
PrestigePEO

April 29, 2020

COVID-19

We Are Here For You

Today's Presenters



Jason Flinn

Today's Moderator
and Director of
PrestigePEO Client
Services



Carol Sawyer

Tax Manager at
PrestigePEO

Today's Topics



- New \$484B CARES Act Amendment Breakdown
- PPP Loan Forgiveness Update
- Workplace Best Practices
- SBA Loan - Frequently Asked Questions

- ❖ Webinar Forum
 - All participants are muted.
 - Please type questions in the side navigation panel and we will try to address most questions.
 - Today's presentation will be posted at <https://www.prestigepeo.com/covid-19/>.

CARES ACT Amendment

HR 266 – Paycheck Protection Program and Health Care Enhancement Act

\$100B in appropriations to HHS for public health and social services

- \$25B for COVID-19 testing

\$62.1B to SBA

- \$50B for Economic Injury Disaster Loan (EIDL)
- \$10B for Emergency EIDL Grants

\$310B for PPP Loans

- \$60B specifically for smaller depository institutions, credit unions

PPP Loan Forgiveness Update

PPP Loans-Interim Final Rule

April 23, 2020

- Hedge funds and private equity firms are not eligible for PPP loans
- Limited safe harbor with respect to certification concerning need for PPP loan request
 - Application requires businesses to certify that “current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant.”
 - A borrower that applied for a PPP loan prior to this IFR and repays the loan in full by May 7, 2020 will be deemed by SBA to have made the certification in good faith.
 - Safe harbor needed to allow borrowers to repay PPP loan funds based on a misunderstanding or misapplication of the certification standard.

PPP Loan Forgiveness

PPP loan usage

- 75% of loan proceeds must be spent on payroll costs (all types of wages, commissions, benefits, state/local payroll taxes)
- 25% of loan proceeds may be spent on rent payments, mortgage interest, utility payments, interest on debt obligations incurred prior to 2/15/2020

Exclusions

- Independent contractor expenses
- Federal payroll costs (FICA/Med/FUTA)
- FFCRA Emergency Paid Sick Leave and Paid Family Leave

PPP Loan Forgiveness

- The eight week covered period begins the day the loan is dispersed.
- Loan forgiveness will be reduced proportionally if a reduction in head count as compared to:
 - February 15, 2019 through June 30, 2019, OR
 - January 1, 2020 through February 29, 2020
- The borrower makes the election for look back period used.
- Forgiveness decreases if compensation rates drop by more than 25% compared to most recently completed quarter, for employees making less than \$100,000.

PPP Loan Forgiveness

Loan reduction can occur two ways; headcount reduction and salary reduction

Headcount reduction example

- Loan amount of \$100,000
 - employees in 8 week covered period: 9
 - employees in look back period: 10
- Loan forgiveness will be 90% (9/10) due to drop in head count - \$90,000

Salary reduction example

- 1Q 2020 Abigail earned \$80,000 (\$1,538.46 per week)
- Covered period Abigail earned \$8,000 (\$1,000 per week)
- Loan forgiveness will be reduced by \$4,307.68 (538.46 per week)

PPP Loan Forgiveness

Forgiveness Application

- Banks will be processing forgiveness applications
- Payroll records
 - Prestige loan forgiveness report & FTE report
 - Payroll registers
- For rent and utilities, cancelled checks, payment receipts, transcripts of accounts, other documents verifying payments
- Attest that the current economic uncertainty made the loan request and forgiveness application necessary to support the ongoing operations of the business.

PPP Loan Forgiveness

Unanswered Questions

- Loan forgiveness is not taxable at the federal level, what will states do?
- Will payroll expenses during 8 week period be based on check date or pay period dates?
- CARES act stated further guidance on forgiveness process would be issued 30 days after enactment of legislation. April 28th?
- Headcount exemption for rehires - Layoffs and salary reductions between 2/15/20 – 4/28/20 are rehired/salary restored by 6/30/20 – What happens if it is outside 8 week covered period?

Workplace Best Practices

The Remote Work Environment

Is this the new normal?

- Most organizations have gone to a remote work environment
- Work productivity may go down
- Morale may become a challenge
- How can you instill office culture in a work-from-home environment?

Working In a Remote Environment

What's the same and what's changed?

- **Meetings** – Keep them going!
- **Communication** – Messaging platforms allow employees to communicate on demand with each other and maintain the accessibility of an office environment. Management is able to have a strong presence with their staff to keep employees engaged and on task throughout the day
- **Expectations** – Most of us are on auto-pilot! The work from home environment throws many of us off balance and clear expectations help to keep structure in place
- **Administration** – Written policies, job descriptions, routine check-in

Boosting Morale

- **Meetings** – All work and no play?
 - Exercise your social muscles
- **The Virtual Breakroom** – Make time available for your team to not work
- **Video conferences** – Stay connected!
- **Communication** – Keep your company's message strong
 - Promote transparency within the organization and keep employees updated on company initiatives

Maintaining Morale

- **Be Available** – Keep an open door policy
 - One-on-one meetings, check-ins, online “hangouts”
 - Engage, listen and adjust
- **Recognition** – How is their work contributing to the business?
 - Personally appreciate the work of individuals
 - Recognition from the executive level carries a lot of weight
- **Education** – Show your investment in your employees
- **Appreciation** – Keep the celebrations going!

FAQs

FAQs

PPP Loan Forgiveness

Do I need to deposit the loan proceeds in a separate bank account?

- No it does not need to be in a separate account. Forgiveness application will need to show proof of payment of expenses – not specifically from a separate account.

I have received my loan proceeds. My business is considered nonessential. When should I bring my employees back? Will bringing them back after May 15th affect forgiveness?

- Employees should be rehired as quickly as possible. The loan represents 2 months of payroll that need to be paid in 8 weeks.

FAQs

PPP Loan Forgiveness

How do I use the loan proceeds so I can get full forgiveness?

- Funds received must be spent on qualified payroll costs (75%) and other qualified costs (25%)

May I defer the FICA taxes during my loan period?

- Yes. The FICA employer tax may be deferred during the covered period and the forgiveness application period. Deferral ends when loan is either all or partially forgiven. Amount deferred repaid 50% each on 12/31/21 and 12/31/22.

FAQs

FICA Deferral

If I elect to have the FICA tax deferral, do I need to defer for the entire year?

- No. You do not need to defer the tax through 12/31/20. If business improves you may stop the deferral. The amount deferred is payable on the original schedule.

Are there any penalties and/or interest associated with the deferral?

- No.

What is the process for payment of the FICA taxes in 2021 & 2022?

- The process is unknown at this time. The deferred amounts will be reported to the IRS on a client by client basis. Repayment may be done directly between client and the IRS.

Questions



COVID-19 Communications

- Daily support from your HRBPs, Payroll, Benefits, Compliance, & Retirement Specialists
- Weekly email updates
- Online COVID-19 resource center [PrestigePEO.com/COVID-19](https://www.prestigepeo.com/COVID-19)
- PrestigeGO mobile app to link directly to your dedicated support team



PrestigePEO
We Are Here For You