

Paycheck Protection Program (PPP) Loan Forgiveness

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The logo for HRC (Human Resources Council) is located in the bottom right corner. It consists of the letters "HRC" in a white, sans-serif font, centered within a white square border. The background of the slide is a dark teal color with a green curved shape in the bottom right corner.

HRC

Big Changes Since Last Presentation

- ▶ “Covered Period” extended from 8-weeks to 24-weeks
- ▶ Loan term is 5 years for loans after 6/5/2020
- ▶ Can have up to 40% non-payroll costs
- ▶ Safe harbors for headcount and salary/hourly wage reductions moved from 6/30 to 12/31
- ▶ Additional safe harbors to FTE reductions
- ▶ Creation of EZ form

Loan Terms



Up to \$10 million



2 year-term OR 5-year term



1%



Payments of interest and principal are deferred



Payroll costs and certain other business expenses

Covered Period

8 weeks

24 weeks

Loan Forgiveness

Payroll and Nonpayroll Costs

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

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

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

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

Potential Forgiveness Amounts

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

Line 9. PPP Loan Amount:

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

Forgiveness Amount

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

Loan Forgiveness - Payroll Costs (Schedule A)

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here and enter 0 on line 3.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:

Alternative Payroll Covered Period

- ▶ Payroll calculations ONLY
- ▶ Begins first day of first pay period following initial loan disbursement date
- ▶ Ex:
 - ▶ Loan proceeds disbursed Monday, April 20th
 - ▶ First day of first pay period following disbursement is Sunday, April 26th
 - ▶ For payroll costs only, the Alternative Covered Period will be Sunday, April 26th through Sunday, October 10th (assuming 24-weeks)
 - ▶ ALL other sections that reference “Covered Period” will be the covered period following loan disbursement

Loan Forgiveness - Payroll Costs (Schedule A)

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

Payroll Costs - Cash Compensation

Cash
compensation

Sick and
vacation pay

Allowances
for dismissal
or separation

Loan Forgiveness - Payroll Costs (Schedule A)

Wages -
Which
Table?

Ex: base pay \$80,000, bonus one-time \$5,000

Biweekly payroll $\$80,000 / 24 = \$3,333$

Total 2019 wages \$85,000 BUT one pay period \$8,333

Annualized $\$8,333 \times 24 = \$199,992$

Loan Forgiveness - Payroll Costs (Schedule A)

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

Loan Forgiveness - Full-Time Equivalents (FTEs)

- ▶ FTE - average # of hours worked per week divided by 40
 - ▶ Ex: 40 hrs/wk = 1.0
 - ▶ Ex: 24 hrs/wk = 0.6
- ▶ Round to the nearest tenth
- ▶ Simplified method
 - ▶ 1.0 for all full-time
 - ▶ 0.5 for all others

Loan Forgiveness - Full-Time Equivalents (FTEs) Exceptions

- ▶ Exception - Position NOT filled by new employee
 - ▶ Written offer to rehire rejected
 - ▶ Fired for cause
 - ▶ Voluntarily resigned
 - ▶ Voluntarily reduced hours

Loan Forgiveness - Payroll Costs (Schedule A)

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

Loan Forgiveness - Salary/Hourly Wage Reduction

Compare average payroll during Covered Period or Alternative Payroll Covered Period to average payroll between 1/1/20 - 3/31/20 for employees with average annual payroll less than \$100,000

Reductions of more than 25% reduce loan forgiveness

Safe Harbor if wages are restored by 12/31/2020 under certain circumstances

Loan Forgiveness - Salary/Hourly Wage Reduction

- ▶ Step 1: Determine the average annual salary or hourly wage *for each employee* during the covered period (or alternative payroll period, if elected).
- ▶ Step 2: Determine the average annual salary or hourly wage for each employee during the period from January 1, 2020, through March 31, 2020.
- ▶ Step 3: Divide Step 1 by Step 2.
- ▶ Step 4: If Step 3 is greater than 75%, no reduction is required. Do not fill out the column in Table 1 for this employee.
- ▶ Step 5: If Step 3 is LESS than 75%, a reduction is required, but as we'll see shortly, the reduction may be reinstated. The reduction is tentatively determined by multiplying the amount determined in Step 2 by 75%, and then subtracting from that result the amount from Step 1. For a salaried employee, take this result and multiply it by 24 (or 8 if using an 8-week covered period). Then divide the amount by 52. This is the amount of the required reduction.
- ▶ For an hourly worker, the amount of the reduction is determined by first multiplying the average number of hours worked per week from January 1, 2020, through March 31, 2020, by the amount determined by subtracting the amount determined in Step 1 from 75% of the amount determined in Step 2. The result is then multiplied by 24 (or 8 if using an 8-week period) to arrive at the total reduction in forgiveness.

Loan Forgiveness - Salary/Hourly Wage Reduction

- ▶ **Example.** Employee A was paid an annual salary of less than \$100,000 for 2019. A was paid \$24,000 during the 24-week covered period. A was paid \$20,000 for the period January 1, 2020, through March 31, 2020.
- ▶ Step 1: A's average annual salary was \$52,000 for the 24-week covered period ($\$24,000/24*52$).
- ▶ Step 2: A's average annual salary was \$80,000 for the period January 1, 2020, through March 31, 2020 ($\$20,000 *4$).
- ▶ Step 3: $\$52,000/\$80,000 = 65\%$.
- ▶ Step 4: n/a
- ▶ Step 5: Before application of the safe harbor, A's employer would reduce forgiveness attributable to A by the following amount: $\$80,000 * 75\% = \$60,000$. $\$60,000 - \$52,000 = \$8,000$. $\$8,000/52*24 = \$3,690$.

Loan Forgiveness - Payroll Costs (Schedule A)

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here and enter 0 on line 3.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:

Loan Forgiveness - Payroll Costs (Schedule A)

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid or incurred by Borrower for employer contributions for employee health insurance: _____

Line 7. Total amount paid or incurred by Borrower for employer contributions to employee retirement plans: _____

Line 8. Total amount paid or incurred by Borrower for employer state and local taxes assessed on employee compensation: _____

Payroll Costs - Lines 6-8

Group healthcare
benefits, including
insurance
premiums

Retirement
benefits

State or local
taxes on employee
compensation

Loan Forgiveness - Payroll Costs (Schedule A)

Other Payroll Costs

2019 Safe Harbor or Profit-Sharing Contributions?

Short and Long-term disability payments?

Life insurance?

Loan Forgiveness - Payroll Costs (Schedule A)

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:

This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

- Owner-employees of S-corporations
- Self-employed individuals
- General partners

- Cannot exceed \$15,385 per person (8-week covered period)
- Cannot exceed \$20,833 per person (24-week covered period)

Loan Forgiveness - Payroll Costs (Schedule A)

PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here and enter **0** on line 3.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid or incurred by Borrower for employer contributions for employee health insurance:

Line 7. Total amount paid or incurred by Borrower for employer contributions to employee retirement plans:

Line 8. Total amount paid or incurred by Borrower for employer state and local taxes assessed on employee compensation:

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):

Loan Forgiveness

Payroll and Nonpayroll Costs

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

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

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

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

Potential Forgiveness Amounts

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

Line 9. PPP Loan Amount:

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

Forgiveness Amount

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

Loan Forgiveness - Nonpayroll Costs



Interest on real or personal property



Rent or lease payments on real or personal property



Utilities

Electricity, gas, water, transportation, telephone, or internet access

Loan Forgiveness

Payroll and Nonpayroll Costs

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

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

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

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

Potential Forgiveness Amounts

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

Line 9. PPP Loan Amount:

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

Forgiveness Amount

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

Loan Forgiveness - FTE reduction (Schedule A)

Full-Time Equivalency (FTE) Reduction Calculation

If you satisfy **any** of the following three criteria, check the appropriate box, skip lines 11 and 12, and enter **1.0** on line 13; otherwise, complete lines 11, 12, and 13:

No reduction in employees or average paid hours: If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here .

FTE Reduction Safe Harbor 1: If you were 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, check here .

FTE Reduction Safe Harbor 2: If you satisfy FTE Reduction Safe Harbor 2 (see PPP Schedule A Worksheet), check here .

Line 11. Average FTE during the Borrower's chosen reference period:

Line 12. Total Average FTE (add lines 2 and 5):

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if any of the above criteria are met:

Loan Forgiveness - Reduction in Full-Time Equivalents (FTEs)

“FTE Reduction Quotient”

- Compare FTEs for Covered Period to a chosen “Reference Period”
 - 2/15/19 - 6/30/19
 - 1/1/20 - 2/29/20
 - Seasonal employers have other options

Example

- Covered period FTEs 25.0
- Reference period FTEs 30.0
- FTE Reduction Quotient:
 - $25 / 30 = 83\%$

Loan Forgiveness

Payroll and Nonpayroll Costs

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

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

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

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

Potential Forgiveness Amounts

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

Line 9. PPP Loan Amount:

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

Forgiveness Amount

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

Loan Forgiveness



PPP LOAN FORGIVENESS CALCULATION

Payroll and Nonpayroll Costs

Line 1.	Payroll Costs (enter the amount from PPP Schedule A, Line 10):	360,000.00
Line 2.	Business Mortgage Interest Payments:	-
Line 3.	Business Rent or Lease Payments:	15,000.00
Line 4.	Business Utility Payments:	2,400.00

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):	(3,850.00)
Line 6.	Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:	373,550.00
Line 7.	FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):	0.83

Potential Forgiveness Amounts

Line 8.	Modified Total (multiply line 6 by line 7):	310,046.50
Line 9.	PPP Loan Amount:	150,000.00
Line 10.	Payroll Cost 60% Requirement (divide line 1 by 0.6):	600,000.00

Forgiveness Amount

Line 11.	Forgiveness Amount (enter the smallest of lines 8, 9, and 10):	150,000.00
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Form 3508 EZ

- ▶ Self employed with NO employees
 - ▶ OR
- ▶ No reduction of salary/hourly wages AND no reduction in FTEs or average paid hours of employees
 - ▶ OR
- ▶ No reduction of salary/hourly wages AND unable to operate during the Covered Period at the same level of business as before 2/15/20 due to compliance with HHS, CDC, OSHA

Loan Forgiveness - Documentation of Payroll Costs and Employment



Bank statements



Payroll reports



Payroll tax filings



Remittance reports or cancelled checks for health insurance and retirement contributions

Loan Forgiveness - Documentation of Nonpayroll Costs



Mortgage amortization table
and proof of payment



Lease agreements and proof
of payment



Utilities invoices and proof
of payment

Resources

▶ Department of Treasury FAQs

- ▶ <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>

▶ Loan Forgiveness Application and Instructions

- ▶ <https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>
- ▶ https://home.treasury.gov/system/files/136/PPP-Loan-Forgiveness-Application-Instructions_1_0.pdf

▶ Loan Forgiveness Application and Instructions (EZ)

- ▶ <https://home.treasury.gov/system/files/136/PPP-Forgiveness-Application-3508EZ.pdf>
- ▶ <https://home.treasury.gov/system/files/136/PPP-Loan-Forgiveness-Application-Form-EZ-Instructions.pdf>

▶ AICPA Loan Forgiveness Calculator - not yet updated

- ▶ <https://www.aicpa.org/interestareas/privatecompaniespracticesection/qualityservicesdelivery/sba-paycheck-protection-program-resources-for-cpas.html>

Contact Information

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