



Paycheck Protection Program Loan Forgiveness

Presented by:


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QUESTIONS?

You may ask your question in the questions box at any time. Any questions that we do not answer during the webinar will be posted on the compliance corner webpage in the coming weeks.



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TODAY'S PRESENTERS



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AGENDA

- Paycheck Protection Program (PPP)
 - The Offering
 - Defining loan amounts and usage
 - Application certifications
 - Defining eligible and ineligible expenses
- Loan Forgiveness
 - Application
 - Clarification of covered period and eligible expenses
 - Offsets for reductions in staffing and salary
 - Forgiveness process, certifications, and documentation
- Business assistance

PPP Offering

Description

- 100% guaranteed covered loans
- Available to businesses and self-employed individuals
- During the period of February 15, 2020 through June 30, 2020

Eligibility

- Businesses whose principal place of residence is in the United States
- In operation on February 15, 2020
- 500 or fewer employees for whom you paid salaries and payroll taxes

Terms of the Loan

- Based on average monthly payroll costs
- First eight weeks of certain expenditures are forgivable – no repayment
- Remaining balance becomes a 2-year loan subject to 1% interest

Distribution

- Available through the Small Business Association (SBA), credit unions, or banks
- Loan program available to small businesses and sole proprietors on Friday, April 3
- Available to independent contractors and self-employed individuals on Friday, April 10

Defining Loan Amounts and Usage

Payroll costs include:

- Salary, wages, commissions, or similar compensation
- Cash tips or equivalent
- Payment for vacation, sick leave, or family or parental leave
- Allowance from dismissal or separation
- Payment for provision of group health care and retirement benefits
- Payment of State or local tax assessed on employee compensation

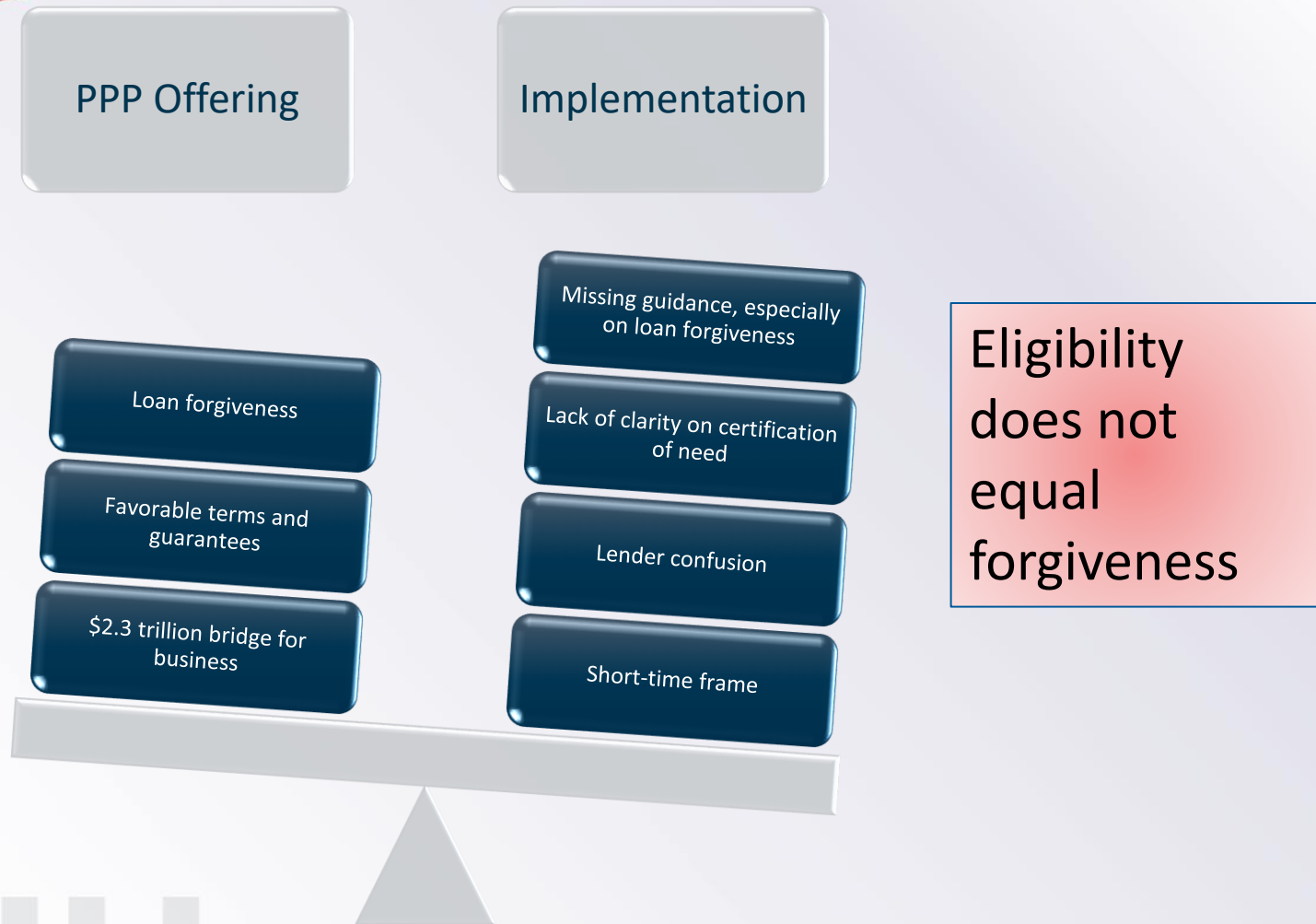
Maximum loan

- **is the lesser of:** 2.5 x of payroll costs or \$10,000,000
- Businesses calculate the average monthly payroll costs over previous 12 months or 2019 calendar year
- Excludes individual cash compensation over \$100,000 not including any non-cash benefits
- Cannot include any paid sick leave or family leave reimbursed under the Families First Coronavirus Response Act

Loan Use

- Payroll costs
- Continuation of group health care benefits while on paid sick medical or family leave
- Mortgage interest obligations (*in force prior to 2/15/20*)
- *Rent and utilities (in force prior to 2/15/20)*
- Interest on other debt obligations incurred prior to 2/15/20

Challenges of Implementing the PPP



Substantial Economic Uncertainty

“Current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant.”

CERTIFICATIONS

The authorized representative of the Applicant must certify in good faith to all of the below by **initialing** next to each one:

- ☐ The Applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC.
- ☐ Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.
- ☐ The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule; I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.
- ☐ The Applicant will provide to the Lender documentation verifying the number of full-time equivalent employees on the Applicant's payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight-week period following this loan.
- ☐ I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the forgiven amount may be for non-payroll costs.
- ☐ During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under the Paycheck Protection Program.
- ☐ I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- ☐ I acknowledge that the lender will confirm the eligible loan amount using required documents submitted. I understand, acknowledge and agree that the Lender can share any tax information that I have provided with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

Signature of Authorized Representative of Applicant

Date

SBA and Treasury safe harbor

- Applies to SBA's review of PPP loans with respect to this issue
- *“Any borrower that, together with its affiliates, received PPP loans with an original principal amount of less than \$2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith”*

Borrowers who applied and repay the loan by May 18, 2020 will be deemed to have made a good faith certification

Clarifying Payroll Costs

Payroll Costs

compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation;

cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips);

payment for vacation, parental, family, medical, or sick leave;

allowance for separation or dismissal;

payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement;

payment of state and local taxes assessed on compensation of employees;

cost of a housing stipend or allowance provided to an employee as part of compensation

Cash compensation

- Gross wages, tips, commissions, paid leaves
- Individual cap at \$100,000/yr. or \$15,385/CP/APCP

Health Insurance Costs

- Employer contributions for employee health insurance
- Excludes pre and post tax employee contributions

Retirement Costs

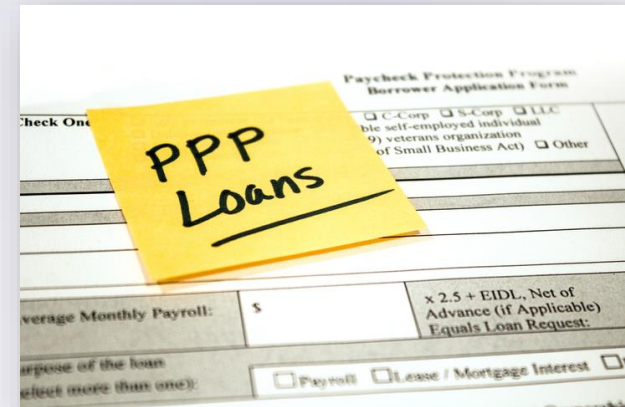
- Total amount of employer contributions
- Excludes pre and post tax employee contributions

Taxes

- State and local taxes assessed on compensation
- Excludes any taxes withheld from employee earnings

Ineligible Expenses

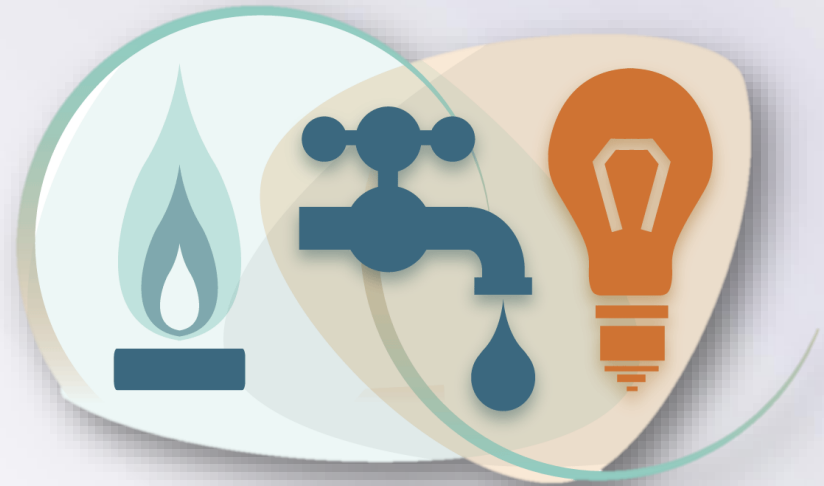
- compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the covered period
- taxes imposed or withheld under chapters 21, 22, or 24 of the Internal Revenue Code, *e.g. FICA, railroad retirement act taxes, and income taxes*
- any compensation of an employee whose principal place of residence is outside of the United States
- qualified sick leave under the FFCRA
- qualified family leave wages under the FFCRA



Clarification of Utility Expenses

For which service began before February 15, 2020

- Electricity
- Gas
- Water
- Transportation
- Telephone
- Internet



PPP Loan Forgiveness Application

11-page application and instructions contains:

- Full calculation of loan forgiveness
- Definition of terms
 - Eligible payroll costs
 - Eligible non-payroll costs
- Complete instructions
- Worksheet to calculate:
 - Full-time equivalent employees
 - Salary reductions
 - Non-cash compensation, e.g. health insurance/retirement costs
 - Safe harbors
- Applicant certifications
- Guidance on required documentation and substantiation

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 (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 75% Requirement (divide line 1 by 0.75): _____

Forgiveness Amount

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

SBA Form 3508 (05/20)
Page 3

Basis of Loan Forgiveness

Covered Period CP

- Begins the day funds disburse and ends 56 calendar later
- Example: *Funds received April 20... CP = Mon. April 20 – Sun. June 14*

Alternative Payroll Covered Period (APCP)

- Begins the first day of the first payroll after disbursement and ends 56 calendar later
- Example: *Funds received April 20 with first payroll April 26... CP = Sun. April 26 – Sat. June 20*

Eligible Expenses

- Incurred = *day employee earns pay*
- Paid = *date paycheck distributed or ACH initiated*
- Incurred but not paid in last payroll of CP/ APCP = *includable if paid on or before next regular payroll period*

Reductions in Staff

Reduction Determination – *based on Full-Time Equivalent (FTE) Employees*

- Average number of FTE employees/mo. → during CP or APCP
- \div Average number of FTE employees/mo. → 2/15/19-6/30/19 or 1/1/20-2/29/20 (employer's choice)
- Seasonal employers may also choose a consecutive 12-week period between 5/1/19 and 9/15/19 or either of the two periods listed above

Calculating Full-time Equivalent (FTE) Employees

- Employers may choose one of two ways to calculate full-time equivalent employees:
 - Actual = for each employee, take the average number of hours worked per week, divide by 40, and round to the nearest tenth
 - Simplified = Count each full-time employee working 40 hours or more per week as 1.0 and each employee who works less than 40 hours per week as 0.5.

FTE Employee Exemptions

- Do not count employees for whom, a good faith, written offer, of rehire was made during CP/APCP but was declined by employee; or
- who were fired for cause, voluntarily resigned, or voluntarily requested and received a reduction in hours
- AND these positions were not filled by a new employee

FTE Employee Safe Harbor

- Employer is exempt from FTE employee reduction if:
 - The employer reduced its FTE employee levels in the period beginning February 15, 2020 and ending April 26, 2020; AND
 - The employer restored its FTE employee levels by not later than June 30, 2020 to its FTE employee levels in the pay period that included February 15, 2020

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

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 by Borrower for employer contributions for employee health insurance: _____

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

Line 8. Total amount paid 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): _____

Full-Time Equivalency (FTE) Reduction Calculation

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 ☐, skip lines 11 and 12 and enter 1.0 on line 13.

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 FTE Safe Harbor is met: _____

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Expiration Date: 10/31/2020

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.

2019 or were not employed by the Employer 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:		Rox 4	Rox 5

Attach additional tables if additional rows are needed

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Reductions in Salary

Reduction Determination by Person

- $\$ \text{ Average annual salary/hourly wage during CP or APCP}$
- $\div \$ \text{ Average annual salary/hourly wage during the period of 1/1/20-3/31/20}$
- No reduction to loan if result is 75% or more
- If less, see safe harbor and reduction calculation

Do not include anyone whose salary is over \$100k

Salary Restoration Safe Harbor Exemption

- Eligibility - if annual average salary/hourly wage for the period of February 15, 2020 to April 26, 2020 is less than the average annual salary/hourly wage as of February 15, 2020
- Applicability - if the average annual salary/hourly wage as of June 30, 2020 is equal or greater than the average annual salary/hourly wage as of February 15, 2020, then there is no reduction

Per person reduction calculation =

- $\$ \text{ Average annual salary/hourly wage during 1/1/20} - 3/31/20 \times 0.75$
- $\underline{\$ \text{ Average annual salary/hourly wage during CP or APCP}}$
- $\$ \text{ Salary/hourly wage difference (*)}$
- NEXT:
- $\text{If salary} = \$ \text{ Salary difference}^* \times 8 \div 52$
- $\text{If hourly} = \text{average hours worked per week for 1/1/20-3/31/20} \times \text{hourly wage difference}^* \times 8$

Clarifying Loan Forgiveness

Applying for Forgiveness

- By paper
- Electronic through Lender
- May begin anytime after covered period expires



Certifications

- All funds were used for PPP-eligible expenses, e.g. payroll costs, business mortgage interest, business rent or lease payments, or business utility payments
- The form includes all applicable reductions based on FTE employee and salary changes
- Non-payroll costs do not exceed 25% of the amount requested
- Understanding that if proceeds were used for non-eligible purposes, the federal government may pursue recovery and/or criminal fraud charges
- Required documentation and tax documents submitted to the lender are accurate and applicable and that the SBA may share these documents with authorized representatives
- Understanding that the SBA may request additional information, as necessary

Documentation

SUBMIT

Documents required for submission with PPP Loan Forgiveness Application

- PAYROLL: Bank accounts statements, payroll service reports for CP/APCP time periods. tax forms covering CP/ APCP period, payment receipts, cancelled checks, Form 941 and other applicable tax forms, state wage reports, supporting documents showing employer contributions to employee health insurance and retirement plans
- FTE: Documentation showing FTE counts for CP/APCP and employer-chosen reference period, including payroll tax filings reported or to be reported (e.g. Form 941), state quarterly business and individual employee wage reporting
- Non-Payroll: Verification of existence of mortgage interest, rent or leasing arrangements, and utility services prior February 15, 2020, cancelled checks, account statements, copies of agreements, invoices ---expense documentation should cover CP/APCP time period plus one month after the CP/APCP time period ends

MAINTAIN

Documents that each borrower must maintain (submission not required)

- PPA Schedule A Worksheet, including FTE Reduction Safe Harbor calculation

Listing of each individual employee, their salary information, and FTE employee status, information on individuals with salaries in excess of \$100,000 in 2019

- Employee status changes including employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule

Business assistance

NAHU and MZQ Consulting LLC are excited to announce our affinity partnership!

MZQ Consulting is now offering Paycheck Protection Program Forgiveness Assist. Designed to assist groups that have received a PPP loan, the experts at MZQ will calculate, maximize and document your forgiveness package by:

- conducting a thorough review of expense documentation
- verifying amounts forgivable under the PPP
- preparing a signature-ready PPP Loan Forgiveness Application
- producing an "audit-ready" package documenting forgivability calculations

As part of our partnership, NAHU members will receive 25% off and your clients will receive 10% off PPP Loan Forgiveness Assist. Just mention you are a NAHU member when signing up to get access to these special discounts.





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