



ON DEMAND WEBINAR

PPP LOAN FORGIVENESS APPLICATION: WHAT WE KNOW NOW

MAY 21, 2020

Our experts

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Objective

Equip you with expert guidance
on updates to PPP
requirements and the loan
forgiveness application





Agenda

1. What We've Learned
2. Forgiveness Calculation
3. What We're Researching
4. Next Steps



What We've Learned

From the SBA PPP application release



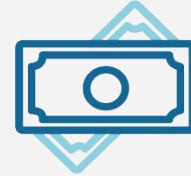
What We've Learned



Loan
forgiveness
period



Paid vs
Incurred
payroll
expenses



Non payroll
costs



FTE
Calculation

Period for Forgiveness

Covered Period

The 56 days (8 calendar weeks) following the disbursement of your loan.

or

Alternative Covered Period

The ***first day of the pay period*** immediately following the disbursement to your loan and ending 56 days later.

Eligible Payroll Costs

You may include all costs that were:



Paid: actually disbursed to the employee

OR



Incurred: earned but not paid in the last pay period, but paid on the next payroll date

Example

Paid

- Using just the pay period pay dates
- Loan start date April 15th, ends June 10th
- You pay bi-weekly
- Your pay dates of April 17, May 1, 18, 29, and June 5th are all in the covered period

Incurred

- All of the pay earned for hours worked in the Covered/alternate period
- This can be pay that hasn't been given to employees yet
- Pay incurred during the period must be paid on the next pay period after the end of the loan period

Non-Payroll Costs

what
we've
learned

Mortgages & Leases/Rent

Interest payments on mortgage and **“personal property”**.

Payments for business equipment (“Personal Property”) such as copiers, servers, and fleet vehicles.

Utilities

Gas, water, electric, transportation (business vehicle gas), telephone, or internet.

Key Points

Leases/rent, mortgages, and service agreements must have been in place before 2/15/2020

Must be paid during Covered Period OR Incurred during Covered Period.

“Alternative Covered Period” is not applicable for non-payroll costs.

Full-Time Equivalent Calculation

40 hours is considered full time, per the PPP Application

To calculate average FTEs

1. Full time employees average (40 or more hours) count as 1.0
2. For part time employees you can choose:
 - Take the average number of hours worked per week and divide by 40 per employee (round to nearest tenth).
 - Or count each as 0.5 FTEs

Allowed reference periods (choose one):

- Feb 15, 2019 to June 30, 2019
- Jan1, 2020 to Feb 29, 2020
- If a seasonal business, any 12-week period between May 1, 2019 and September 15, 2019

Compare your FTE count for your chosen covered period and chosen reference period to determine how much your FTE reduced during the covered period.

Full-Time Equivalent Calculation

Safe Harbor Provisions



Individual

declines offer to be rehired or any employee terminated for cause or voluntarily resigns

Restoration of FTEs

Full FTE workforce is restored by 6/30/20



***Safe Harbor is a rule exception that can increase your forgiveness.**



**Paycheck Protection Program
Loan Forgiveness Application**

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

To apply for forgiveness of your Paycheck Protection Program (PPP) loan, you (the Borrower) must complete this application as directed in these instructions, and **submit it to your Lender** (or the Lender that is servicing your loan). Borrowers may also complete this application electronically through their Lender.

This application has the following components: (1) the PPP Loan Forgiveness Calculation Form; (2) PPP Schedule A; (3) the PPP Schedule A Worksheet; and (4) the (optional) PPP Borrower Demographic Information Form. All Borrowers must submit (1) and (2) to their Lender.

Instructions for PPP Loan Forgiveness Calculation Form

Business Legal Name (“Borrower”)/DBA or Tradename (if applicable)/Business TIN (EIN, SSN): Enter the same information as on your Borrower Application Form.

Business Address/Business Phone/Primary Contact/E-mail Address: Enter the same information as on your Borrower Application Form, unless there has been a change in address or contact information.

SBA PPP Loan Number: Enter the loan number assigned by SBA at the time of loan approval. Request this number from the Lender if necessary.

Lender PPP Loan Number: Enter the loan number assigned to the PPP loan by the Lender.

PPP Loan Amount: Enter the disbursed principal amount of the PPP loan (the total loan amount you received from the Lender).

Employees at Time of Loan Application: Enter the total number of employees at the time of the Borrower’s PPP Loan Application.

Employees at Time of Forgiveness Application: Enter the total number of employees at the time the Borrower is applying for loan forgiveness.

PPP Loan Disbursement Date: Enter the date that you received the PPP loan proceeds from the Lender. If loan proceeds were received on more than one date, enter the first date on which you received PPP loan proceeds.

EIDL Advance Amount: If the Borrower received an Economic Injury Disaster Loan (EIDL) advance, enter the amount.

EIDL Application Number: If the Borrower applied for an EIDL, enter the Borrower’s EIDL Application Number.

Payroll Schedule: Select the box that corresponds to your payroll schedule.

Covered Period: Enter the eight-week (56-day) Covered Period of your PPP loan. The first day of the Covered Period must be the same as the PPP Loan Disbursement Date. For example, if the Borrower 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, June 14.

Alternative Payroll Covered Period: For administrative convenience, Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the eight-week (56-day) period that begins on the first day of their first pay period following their PPP Loan Disbursement Date (the “Alternative Payroll Covered Period”). 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. 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.

If Borrower Received PPP Loans in Excess of \$2 Million: Check the box if the Borrower, together with its affiliates (to the extent required under SBA’s interim final rule on affiliates ([85 FR 20817](#)) (April 15, 2020)) and not waived under 15 U.S.C. 636(a)(36)(D)(iv)), received PPP loans with an original principal amount in excess of \$2 million.

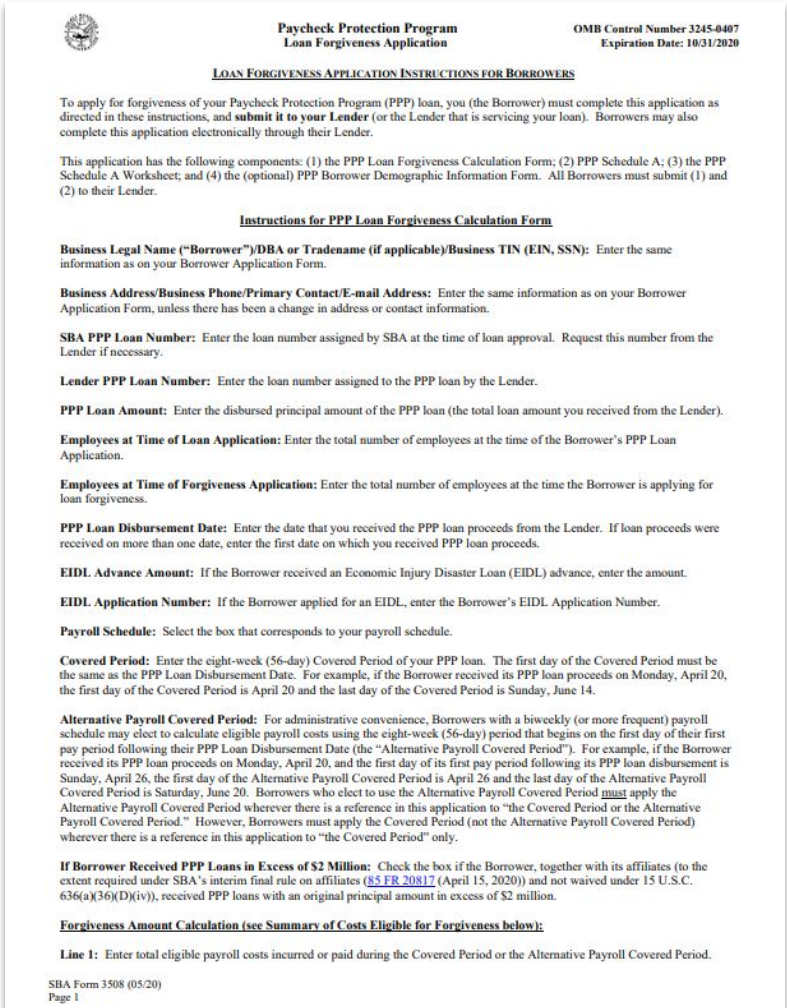
Forgiveness Amount Calculation (see Summary of Costs Eligible for Forgiveness below):

Line 1: Enter total eligible payroll costs incurred or paid during the Covered Period or the Alternative Payroll Covered Period.

Forgiveness Calculation

PPP loan forgiveness application

- Completed by borrower
- Submit directly to lender
- 4 key sections
 1. Calculation Form
 2. Schedule A
 3. Schedule A Worksheet (submit optional)
 4. Demographic Information (submit optional)
- Access application at sba.gov



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SBA Form 3508 (05/20)
Page 1

Forgiveness reduction based on FTE

The loan amount forgiven will be reduced in direct proportion to the reduction of FTEs.

Example:



Forgiveness Calculation Formula

1

Determine payroll
and non-payroll
costs

2

Determine
salary/wage
reductions greater
than 25%

3

Determine your
FTE count for
reference and
covered period

4

Calculate blended
wage + FTE
reduction amt.

5

Calculate potential
forgivable amount
based on payroll
costs (75% payroll)

6

Your forgivable
amount (lower of
4 and 5)

1

Determine payroll and non-payroll costs.

Separate payroll and non-payroll expenses into two categories.

Payroll	Non-Payroll
<ul style="list-style-type: none">• employee wages, salary and commission (remember to cap high wage earners at 100K) and cash tips• paid vacation, parental, family, medical or sick leave• health care benefits including insurance premiums• retirement benefits	<ul style="list-style-type: none">• rent/mortgage payments and interest• lease payments on personal property such as equipment, machinery, and fleet vehicles• utilities charges such as gas, electric, water, and telephone

2

Determine salary/wage reductions greater than 25%.

For all employees making **less than 100K**:

- Loan forgiveness will be reduced dollar for dollar for each employee whose pay was reduced by 25%
- Determine the difference between what employee was paid and what they would have been paid at 75% of their pay.
- Add up the reductions for all employees
- Safe harbor provision: if wages are restored by 6/30

3

Determine your FTE count for reference and covered period.

Determine whether your FTE count was reduced during your chosen covered period compared to your chosen reference period.

- Average 40 hours or more per week = 1 FTE
- For Part Time employees (anyone not working 40 or more hrs/wk), you can use two methods:
 1. Count each as a fraction of a FTE rounded to the nearest 10th, OR
 2. Count each .5 of an FTE
- Make adjustments for Safe Harbor
- Determine % reduction (quotient) of FTEs by comparing the FTE count to your chosen reference period.

Example

FTE Count

- I have 5 employees:
 - 3 work 40 hrs/week
 - 1 works 10 hrs/week
 - 1 works 25 hrs /week

Method 1

Fraction of FTE rounded
to nearest tenth

.25 of FTE
.66 of FTE
+ 3 FTE
= 3.91 FTE

Method 2

PT EE = .5 of FTE

.5 FTE
.5 FTE
+ 3 FTE
= 4 FTE

Example

FTE Count

- Headcount during:

Reference Period	Covered Period
4 FTEs	3 FTEs

so forgiveness would
decrease by 25%

- If your loan was \$100,000, then your max forgivable amount is **\$75,000**

Safe Harbor Qualification: Individual Exceptions

If you have a reduced FTE number for one of the following reasons, you can still count the individual as 1 FTE:

Employee has
refused a
legitimate,
reasonable, written
offer to return to
work

Employee was
terminated for
cause

Employee
voluntarily resigned

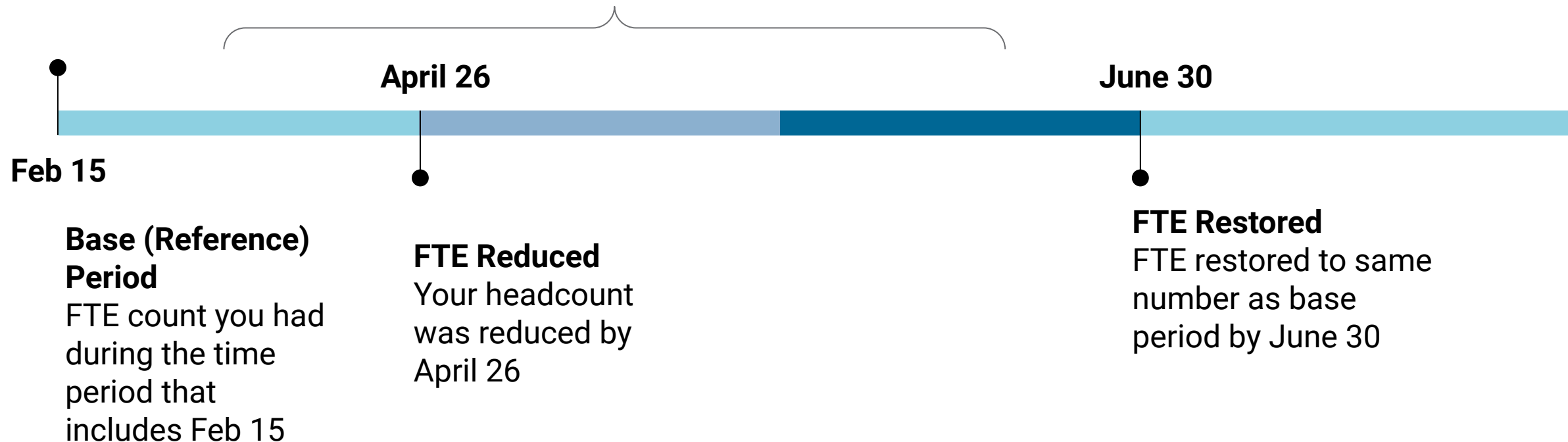
Employee
voluntarily
requested a
reduction in hours

Safe Harbor Qualification: Total Workforce

COVID affected time

During this time period, your FTE count was reduced

(Example - FTE reduced from March 23 at start of stay-at-home order through June 4, reopened June 6 and restored your headcount)



4

Calculate blended wage + FTE reduction amount.

- Take your payroll and non payroll costs totals **1**.
- Subtract your **Salary/Wage Reduction Amount** **2** (This is your “**Salary Reduction Sum**” **s** which reflects the loan forgiveness reduction required for salary/hourly wage reductions in excess of 25% for certain employees).
- Take your Salary Reduction Sum **s** and multiply your FTE Reduction Quotient **3**. This your Blended Wage and FTE Reduction Amount.
- This amount is one potential forgiveness amount.

5

Divide your eligible payroll costs during chosen Covered Period by .75.

This is your alternate amount of forgiveness based on your payroll expenditures.

Your spent
\$65,000 on
payroll

$\div .75 =$

Total
\$86,666.67

Second
potential
forgiveness
amount

Example

\$100,000 PPP Loan

- You spent:

Payroll	Rent	Non-payroll
\$65,000	\$15,000	\$80,000

- You have \$5,000 in wage reductions
- This means your new forgivable base is \$75,000
- You have a decrease in FTEs of 20%.
- Your \$75,000 is reduced by 20%
- Potential forgiveness is \$60,000

6

Your forgivable amount (lower of 4 and 5)

Your Forgivable Amount will be the **lower of your:**

- Blended Wage/FTE Reduction Amount, and
- Alternative Forgivable Amount Based on Payroll Expenditures (i.e. whether you spent 75% or more on payroll)

Example

* The SBA will reduce your forgiveness by any EIDL advance received. If you received \$10,000 EIDL, your final forgiveness would be \$50,000 (\$60,000 less the \$10,000 EIDL advance)

Forgivable amount

- Review previous calculations:

Blended wage and FTE reduction amount	Payroll cost 75% amount
\$60,000	\$86,666.67

- Since \$60,000 is lower than \$86,667.67, **\$60,000 becomes your forgiveness amount.***



What We're Researching





Awaiting clarification



Whether the covered period will be extended beyond 8 weeks

Bank upload sites

Forgiveness application timeline

Any changes to the 75/25 ratio of payroll to non-payroll

Guidance on specific items to be excluded or included

Final application

Summary

- What We Learned
 - Covered period and new alternative
 - Non-payroll costs that are covered
 - Paid vs incurred costs
 - FTE calculation method
- Loan Forgiveness Calculation
 - 6 key steps
- What We Are Researching



Next Steps



Documentation

To submit with loan forgiveness application

How we're helping

Collaborating with banks on the information required as documentation for loan forgiveness

What you can do

Start gathering documentation, including bank account statements, cancelled checks, and evidence of health insurance in place before 2/15/20

Next Steps

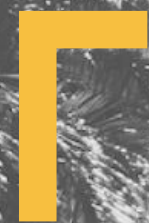
- Prepare your documents
- Tell us about your loan - lender, loan amount, funding date
- Stay tuned to our website

The Employer's Guide to the **Coronavirus**



Check out
proservice.com/coronavirus

for resources on PPP loans,
reopening questions and more.



Mahalo.



