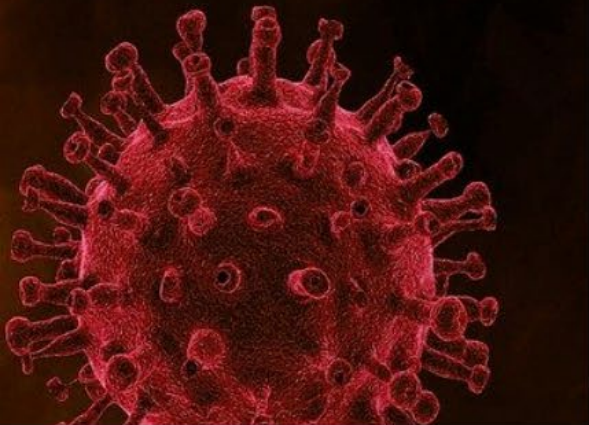


PPP Loan Forgiveness

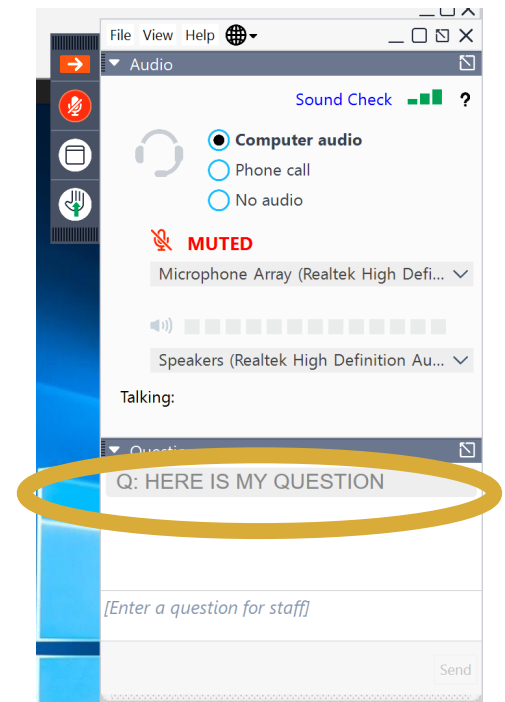
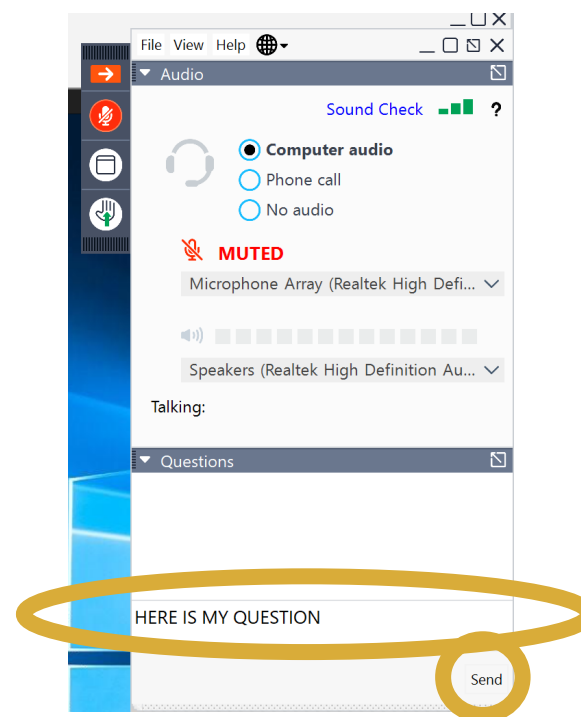
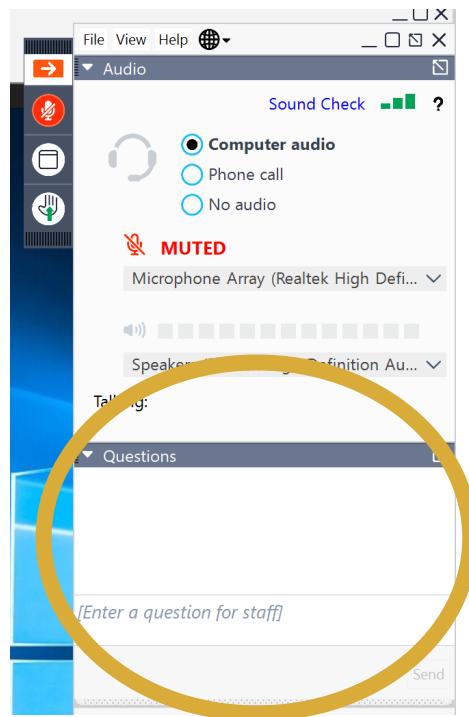
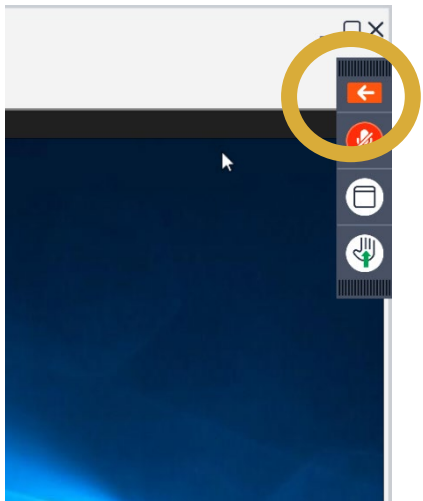
Understanding New Guidance

June 2nd, 2020



Housekeeping Items

- > Your phone will be muted, but we still welcome questions!
- > To ask questions, please use the pop-out button on the right side of your screen



Welcome!



Bradley Pederson, CPA

Partner

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*Updated as of June 2nd, 2020



How did we get here and what is next?

*Updated as of June 2nd, 2020

Paycheck Protection Program Loan Forgiveness



James Gades

Finance Manager

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Agenda

- > Application
- > Forgiveness Period
- > Forgiveness Amount
- > Eligible Payroll and Non-Payroll Costs
- > Full-Time Equivalent Employee
- > Documentation
- > Q&A



General

- > PPP loans in excess of 2 million will be audited and the SBA has the right to review loans of other amounts for validity and forgiveness.
- > Lenders have 60 days of receipt of application and documentation to review and the SBA will have 90 days to review the lender's decision on loan forgiveness.
- > Borrowers may appeal within 30 days of decision if needed.

General - Continued

- > Payroll costs need to be 75% or more of the forgiveness amount and no more than 25% can be used for non-payroll costs.
- > Employee still capped at \$100,000 annualized salary (\$15,385 max for the 8 week forgiveness period or \$1,923.07 per week).
- > Highlights of the form, calculations and documentation will be presented in this webinar.

PPP Forgiveness Application

- > The Forgiveness Application is available on sba.gov website.
- > The Application includes instructions and calculations on completing the form.
- > There is a loan forgiveness calculator at aicpa.org website.

Forgiveness Application – Continued

- > The Application along with the proper documentation will need to be submitted to the SBA lender who processed your actual PPP loan.
- > Rule in effect at the time of borrowing will need to be followed.

Forgiveness Amount

- > The amount is limited to the lesser of:
 - > PPP Loan Amount
 - > Payroll/75%
 - > Calculated Forgiveness Amount
 - > Payroll costs + mortgage interest payments + rent/lease payments + utility payments – salary/hourly wage reductions = subtotal of eligible costs X FTEE (Full-Time Equivalent Employee) reduction quotient = calculated forgiveness amount

Forgiveness Amount - Continued

- > Owner compensation for Independent Contractors/Sole Proprietors and general partners is limited to the lesser of \$15,385 or 8/52nds of their 2019 compensation.
- > Independent Contractor, Sole Proprietors & General Partners in a Partnership will not be allowed to include the costs of their own health insurance or retirement plan contributions in total eligible payrolls costs for purposes of forgiveness.

Forgiveness Period

- > Covered Period – The 8 week (56-day) period starting the disbursement date of your PPP loan.
- > Alternative Payroll Covered Period – (APCP) - Borrowers with a biweekly or more frequent payroll schedule may elect using the 8 week period that begins on the first day of their first pay period after the PPP loan disbursement date.
- > If you chose the APCP then you must use it where referenced in the application unless it says covered period only.

Eligible Payroll Costs

> Payroll Costs

- > Gross Salary, Gross Wages, Gross Tips, Gross Commissions and Bonuses

- > Paid leave (vacation, PTO, family, medical or sick leave, not including leave covered by the FFCRA, also there are some allowances for dismissal or separation.

- > Employer Contributions for:

- > Health Insurance

- > Retirement plans

- > State and local taxes assessed on employee compensation

Eligible Non-Payroll Costs

- > Non-Payroll Costs – established before February 15, 2020
 - > Mortgage obligations – Interest only and no prepayment allowed
 - > Rent/Lease obligations – real or personal property
 - > Utility payments – electricity, gas, water, transportation, telephone & internet

Full-Time Equivalent Employee (FTEE)

- > FTEE based on 40 hour work week, calculated weekly and rounded to the nearest tenth of a percent, capped at 1.0
- > Simplified Method of 1.0 for employees that work at least 40 hours per week and .5 for all others is an option for borrowers also.
- > You will need to track any employees with a 25% or more reduction in salary/hourly wages.
- > When an employee is terminated for cause, voluntary resigns or requests reduced hours during either 8 week period, they are counted at FTEE only if the position was not filled by a new employee. Any FTEE reductions in these cases do not reduce

FTEE - Continued

- > A borrower may exclude any reduction in FTEE headcount if:
 - > Borrower makes good faith, written offer to restore hours or salary/wage
 - > The offer was rejected by employee
 - > Borrower maintains records of offers and rejections
 - > Borrower notifies state unemployment of rejection within 30 days

FTEE - Continued

- > FTEE reduction safe harbor

- > A safe harbor under applicable law exempts certain borrowers from the reduction based on FTEE employee levels if they meet both of the following conditions:

- > The borrower reduced its FTEE employee levels in the period beginning February 15, 2020 and ending April 26, 2020 and then restored its FTEE employee levels by no later than June 30, 2020 to its FTEE employee levels in the borrower's pay period that included February 15, 2020.

Documentation

- > PPP Forgiveness application and supporting documentation.
- > Documentation verifying the number of FTEE and pay rates:
 - > Form 941 and State income, payroll and unemployment reports
- > Documents for other payroll costs:
 - > Payment records for employer contributions for health insurance and retirement (cancelled checks or bank activity showing payments)
- > Documents for non-payroll costs:
 - > Cancelled checks, payment receipts transcripts of accounts or any other documents verifying payments for Rent/Lease, Mortgage & Utility payments

Documentation - Continued

- > Records must be kept for 6 years.
- > Good bookkeeping will be important in getting your maximum loan amount forgiven. Records will most likely be submitted in digital format to protect the Borrower and Lender from lost paperwork.
- > Any other documentation the SBA determines necessary.

Questions!





CHRISTIANSON

CPAs & Consultants

Thank you!

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