

Latest News: What the PPP Flexibility Act and New Forgiveness Application Mean For Your Business

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Welcome

How Far We've Come

What has Been Changed, Updated, or Clarified?

Your Questions Answered!

Oh How Far We've Come...



SINCE OUR LAST WEBINAR

- The May 28, 2020 webinar, “Latest News: Updated Guidance on PPP Loan Forgiveness”, is still useful and highly recommended
- The PPP Flexibility Act (FA) was enacted
- New PPP FA loan and forgiveness applications have been published

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Flexibility Act and new forgiveness application:

1. Covered period of 24 weeks
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First – Determine Your Covered Period



Added a new covered period of 24-weeks

For example:

- 05/05/20 – loan start date
- 06/29/20 – 8-week covered period end date
- 10/19/20 – 24-week covered period end date

Safe harbor date is either 12/31/20, or the date the loan forgiveness application is submitted

2020-2021

PPP Loan Forgiveness

March '20

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

April '20

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

May '20

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

June '20

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

July '20

S	M	T	W	T	F	S
		1	2	3	4	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

August '20

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

September '20

S	M	T	W	T	F	S
	1	2	3	4	5	
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October '20

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November '20

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

December '20

S	M	T	W	T	F	S
	1	2	3	4	5	
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

January '21

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

February '21

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28						



SINCE OUR LAST WEBINAR – REMEMBER SMB LLC

Mario Lopez is the owner employee and he receives compensation related to their services to the company.

Enrico Fermi is part time employee and has reduced hours as a result of his own request.

Kelvin Douglas is a key contributor, earning more than 100k, but his hours have been reduced by 50%.

Jane Goodall is company star and received a big promotion earlier this year, increasing her cash comp by 50%

Debra Bass earned 80k in 2019 and was on track to earn the same in 2020, however her stellar efforts in readying the company for the pandemic mean that SMB LLC want to pay Debra a 10k bonus during the Company's regular half year bonus cycle which pays out on June 1.

Brandy Hong was terminated prior to receipt of the PPP loan because of a lack of work. Since our loan was disbursed, We have since made attempts to re-hire Brandy but Brandy has not returned to the company.

Company: SMB LLC

Owner-Employee: Mario Lopez

Employee Roster:

- Enrico Fermi
- Kelvin Douglas
- Jane Goodall
- Debra Bass
- Brandy Hong

PPP Loan Amount: \$90,000

PPP disbursement date: April 15, 2020

Payroll period: Bi-weekly

Schedule A Worksheet – 24-Week Wage Reduction Rule



You can apply for loan forgiveness prior to the end of 24-weeks

Table 1

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
Jane Goodall	0382	\$ 6,540	0.7	\$ 464
Debra Bass	9812	\$ 15,385	1.0	\$ -
Enrico Fermi	3428	\$ 7,550	0.3	\$ 730
FTE Reduction Exception:			1.3	
Totals:		Box 1 \$29,475	Box 2 3.3	Box 3 \$1,194

8-week reduction

15-week reduction

24-week reduction

Salary / Hourly Wage Reduction	Salary / Hourly Wage Reduction
\$ 870	\$ 1,392
\$ -	\$ -
\$ 1,369	\$ 2,190
Box 3 \$2,239	Box 3 \$3,582

For determining Salary/Hour Wage Reduction:

- Only include amounts in excess of a 25% reduction when compared to the employee's compensation for January 1, 2020 to March 31, 2020.
- If there is no reduction when compared to that period or the reduction is less than 25%, then the listed reduction should be \$0.
- NEW:** if borrower has reduced salary or wages in excess of 25%, the borrower must account for the excess salary reduction for the full 8-week or 24-week covered period.



ONLY the reduction amounts in excess of 25% are reflected in the tables

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Schedule A Worksheet – Employee Compensation Cap



Cash compensation cap

Table 1 - 8 Weeks

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
Jane Goodall	0382	\$ 6,540	0.7	\$ 464
Debra Bass	9812	\$ 15,385	1.0	\$ -
Enrico Fermi	3428	\$ 7,550	0.3	\$ 730
FTE Reduction Exception:			1.3	
Totals:		Box 1 \$29,475	Box 2 3.3	Box 3 \$1,194

Table 1 - 24 Weeks

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
Jane Goodall	0382	\$ 19,620	0.7	\$ 1,392
Debra Bass	9812	\$ 46,154	1.0	\$ -
Enrico Fermi	3428	\$ 22,650	0.3	\$ 2,190
FTE Reduction Exception:			1.3	
Totals:		Box 1 \$88,425	Box 2 3.3	Box 3 \$3,582

For determining employee's "cash compensation":

- Maximum amount is \$15,385 or **\$46,154** (which is prorated amount of \$100,000 annual salary/wages)
- Indicates this includes "gross" cash remuneration, such as salary, wages, tips, commissions
- Bonus, hazard pay, other incentive compensation
- Also appears to include severance/separation pay

Schedule A – Owner Compensation Cap



Owner-employee or self-employed individual compensation cap

The compensation cap for owners is calculated differently than it is for regular employees

- 8-week cap
 - The lesser of \$15,385 or 8 weeks of 2019 compensation
- 24-week cap
 - The lesser of \$20,833 or 2.5 months of 2019 compensation

Middle of Schedule A

<u>Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period</u>	
Line 6. Total amount paid or incurred by Borrower for employer contributions for employee health insurance:	\$700
Line 7. Total amount paid or incurred by Borrower for employer contributions to employee retirement plans:	\$440
Line 8. Total amount paid or incurred by Borrower for employer state and local taxes assessed on employee compensation:	\$152
<u>Compensation to Owners</u>	
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.	\$15,385
<u>Total Payroll Costs</u>	
Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):	\$55,382

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Loan Application – Payroll Cost Requirement



Payroll costs requirement reduced from 75% to 60% of loan value

Remember: Line 10 of the forgiveness application states the following “Payroll Cost 60% Requirement (divide line 1 by 0.60)” to establish one of your potential forgiveness amounts

Recall that SMB LLC had a \$90,000 loan, having spent \$55,382 on Payroll Costs

- Old rule
 - \$55,382 divided by 0.75 = \$73,843 maximum forgiveness amount
- New rule
 - \$55,382 divided by 0.60 = \$92,303 maximum forgiveness amount

75%



60%

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Schedule A – FTE Calculation and Safe Harbor



Table 1

Table 1

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
Jane Goodall	0382	\$ 6,540	0.7	\$ 464
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FTE Reduction Exception:			1.3	
Totals:		Box 1 \$29,475	Box 2 3.3	Box 3 \$1,194

Jane's work schedule reduced from 40 hours per week on average to 28 hours per week.

Because 28 hours is 70% of a full-time equivalent schedule of 40 hours, she has an Average FTE result of 0.7

Average FTE Calculation

Week of:	Average Hours Paid Per Week
4/19	30.0
4/26	28.0
5/3	27.0
5/10	26.0
5/17	29.0
5/24	28.0
5/31	23.0
6/7	33.0
Total Weekly Average	28.0
Average FTE (Total Weekly Average / 40)	0.7

For determining Average FTE:

- A full-time equivalent employee is an employee who was paid for at least 40 hours per week (work or non-work)
- An individual can only have an Average FTE quotient of 1.0 or less
- calculate FTE for each of the 8 weeks, and then average the sum of the eight weeks to determine final Average FTE quotient

Schedule A – Safe Harbor



FTE reduction calculation safe harbors

- No reduction in employees or average paid hours
- FTE Reduction Safe Harbor 1 is satisfied (**new**)
- FTE Reduction Safe Harbor 2 is satisfied

Bottom of Schedule A

Total Payroll Costs

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

\$55,382

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:

4.5

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

3.8 (3.3 / 0.5)

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

0.84 (3.8 / 4.5)

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Schedule A Worksheet – FTE Reduction Exception



New FTE reduction exception rule



Allows borrower to avoid FTE reduction impacts if, in good faith, the borrower can show the following

Table 1

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FTE Reduction Exceptions:

- Instructions allow borrowers to add additional Average FTE quotients into Table 1 when:
 - The borrower is able to document the inability to replenish FTEs through no fault of their own

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Loan Application – New “EZ”



“EZ” PPP loan forgiveness application form

- No FTE Scores
- No Salary/Hourly Wage Reduction
- No Schedule A
- No Schedule A Worksheet
- No listing of employees
- No listing of employee compensation

 **Paycheck Protection Program**
PPP Loan Forgiveness Application Form 3508EZ

OMB Control No. 3245-0407
Expiration date: 10/31/2020

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
		Primary Contact	E-mail Address

SBA PPP Loan Number: _____ Lender PPP Loan Number: _____

PPP Loan Amount: _____ PPP Loan Disbursement Date: _____

Employees at Time of Loan Application: _____ Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ EIDL Application Number: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ Weekly ☐ Biweekly (every other week) ☐ Twice a month ☐ Monthly ☐ Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs: _____

Line 2. Business Mortgage Interest Payments: _____

Line 3. Business Rent or Lease Payments: _____

Line 4. Business Utility Payments: _____

Potential Forgiveness Amounts

Line 5. Add the amounts on lines 1, 2, 3, and 4: _____

Line 6. PPP Loan Amount: _____

Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60): _____

Forgiveness Amount

Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7): _____

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Schedule A – Clarifications



The last month has given us the following clarifications...

- Health Insurance contributions: owners excluded
- Retirement contributions: owners excluded



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Loan Application – Admin Items



Other Flexibility Act changes...

- Extension of Loan Deferral Period
- Extension of Maturity Date
- SS tax deferral permitted



The Forgiveness Application Stays With You



Remember the archiving requirements...



Some documents
must be submitted
with the application



Other documents **must**
be retained by the
borrower for 6 years

Reminders and takeaways

Your Questions



Can I spend less than 40% on non-payroll costs?

Can we use PPP loan funds for payment of credit card interest, masks and other similar costs?

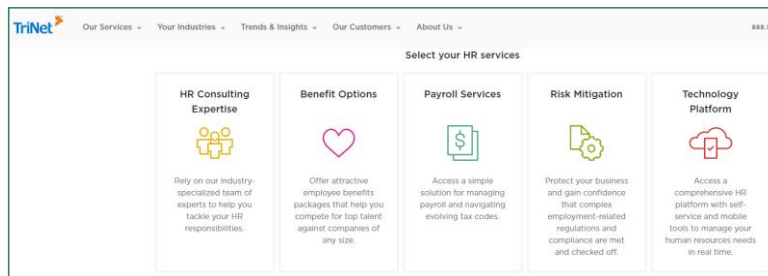
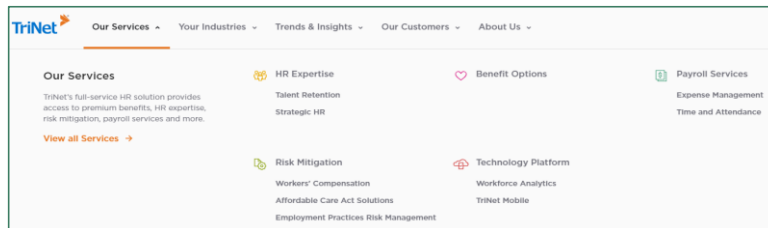
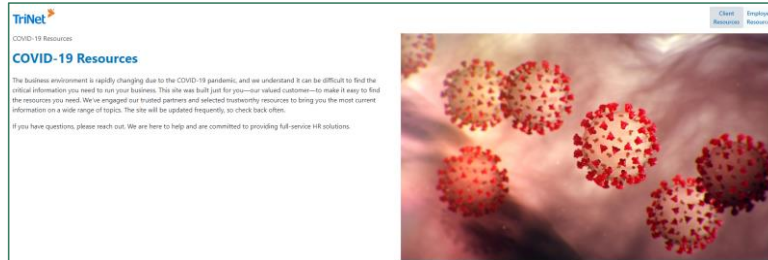
Your Questions



When is my forgiveness application due?

Do you think the SBA will define “documentation” for the FTE exception?

Reminders and takeaways



- Visit the **Client Resources site** on the TriNet platform
- Read our **COVID-19 Newsletters**, sent to you weekly
- Keep up to date on other **webinars, blogs** and events by visiting [TriNet.com](https://www.trinet.com)
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Thank you!