



So You Have a PPP Loan. Now What?

June 3, 2020

Disclaimer: To the best of our knowledge, these answers were correct at the time of publication. Given the fluid situation, and with rapidly changing new guidance issued daily, be aware that these answers may no longer apply. Please visit our COVID-19 hub frequently for the latest information, as we are working diligently to put forth the most relevant helpful guidance as it becomes available.
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Introductions



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Paycheck Protection Program (PPP)

- Enacted as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) signed into law March 27, 2020.
 - Funding of \$349 billion
- Amended by the Paycheck Protection Program and Health Care Enhancement Act on April 24, 2020.
 - Funding of \$310 billion

How Much Can Be Borrowed?

- Maximum amount = lesser of:
 - \$10 million, **OR**
 - 2.5 times the borrower's average total monthly payments for payroll costs (as defined in the Act) during the calendar year 2019 (in general) **plus** any Economic Injury Disaster Loan (EIDL) received between February 15 and June 30, 2020 which was used to fund payroll costs

How Much Can Be Borrowed?

- Eligible payroll costs include –
 - Salaries, wages, and commissions, “or similar compensation”
 - Cash tip or equivalent
 - Payment for vacation, parental, family, medical, or sick leave
 - Dismissal or separation payments
 - Group health care benefits /insurance premiums
 - Payment of any retirement benefit
 - Payment of state or local tax assessed

PPP Details



- PPP Loans obtained through an authorized SBA Act Section 7(a) Lender
- No fees for PPP Loans
- Must be applied for on or before June 30, 2020 and are issued on a first-come, first-served basis
- PPP Loan proceeds must be disbursed within 10 days of the date upon which the loan was assigned an SBA loan number

Allowable Uses of PPP Loan Proceeds-Payroll Costs



- Must comprise 75%
 - Payroll costs (as defined in the Act) and employee salaries, commissions, and similar compensation on a gross basis
 - Compensation (not exceeding \$15,385 per employee)
 - For an independent contractor or sole proprietor, payroll costs only include wages, commissions, income, or net earnings from self-employment, or similar compensation.
 - Vacation, parental, family, medical, or sick leave (other than leave for which the employer was reimbursed under the Families First Coronavirus Response Act)
 - Allowance for separation or dismissal
 - Group healthcare benefits and insurance premiums
 - Employer contribution for employee retirement plans
 - Payment of state and local taxes assessed on employee compensation

Allowable Uses of PPP Loan Proceeds-Nonpayroll Costs



- No more than 25%
 - Mortgage interest payments (with no prepayment allowed)
 - Rent, including under an lease agreement;
 - Utilities-including power, gas, water, transportation, telephone, and internet access;
 - Interest on any other debt obligations incurred before February 15, 2020

Loan Forgiveness Application – FINALLY!

- Form 3508
- Four key parts:
 - PPP Loan Forgiveness Calculation Form
 - PPP Schedule A
 - PPP Schedule A Worksheet
 - PPP Borrower Demographic Information Form

Form 3508 Example:



Paycheck Protection Program
Loan Forgiveness Application

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

PPP Loan Forgiveness Calculation Form

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):



Paycheck Protection Program
Loan Forgiveness Application

OMB Control Number 3245-0407
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By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:

The authorized representative of the Borrower certifies to all of the below by **initialing** next to each one.

The dollar amount for which forgiveness is requested:

- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes all applicable reductions due to decreases in the number of full-time equivalent employees and salary/hourly wage reductions;
- does not include nonpayroll costs in excess of 25% of the amount requested; and
- does not exceed eight weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.

I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.

The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 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.

The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.

I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

Signature of Authorized Representative of Borrower

Date

Print Name

Title

Form 3508 Example - Continued:



Paycheck Protection Program Loan Forgiveness Application

OMB Control Number 3245-0407
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PPP Schedule A

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:

Form 3508 Example - Continued:



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):

Loan Forgiveness

- Payroll
 - Definition
 - Alternative Payroll Covered Period
 - Default Covered Period
 - Paid or Incurred
 - Bonuses or hazard pay
- Nonpayroll
 - Paid or Incurred

Loan Forgiveness-75% Payroll Use Threshold

- All forgiveness is not lost!
- Exclusion of nonpayroll costs to help meet the threshold

Loan Forgiveness-Loan Reduction Rules

- Allowable uses of proceeds
- Reduction of greater than 25% in wages paid to employees
 - Safe harbor if restore wages by June 30, 2020
- Reduction in the number of employees
 - Rehire exemption
 - Safe harbor if restore FTE level by June 30, 2020 to same level that existed on February 15

PPP Loan Reviews



- PPP Certifications
- \$2 million threshold

PPP Loans-Record Keeping Requirements



- Payroll
 - Bank account statements, third-party payroll service provider reports, tax filings (Form 941), state quarterly wage reporting, unemployment insurance tax filings, cancelled checks, account statement documents specific to payment of employer contributions to employee health insurance and retirement plans
- Nonpayroll
 - Amortization schedules, cancelled checks, lender account statements, lessor account statements, utility invoices, account statements

What Remains Unanswered?

- Retirement plan contributions
- Eight-week covered period

PPP Loan Forgiveness



- Questions?