

Updated 6/5/2020 with the PPP Flexibility Act

FAST FACTS on PPP (Paycheck Protection Program) FORGIVENESS

If you reasonably think you can maintain employee headcount and payroll paid through December 31, 2020

- Borrow 2.5x monthly compensation
- Payroll includes health insurance
- Forgivable 24 weeks payroll PLUS rent, utilities, phone, mortgage interest
- Payroll capped at \$100K for individual, cannot use amount over \$100K for calc
- Health insurance and employer retirement contributions are fully deductible, without regard to the \$100K wage limitation
- Opportunity to forgive all or part of loan
- If not forgiven 1% interest rate over 2 to 5 yrs depending on when the loan was issued

FAQs

1. How is compensation defined for the purposes of the 2.5 x monthly compensation calculation?
 - Gross Payroll-up to a maximum of \$100K per person
 - Employer Share of Health Insurance
 - Employer Retirement Contributions
 - Employer Share of State Unemployment
2. Does the \$100K exclusion apply to the benefits too? Should I reduce health insurance and pension for employees making more than \$100K?
 - No. SBA issued guidance on this on 4/6/2020 (FAQ #7)
3. How is forgiveness calculated?
 - Based on Expenses and Maintenance of Employee Headcount
 - Compensation
 - Need to maintain level of 75% of each employees' salary and wages as they were paid in the 1st quarter 2020
 - 24 weeks measured from the date the loan is deposited to your bank account
 - Maximum of 40%* of the expenses for
 - Rent, Mortgage interest, Utilities

*Borrowers shall use at least 60% of the covered loan amount for payroll costs. "Shall" indicates this is a minimum threshold and if not met, none of the loan is eligible for forgiveness. This seems to be a technical error that could be fixed.

4. How is headcount calculated?
 - Headcount-based on full time equivalents (FTEs)
 - Can compare the 24-week period to:

Feb 15, 2019 to June 30, 2019 OR Jan 1, 2020 to Feb 29, 2020 (We anticipate that this will change to December 31, 2020)
5. What if I furloughed employees?

- You can re-hire them and you have until December 31, 2020 to get up to the 75% of compensation and the FTE
6. What else could affect forgiveness?
- If you received the \$10,000 EIDL grant, forgiveness will be reduced by the amount of the grant
 - Wage forgiveness for those employees making \$100k or more per year is likely to change to \$46,154 for the 24-week period

TIPS

- ✓ Employees do not have to work in order to receive payroll
 - ✓ If you get the loan
 - Set up a separate bank account
 - Transfer the amount to cover payroll and expenses as they are paid
 - Save your documentation
 - Project out payroll and other expenses to monitor forgiveness
- Note: proper accounting for the PPP loan will be critical for forgiveness.*
- ✓ Consider deferring the 6.2% employer share of FICA. Can defer through 12/31/2020 and repay in two installments on 12/31/2021 and 12/31/2022
 - ✓ **Furlough Employees** Furlough conveys a plan to re-hire
 - Employee can stay on your health insurance
 - You can bill the employee for their share of health insurance
 - In some cases, the employee might make more on unemployment
Consider cost of new hires, training, knowledge gap
 - ✓ **PA Shared Work program**
 - Can reduce employee time by 20-40% part unemployment, part work
 - Employees who work reduces hours are eligible for the \$600 federal unemployment add on
 - ✓ **For this period of time, putting someone on unemployment will not affect your unemployment rate-if you are temporarily closed due to COVID 19**
 - ✓ **Employee Retention Credits**
 - Refundable payroll tax credit
 - Up to \$5,000 per employee per quarter
 - Conditions
 - Be in existence at beginning of 2020
 - Whole or partial shutdown
 - Drop in revenue of at least 50 percent in first quarter 2020 compared to first quarter 2019
 - Not eligible if you receive the PPP Loan

These rules are changing very rapidly. There are parts of the CARES Act that are not yet clear and have been interpreted differently by different practitioners.

The information was prepared by Bee, Bergvall & Co as of Friday June 5, 2020, and is correct to the best of our knowledge and understanding. This is for informational purposes only and is not legal or financial advice. Please consult your own accountants or attorneys before proceeding.