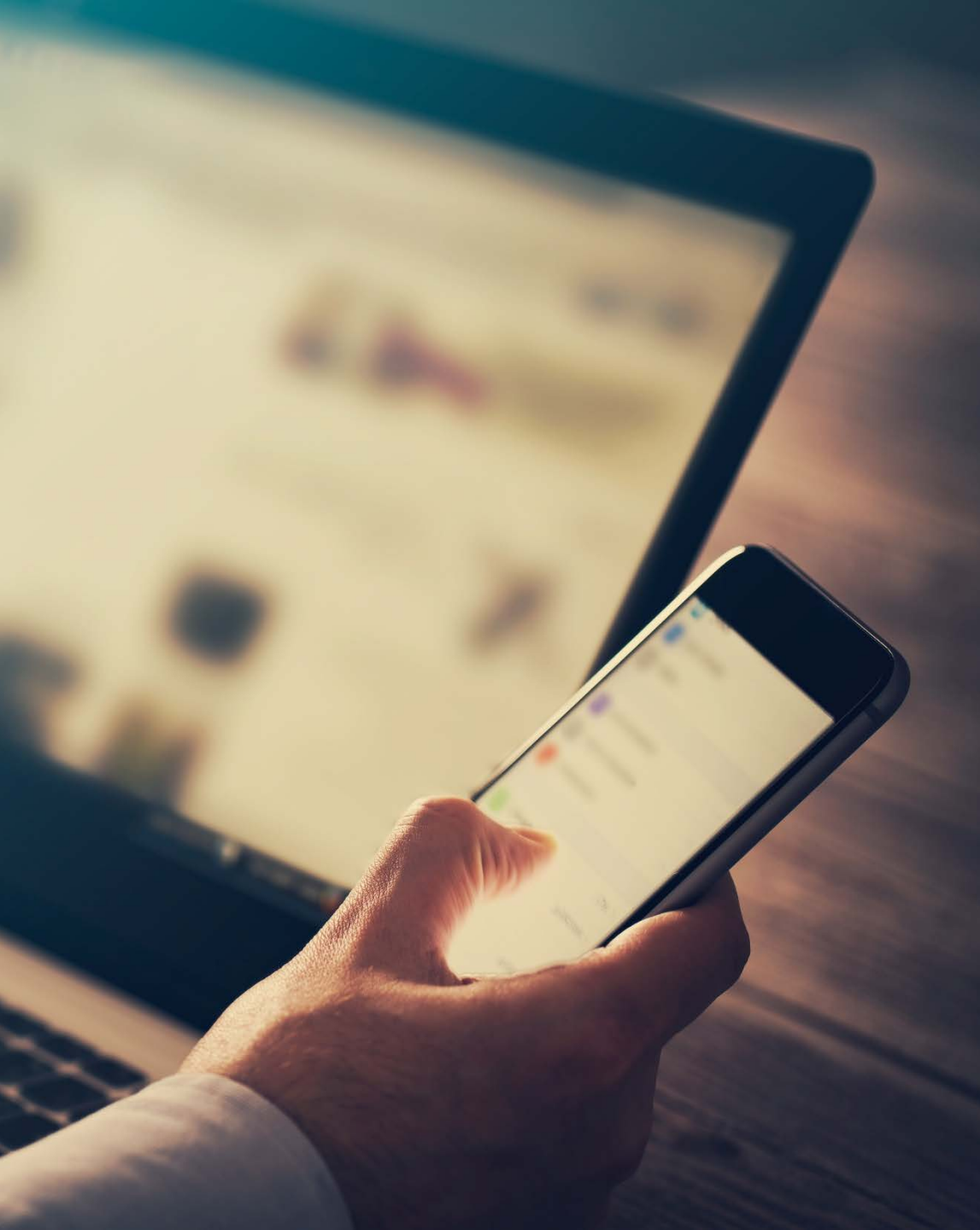
FAQs

Any flexibility on when my 8 or 24 week period begins?

Yes! Borrowers with a bi-weekly or weekly payroll can elect to have their 8 or 24 week covered period begin on the first day of the first payroll period after the date their loan proceeds were disbursed to them.

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.

Note – Alternative period does not apply to non-payroll costs.



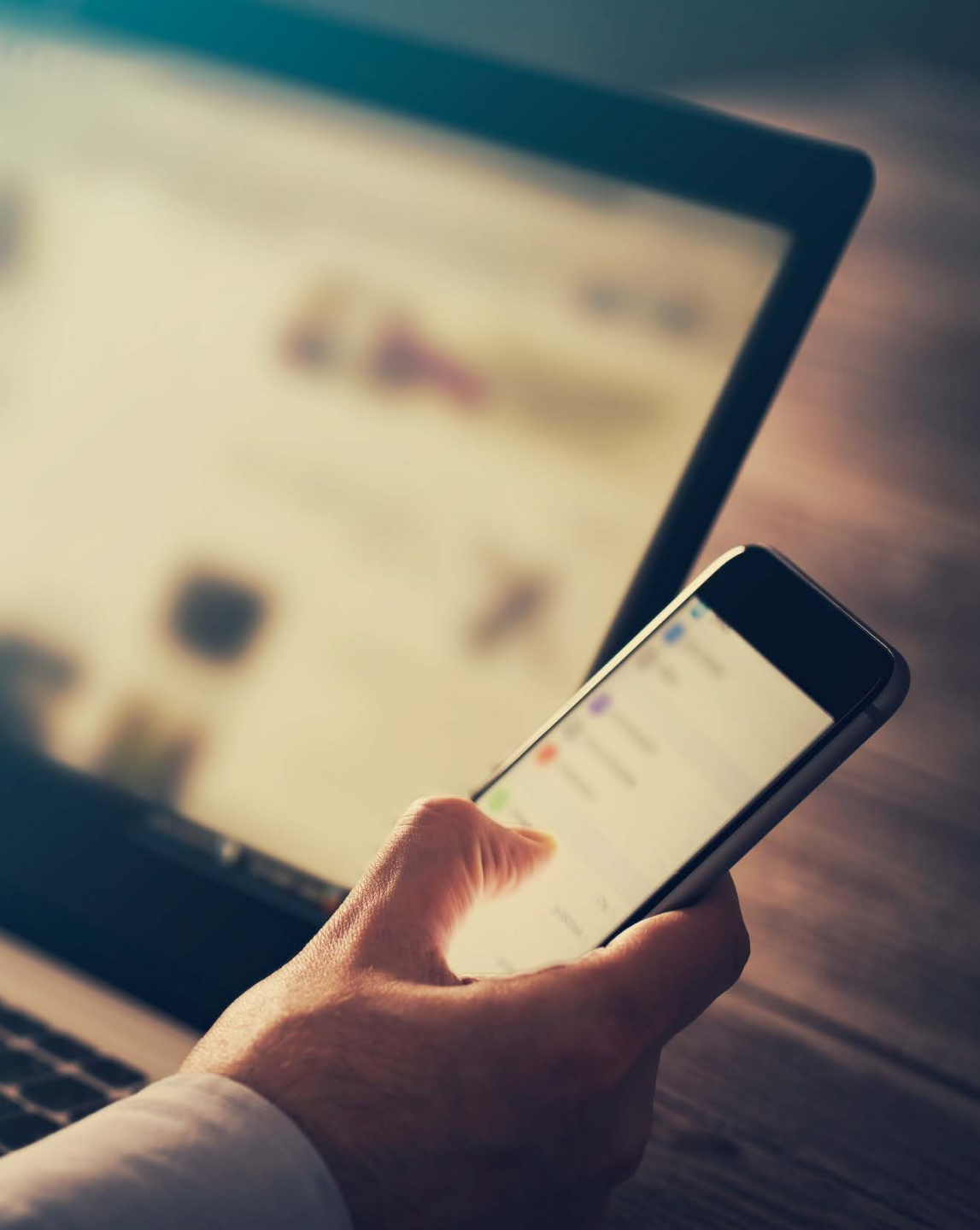
FAQs

Accrual vs Cash? Mostly answered, but with the extension of the period from 8 to 24 weeks, not as critical when maximizing loan forgiveness. For example, the question regarding annual retirement contributions made during the forgiveness period.

Eligible payroll costs – Paid and incurred during the 24 week period are eligible for forgiveness. Considered paid on day paychecks are distributed or when ACH is originated. Considered incurred on day pay is earned – must be paid before next regular pay date.

Non Payroll costs – paid during covered period or incurred during covered period and paid before next regular billing date. Proration possible.

Can't prepay expenses!



FAQs

What is a full time equivalent (FTE)?

FTEs are calculated by dividing the total hours paid for each employee during the Covered Period (or Alternative Covered Period) by 40, rounded to the nearest tenth.

Each employee is limited to a value of 1.0.

Alternative Method - Borrowers can elect to assign each employee who regularly works 40 hours or more a value of 1.0 and .5 for employees who work regularly less than 40 hours.

A hand holding a smartphone in front of a laptop screen. The laptop screen displays a blurred image of a person's face. The smartphone screen shows a blurred image of a person's face.

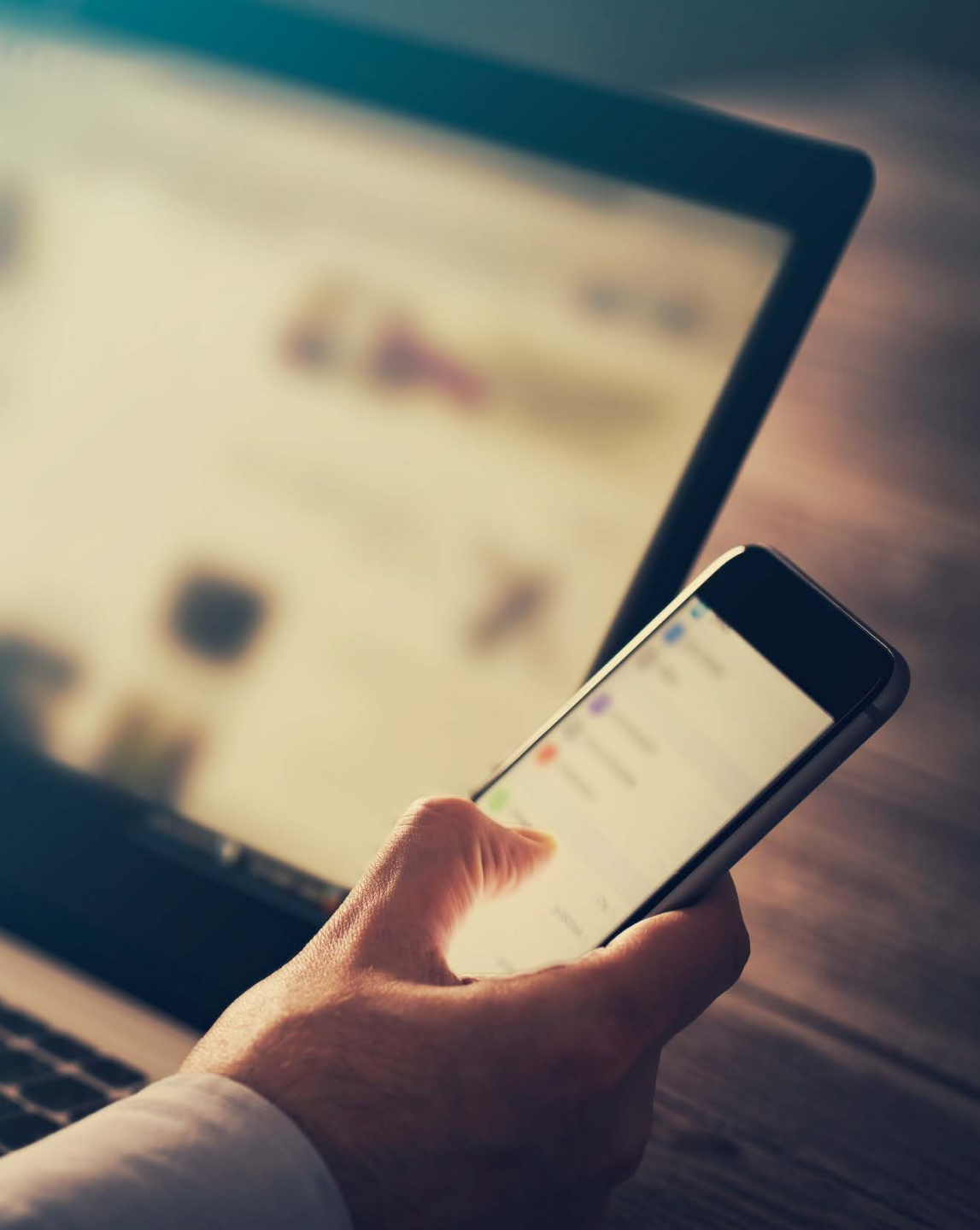
FAQs

Why the alternative FTE method is important.

The alternative FTE method is important because for many borrowers it will neutralize the effect of hour reduction of part-time employees when calculating any reductions in forgiveness.

For example. A borrower has an employee who regular works 30 hours a week. That employee would be a .8 for baseline FTE purposes. During the 8 or 24 week period, that employee only works 10 hours a week, so that employee would count as .3.

Under the regular method, that's a .5 reduction in workforce whereas under the alternative method, there is no decrease.

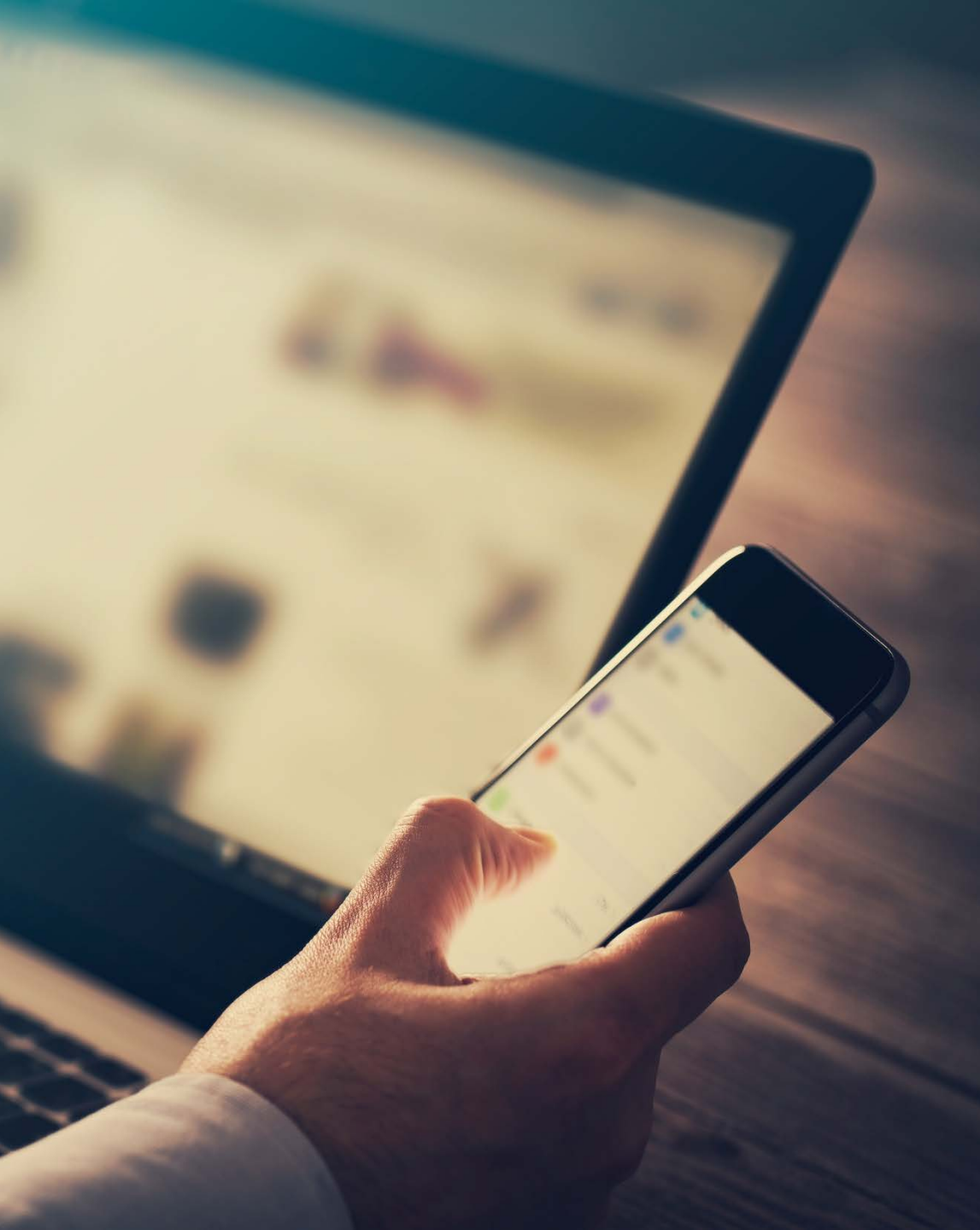


FTE Reduction

Clarification from the Flexibility Act –

Borrowers will not be penalized for –

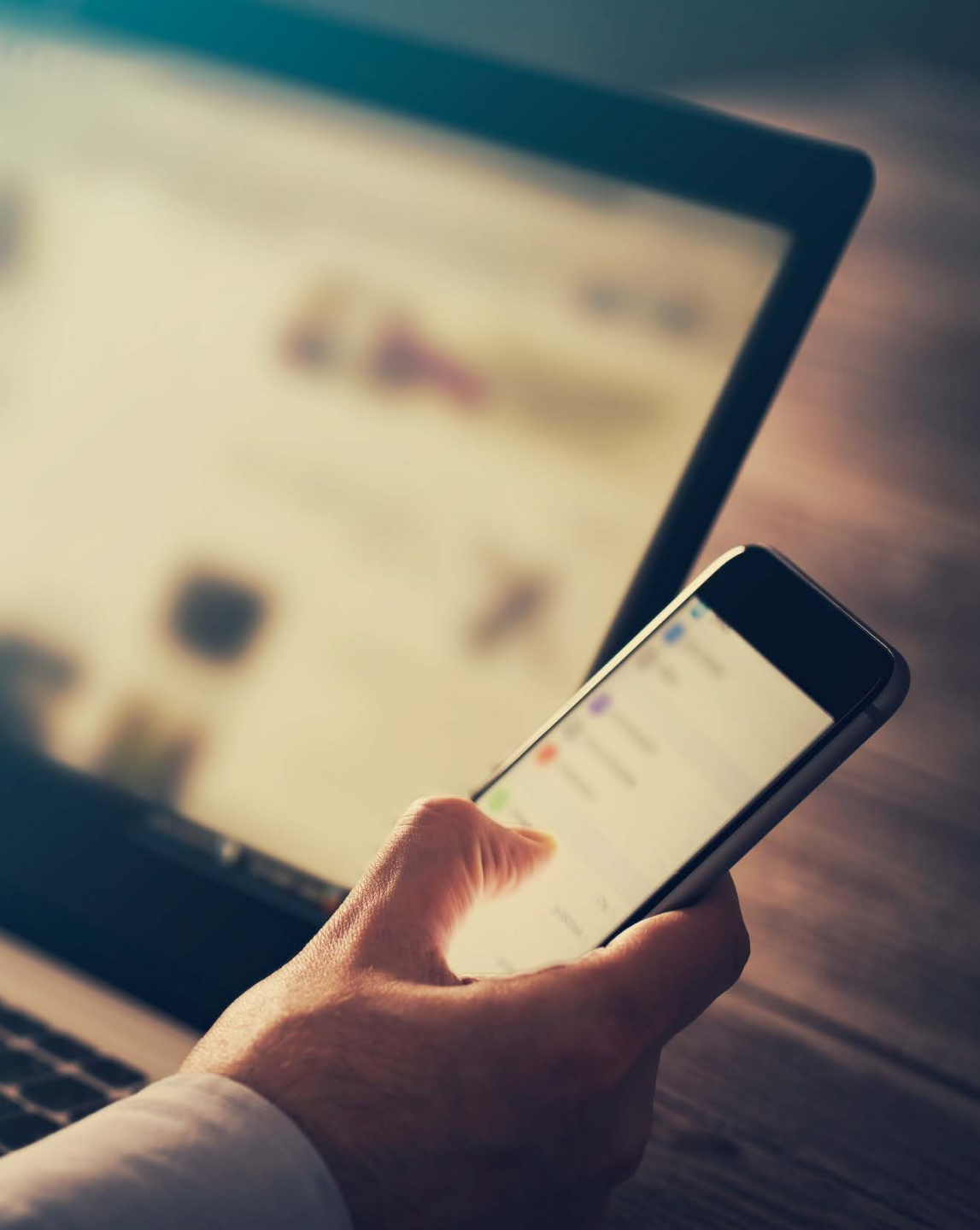
1. An inability to rehire individuals who were EEs as of 2/15/20
2. An inability to rehire similarly qualified employees on or before December 31, 2020
3. Employees who voluntarily leave your employment or those terminated for cause



FTE Reduction

Clarification from the Flexibility Act –

If a business is able to document an inability to return to the same level of business activity as such business was operating at before February 15, 2020, due to compliance with requirements established or guidance issued 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 during the period beginning on March 21, 2020, and ending December 31, 2020, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19, they may be eligible to forgo FTE reduction test.



FTE Reduction

Clarification from the Flexibility Act –

in Plain English –

If a borrower cannot return to previous staffing levels due to COVID-19 health and safety restrictions (essentially hospitality industry), a borrower will not be penalized for not returning to pre-COVID 19 employment levels.

A close-up photograph of a person's hand holding a black smartphone. The phone's screen is lit up and shows a colorful, abstract pattern of dots and lines. In the background, a laptop screen is visible, displaying a blurred image of a person's face. The lighting is warm and soft, suggesting an indoor setting with ambient light.

FAQs

Salary/Hourly Wage Reduction

Salary/hourly wage reductions are calculated by comparing the average annual salary (or hourly wage if applicable) paid during the covered period (or Alternative Payroll Covered Period) to an to the average annual salary paid (or hourly if applicable) to such employee during the period January 1, 2020 to March 31, 2020.



Loan Forgiveness Application FAQs

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Overview

Let's review some of the most frequently asked questions we've received from clients filling out their PPP loan applications.



What should I do to prepare?

Before starting the PPP loan forgiveness process, here are a few things you should do to prepare. Please note that many banks have setup online portals for PPP borrowers to upload their data electronically so be sure to get the information electronically where possible.

- 1) Gather up all your payroll data –
 - a) Download any automated PPP reports from your payroll provider
 - b) Copies of Federal (Form 941) and state quarterly income tax reports
 - c) Copies of payroll reports by period during your chosen covered period
 - d) Copies of health insurance invoices and proof of payment.
 - e) Copies of 401K/pension employer contributions reports and proof of payment.



What should I do to prepare?

2) Using the information in Step 1, start preparing your Schedule A worksheets to be used in the PPP loan forgiveness application (example in next slide)

In many cases, the payroll provider reports will have this information already accumulated for you and prepared for Schedule A.

If the information is not already prepared for you, we suggest downloading the AICPA's workbook located at <https://future.aicpa.org/resources/download/ppp-loan-forgiveness-calculator-excel>. This tool is continually updated to reflect the most recent guidance.

Note – If you google AICPA forgiveness calculator, it should be the first result.

PPP 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

Attach additional tables if additional rows are needed.



What should I do to prepare?

3) Gather up in electronic format all invoices and proof of payments for eligible non-payroll costs that you are including in your PPP loan forgiveness application.

Including non-payroll costs is optional for the PPP loan forgiveness application and in many cases is unnecessary if electing the 24 week covered period.

4) Start a preliminary calculation of your loan forgiveness amount. Again we suggest using the AICPA's free tool located at

<https://future.aicpa.org/resources/download/pp-loan-forgiveness-calculator-excel>



What form should I use?

After you have gathered up all your information to apply for forgiveness and made a preliminary calculation of your eligible forgiveness, you have to decide which loan application to use.

In many cases your PPP lenders forgiveness application will be a web based process asking you a series of questions regarding payroll and FTEs. Once that questionnaire is completed, the PPP lenders system will recommend a particular form for you to use in the application process.

However, you should still be knowledgeable of your options and the differences between the forms.

What form should I use?

As discussed earlier, the 3 form types are

1. Simplified Application (3508S)
2. EZ Application (3508EZ)
3. Standard Application (3508)



Simplified Application (3508S)

Was created under an interim final rule issued by the SBA in October. Only PPP loans in the original amount of \$50,000 or less are eligible.

The interim final rule exempts loans of \$50,000 and under from reductions in FTEs and reductions in salary and wages.

In other words, all loans \$50,000 and under are being fully forgiven.



EZ Application (3508EZ)

PPP Borrowers must meet one of the following three criteria in order to use the EZ Application –

- 1) Applied for a PPP loan as a self-employed, an independent contractor or a sole proprietor with no EEs, or
 - A) Note – These PPP borrowers should apply with the new 3508S application.
- 2) Did not reduce salary or wages for any employee by more than 25%, and did not reduce the number or hours of their employees (excepting laid-off employees who refused an offer to return), or
- 3) Did not reduce salary or wages for any employee by more than 25% during the covered period and **experienced reductions in business activity as a result of health directives related to COVID-19**



Standard Application (3508)

For PPP Borrowers who do not qualify for the Simplified or EZ forms, they will need to apply using the standard form.

The obvious downfall of this application is that fluctuations in the FTE level and/or wage reductions can have a significant effect on the total amount of forgiveness.

PPP Borrowers will want to look closely at the FTE safe Harbors on the Application, specifically the safe harbor whereby a PPP borrower is exempt from reduction if the borrower's FTEs as of February 15, 2020 is equal to or less than the FTEs as of the earlier of the date of application or December 31, 2020.

FTE Safe Harbor Reduction

FTE Reduction Safe Harbor 2:

- 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, FTE Reduction Safe Harbor 2 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 the earlier of December 31, 2020, and the date this application is submitted: .
- 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 2 has been satisfied. Otherwise, FTE Reduction Safe Harbor 2 does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.



Information Required to Submit

It is important to note that no matter which application a PPP borrower uses when applying for forgiveness, the documents required to be submitted stay the same.

Many banks are requiring the following to be submitted in electronic format as part of the application –

- 1) Copies of all payroll tax filings for the covered period
- 2) Copies of all invoices AND proof of payment for all non-payroll costs.

PPP Schedule Required Support with Submission


Payroll: Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period or the Alternative Payroll 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)).

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.




Can I just print out the reports from my payroll provider and submit them?

Yes and no.

Many payroll providers are providing PPP borrowers automated reporting packagings to use in filling out the PPP loan forgiveness application.

PPP borrowers have to carefully review the information in these reports. In many cases we have seen there are errors. The common cause of the errors is that the payroll company has not been provided the latest information.



Can I just print out the reports from my payroll provider and submit them?

For example, on one report we saw recently, the employer portion of health insurance in the automated reports was incorrect.

The payroll company had not been received the new health insurance plan cost information from the Company and was calculating the employer portion using 2015 rates!

Remember your outputs are only as good as your inputs! Review the reports carefully and make sure they make sense. The payroll providers are disclaiming all responsibility for the information on their reports. The ultimate responsibility is on the PPP borrower.



I am a government contractor or received Provider Relief Funds (PRF), can I only report my non-contract or non-PRF related payroll?

This has been the second most asked questions as PPP borrowers have started filling out their PPP forgiveness forms.

Based on our interpretation of the instructions, the answer is no. You must report all compensation paid to employees during the covered period, even if you used non-PPP funds to pay those salaries.

The instructions do allow PPP borrowers to not report non-payroll costs if they do not want them considered in the forgiveness application.,

PPP Instructions regarding payroll

Forgiveness Amount Calculation (see Summary of Costs Eligible for Forgiveness below):

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 paid or incurred 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 paid or incurred for real or personal property during the Covered Period, pursuant to lease agreements in force before February 15, 2020.

Line 4: Enter the amount of business utility payments paid or incurred 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.



I have a self-insured health plan, what amount do I report?

Based on the way the instructions are written, PPP Borrowers who have a self-insured health plan should report the actual cash paid for the plan during the period.

In the instructions, it specifically states paid, not paid and incurred when referring to self insurance health plans.

PPP Instructions regarding payroll

Line 6: Enter the total amount paid by the Borrower for employer contributions for employee health insurance, including employer contributions to a self-insured, employer-sponsored group health plan, but excluding any pre-tax or after tax contributions by employees. Do not add employer health insurance contributions made on behalf of a self-employed individual, general partners, or owner-employees of an S-corporation, because such payments are already included in their compensation.



FTE Reduction Loophole

Could a PPP borrower have a reduction in FTEs, not qualify for any safe harbor and get full forgiveness?

Surprisingly as of TODAY, the answer appears to be

YES!

The reason why is that all payroll expenses incurred during the covered period **MUST** be reported. There is no cap once the expenses exceed the loan amount.

Let's walk through a hypothetical situation.

FTE Reduction Loophole

Facts–

- 1) Annual payroll of \$1,200,000
- 2) PPP loan of \$250,000
- 3) Payroll costs during covered period (six months)
 - a) 4 months at \$80,000
 - b) 2 months at \$50,000
 - c) Total - \$420,000
- 4) Non-payroll costs
 - 1) Interest - \$10,000
 - 2) Rent/lease - \$20,000
 - 3) Utility - \$10,000
- 5) FTE Reduction – **40%**

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): 420,000

Line 2. Business Mortgage Interest Payments: 10,000

Line 3. Business Rent or Lease Payments: 20,000

Line 4. Business Utility Payments: 10,000

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): 0

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: 470,000

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): .6

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7): 282,000

Line 9. PPP Loan Amount: 250,000

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60): 783,333

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): 250,000



PPP Loan Due Diligence File

SBA will review individual PPP Loans for eligibility...

- Based upon provisions of CARES Act, rules and guidance available at the time of PPP loan application
- Loan amounts calculated correctly
- Loan forgiveness supporting documents
- Must retain PPP documentation for 6 years after loan forgiven or repaid in full

If SBA determines that a borrower is ineligible for a PPP loan, the loan cannot be forgiven!

Also SBA will seek repayment of the loan and if borrower repays the loan the SBA will not pursue administrative enforcement or referrals to other agencies.

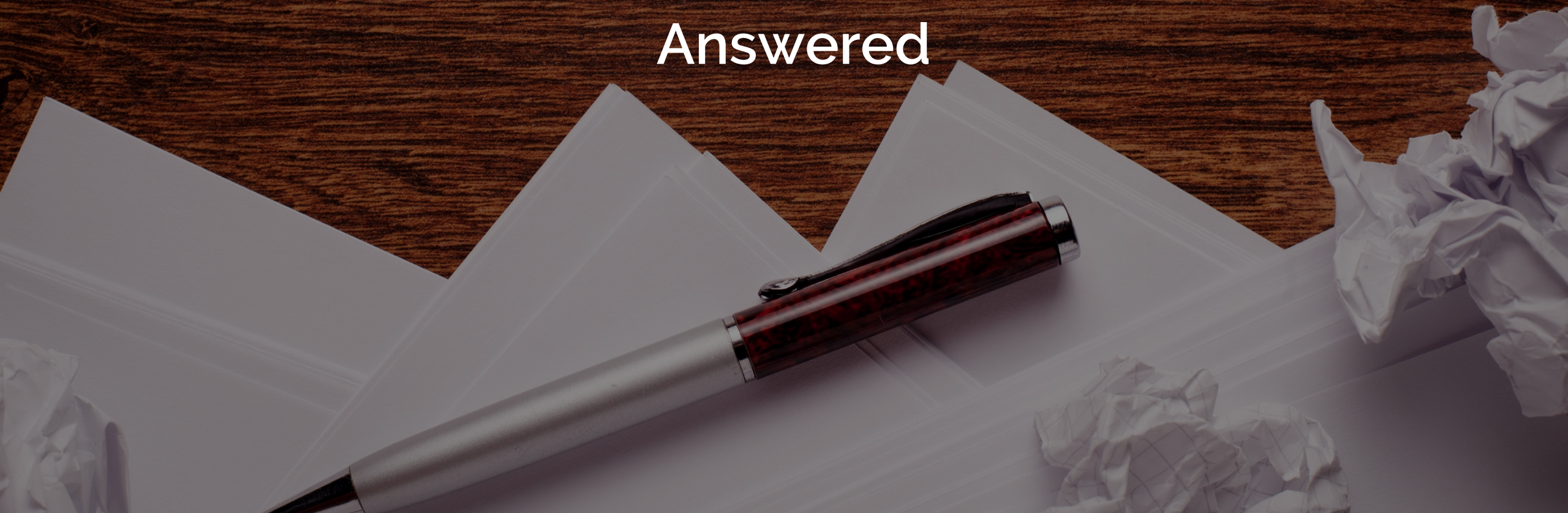


PPP Loan Due Diligence File

Items to have in the file:

- A copy of your loan application and loan agreement/promissory note
- Copies of any supporting documentation you provided to the bank
- Copies of your PPP borrowing amount calculation (including all payroll related reports – Forms 940, 941, W3, W2s, etc.)
- A copy of any correspondence with your bank as to the submission and acceptance of the application
- A timestamped print out of all official relevant laws/guidelines in effect on the date you submitted your application
- A memo discussing your organization's eligibility and reasons why it took a PPP loan.
- A copy of forgiveness application and all related supporting documentation
- Lender and any SBA approval of forgiveness and communication

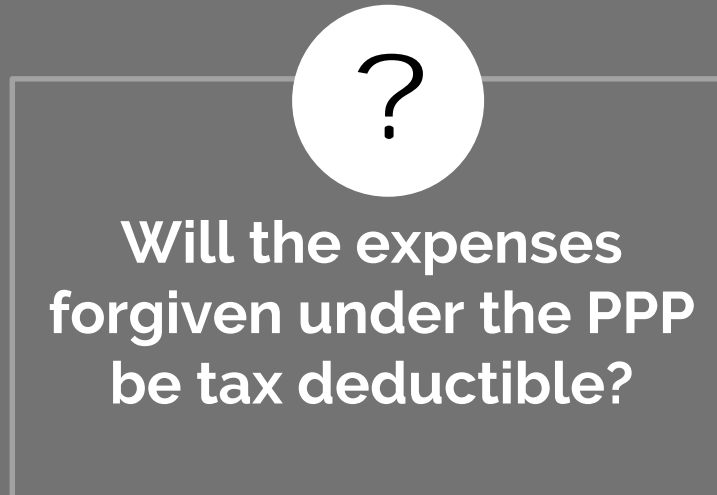
Your Questions Answered





?

**Will loan forgiveness
be taxable?**



?

**Will the expenses
forgiven under the PPP
be tax deductible?**



?

**Will there be additional
PPP loans available in
the future?**



?

**Are distributions for
LLCs, Partnerships and
S-Corps allowed?**

**Does a Business need to
show a loss equal to or
greater than the PPP
loan it received?**

?



?

**What's holding up the
forgiveness approval-
volume of requests,
lack of experience, the
election...?**

A blurred office scene with people working at a table. In the foreground, a person's hand is visible near a document with a blue bar chart. A pair of glasses lies on the table. In the background, a person in a light blue shirt holds a smartphone and gestures with their other hand. A laptop and a pen are also visible on the table.

Final Thoughts

We're Here.



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