

# Maximizing PPP Loan Forgiveness for Your Business

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May 13, 2020

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Welcome!

CARES Act and the SBA

PPP Loans and Forgiveness

Your questions

# CARES Act and the SBA

# The Small Business Administration (SBA)

**While the PPP loan is getting all the attention, there are other programs available:**

- CARES Act Paycheck Protection Program (PPP) Loans
- Economic Injury Disaster Loan Emergency (EIDL) Advance
- SBA Express Bridge Loans
- SBA Debt Relief

# PPP Loans and Forgiveness

# The PPP Loan and What We Know



## Here's what we know:

- PPP Loan was designed to cover 8 weeks of a SMBs standard operations qualified payroll and non-payroll costs
- The funds were meant to be distributed immediately
- The banks are the distribution method of the funds
- The funds are eligible for forgiveness
- Forgiveness is determined by the banks utilizing guidance from the SBA

# Forgiveness as we know it



**So now you have a loan, what next?**

Think about how to maximize your use of the loan money...

- Must spend 75% on qualified payroll costs
- Must maintain FTE levels, measured against one of two reference periods:
  - Average FTEs you had between February 15, 2019 and June 30, 2019  
or
  - Average FTEs you had between January 1, 2020 and February 29, 2020
- Your loan forgiveness will also be reduced if you decrease qualified salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.

The impact of reductions in FTEs or wages on forgiveness can be mitigated, if by June 30, 2020 you eliminate reduction in FTE and reduction in wages.



# Forgiveness as we know it



**What types of qualified payroll and non-payroll costs can you include?**

And what about timing?

- **Qualified payroll costs:**
  - **Included:** continuation of group health care benefits during periods of paid sick, medical or family leave; insurance premiums; employees' salaries commissions or similar comp, vacation, state and local taxes. Wages are capped at \$100K
  - **Not included:** payroll taxes imposed on employer, comp to employee whose principal place of residence is outside of the US, qualified sick leave and family leave for which a credit under FFCRA is taken
- **Qualified non-payroll costs:**
  - **Included:** interest on mortgage, rent, utilities and interest on other debt obligations

**The loan term is 8 weeks and begins the date the loan is disbursed to you.**

# Forgiveness as we know it



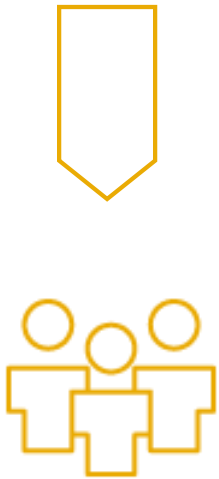
**To maximize forgiveness ensure you keep good records!**

- Forgiveness application certifying and documenting:
  - Documentation verifying the number of FTEs and pay rates for the relevant periods
  - Payroll tax filings reported to the Internal Revenue Service and state income, payroll, and unemployment insurance filings; and
  - Documentation (including cancelled checks, payment receipts, transcripts of accounts, or other documents) verifying payments on non-payroll expenses
- The lender must make a determination regarding an application for loan forgiveness within 60 days of the request

# Let's Walk Through A Forgiveness Example...

## Situation - applying for and getting a \$500K PPP loan

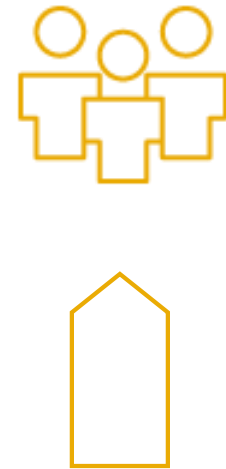
Mar 01, 2020



May 01, 2020



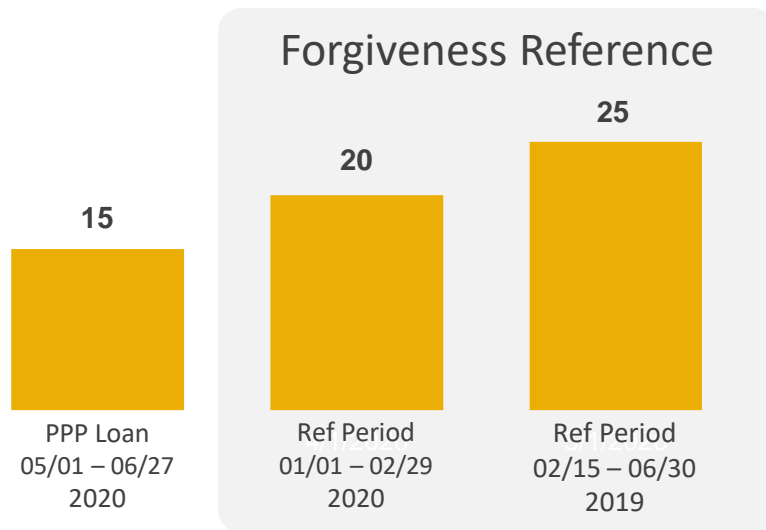
May 01 – Jun 27, 2020



# Let's Walk Through A Forgiveness Example...

All \$500K is eligible, but let's see if \$500K forgiveness is achieved

## FTE Factor



$$15 \text{ FTE} / 20 \text{ FTE} = \underline{75\%}$$

## Wage Impact



Note: any reduction in employee wages >25% will result in a reduction of the forgiveness eligibility amount of your loan

# Let's Walk Through A Forgiveness Example...

In summary, your forgiveness impact would then be

PPP Loan Total	\$500K
Amount Forgiveness Eligible	\$500K
FTE Factor	75%
Wages Reduction	\$0
Loan Forgiveness	\$375K
Loan Repayment	\$125K

# Let's Walk Through A Forgiveness Example...

In summary, your forgiveness impact would then be

PPP Loan Total	\$500K
Amount Forgiveness Eligible	\$500K
FTE Factor	75%
Wages Reduction	(\$150)
Loan Forgiveness	\$225K
Loan Repayment	\$275K

# Your questions

# Your questions



Can I pay severance payments with my PPP loan funds?

Can I prepay a future payroll with my PPP loan funds?



# Your questions



When does my 8-week loan term start?

Is the 8-week term period based on cost incurred, or billed?

# Your questions



If employees agreed to pay cut, does that work against forgiveness?

Is the 75% on payroll costs an absolute % or is it based on a sliding scale?

# Your questions



How are FTEs calculated?

# Your questions



If you typically pay bonuses in June that cover first 6-months of performance, can you count the entire payment towards PPP funds OR only a prorated portion to cover 8 weeks?

# Your questions

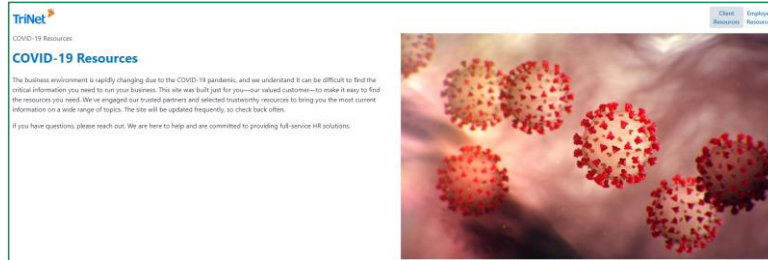


Can you address the tax implications if the loan is totally forgiven?

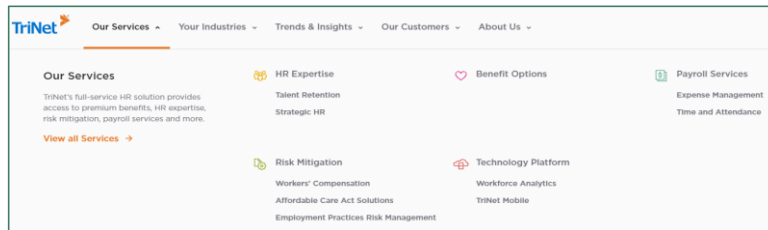
It appears that the IRS has indicated that the payroll covered by the loan will not be able to be expensed effectively potentially causing a sizable tax owed.

# Reminders and takeaways

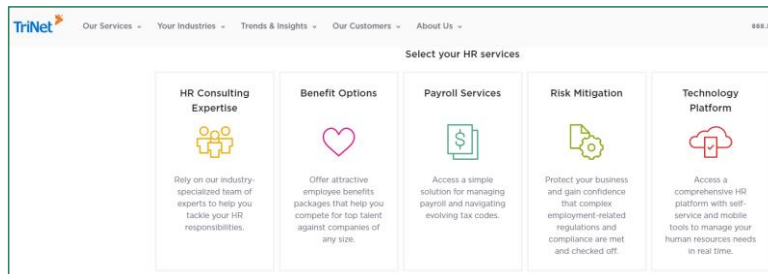
# Reminders and takeaways



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# Thank you!