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# PrestigePEO

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June 10, 2020



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# COVID-19

## We Are Here For You

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# Today's Presenters



Jason Flinn  
Today's Moderator  
and Director of  
PrestigePEO Client  
Services



Andrew Lubash  
Founder and  
Principal of  
PrestigePEO



Seth Perretta  
Principal  
Groom Law Group



Carol Sawyer  
Tax Manager at  
PrestigePEO

# Today's Topics



- Introduction by Andrew Lubash, PrestigePEO Founder and Principal
- Legislative developments and PPP loan forgiveness application part 3 of 3 - presented by Seth Perretta, Principal Groom Law Group
- 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 [prestigepeo.com/covid-19](https://prestigepeo.com/covid-19).

## Welcome Update Presented by Andrew Lubash



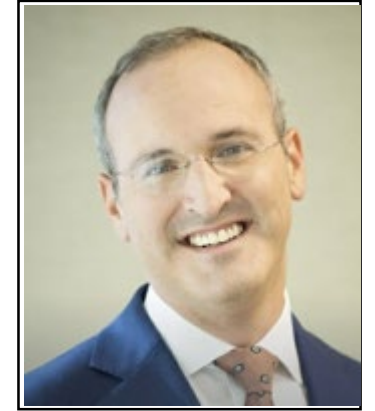
- Andrew (Andy) Lubash is Founder and Principal of Prestige Employee Administrators.
- Andy currently holds several positions at the National Association of Professional Employer Organizations (NAPEO);
  - Chairman of the Board of Directors
  - Member of the Federal Government Affairs Committee
  - Member of the Healthcare Committee
- Previously, Andy was Chairman of the State Government Affairs Committee for five years.

## PPP Loan Forgiveness Presented by Seth Perretta



- Seth Perretta is Principal at Groom Law Group, where he focuses his practice on employee benefit matters
- Based out of Washington, D.C., Seth interfaces regularly with regulators at the federal agencies and has been carefully following the federal legislative and regulatory developments
- Seth is outside counsel to NAPEO, the organization that represents the PEO industry, as well as American Benefits Council (ABC).
- Seth is a graduate of NYU School of Law and Cornell University

## Today's Discussion Presented by Seth Perretta



- Paycheck Protection Program Flexibility Act (PPPFA) – **NOW LAW!**
- Joint statement of SBA/Treasury regarding PPPFA
- Part 3 of 3 part series
  - Part 1 – Completing Schedule A Worksheet
  - Part 2 – Completing Schedule A
  - **Part 3 – Completing the Loan Forgiveness Application**



## Paycheck Protection Program Flexibility Act

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- The Act was initially passed by the House on May 28<sup>th</sup>
- Several Senators had proposed their own bill for consideration by the Senate
- With the House on recess until the end of June, the Senate moved forward with passage of the House's version (i.e., the Act), without changes, to facilitate relief for PPP borrowers
- President signed the Act into law on Friday, June 5<sup>th</sup>



## Paycheck Protection Program Flexibility Act

- Notable provisions
  - Extends loan term to minimum of 5 years, maximum of 10 years
  - Extends deferral period to when forgiveness occurs (or, if later, 10 months after close of covered period)
  - Allows borrowers to use existing 8-week loan forgiveness covered period or elect alternative covered period equal to 24 weeks (or until 12/31/20 if earlier)
  - Uses 60/40 rule versus 75/25 rule regarding use and forgiveness
  - Extension of FTE reduction and salary/hourly wage reduction safe harbor through 12/31/20 if using alternative covered period
  - Provides for an exception to FTE reduction factor based on inability to rehire or return to pre-pandemic business levels
  - Allows borrower to defer ER share of payroll taxes regardless of forgiveness



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## STATEMENTS & REMARKS

# Joint Statement by Treasury Secretary Steven T. Mnuchin and SBA Administrator Jovita Carranza Regarding Enactment of the Paycheck Protection Program Flexibility Act



June 8, 2020

**WASHINGTON**—U.S. Treasury Secretary Steven T. Mnuchin and Small Business Administration (SBA) Administrator Jovita Carranza issued the following statement today following the enactment of the Paycheck Protection Program (PPP) Flexibility Act:

“We want to thank President Trump for his leadership and commend Leader McConnell, Leader Schumer, Speaker Pelosi, and Leader McCarthy for working on a bipartisan basis to pass this legislation for small businesses participating in the Paycheck Protection Program.

“We also want to express our gratitude to Chairman Rubio, Ranking Member Cardin, Senator Collins, Congressman Roy, Congressman Phillips, and other members of Congress who have helped to create and guide our implementation of this critical program that has provided over 4.5 million small business loans totaling more than \$500 billion to ensure that approximately 50 million hardworking Americans stay connected to their jobs.

“This bill will provide businesses with more time and flexibility to keep their employees on the payroll and

## LATEST NEWS

June 8, 2020

[Readout from a Treasury Spokesperson: Secretary Mnuchin's Meeting with Minister of Finance of the Russian Federation](#)

[Joint Statement by Treasury Secretary Mnuchin and SBA Administrator Jovita Carranza Regarding Enactment of the Paycheck Protection Program Flexibility Act](#)

June 3, 2020


[Treasury, IRS Announce Delivery of Economic Impact Payments](#)

[Statement from Secretary Steven T. Mnuchin on Debt Transparency and Sustainability](#)

[Statement of the G7 Finance Ministers on Debt Transparency and Sustainability](#)

## Reduction in 75% Payroll Cost Requirement to 60%

- CARES Act – Sets forth “allowable uses” for PPP loans, but no restrictions requiring a certain amount of the loan to be spent on payroll costs
- SBA/Treasury – Created rule that 75% of loan proceeds must be used for payroll costs and forgiveness amount must be comprised of at least 75% of eligible payroll costs
- **The Act – Imposes 60% use/forgiveness requirement on the “covered loan amount”**



60%

## Reduction in 75% Payroll Cost Requirement to 60%

- Lower the requirements that 75 percent of a borrower's loan proceeds must be used for payroll costs and that 75 percent of the loan forgiveness amount must have been spent on payroll costs during the 24-week loan forgiveness covered period to 60 percent for each of these requirements. If a borrower uses less than 60 percent of the loan amount for payroll costs during the forgiveness covered period, the borrower will continue to be eligible for partial loan forgiveness, subject to at least 60 percent of the loan forgiveness amount having been used for payroll costs.



## Reduction in 75% Payroll Cost Requirement to 60%

**Example:** Acme Co. receives a loan for \$1,000,000. During the loan forgiveness covered period, they spend \$550,000 on payroll costs, and \$400,000 on business rent or lease payments + utility payments

### **UNDER CURRENT RULES:**

Even though Acme Co. spent \$950,000 on allowable costs during covered period, total forgivable amount would be capped at \$733,333.33 (\$550,000 divided by 0.75)

### **UNDER PPP FLEXIBILITY ACT RULE:**

*Apparent Treasury/SBA Interpretation Based on Joint Statement:* The new 60% threshold will be applied like the current rules, just using 60% instead of 75%. In this case, divide \$550,000 by 0.60, which provides a total maximum forgiveness amount of \$916,666.67

*Strict Reading of Statute:* To receive loan forgiveness, Acme had to use “at least 60 percent of the covered loan amount for payroll costs.” Since 60% of the covered loan amount (\$1,000,000) is \$600,000, it appears that under this reading of the statutory language, Acme’s total forgiveness amount would be **zero dollars (\$0)** (Note: Congressional leaders are aware of this potential interpretation and have indicated a willingness to enact technical corrections legislation if needed)

# 60%

## Deadline to Apply for PPP Loan

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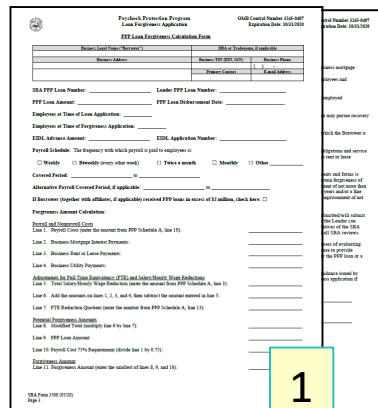
- In addition, the new rules will confirm that June 30, 2020, remains the last date on which a PPP loan application can be approved.

*(Extension of “Covered Periods” under PPP Flexibility Act had suggested that PPP loans would be available through December 31, 2020. SBA/Treasury apparently does not intend to interpret the statute this way.)*

# PPP Loan Forgiveness Application

## Application components

- There are four components to the loan application (however, only items 1 and 2 need to be submitted):
  - PPP Loan Forgiveness Calculation Form
  - PPP Schedule A
  - PPP Schedule A Worksheet (must be retained for 6 years)
  - PPP Borrower Demographic Information Form (optional for submission)
- Borrower must also submit and retain specified supporting documentation

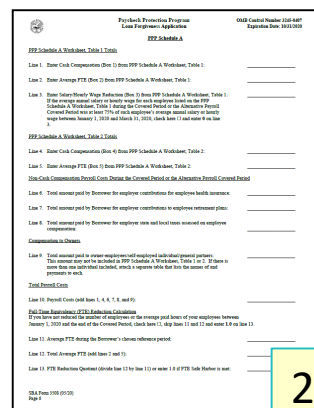


Paycheck Protection Program  
Loan Forgiveness Application  
PPP Loan Forgiveness Calculation Form

OMB Control Number 1545-0047  
Expiration Date: 03/31/2020

1545 Form 100 (01/20)  
Page 1

**1**

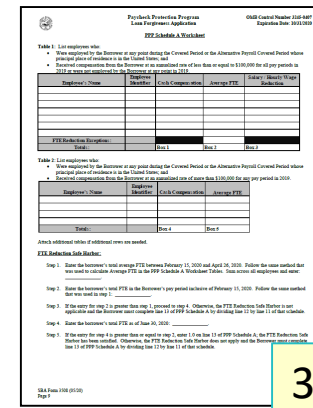


Paycheck Protection Program  
Loan Forgiveness Application  
PPP Schedule A Worksheet

OMB Control Number 1545-0047  
Expiration Date: 03/31/2020

1545 Form 100 (01/20)  
Page 2

**2**

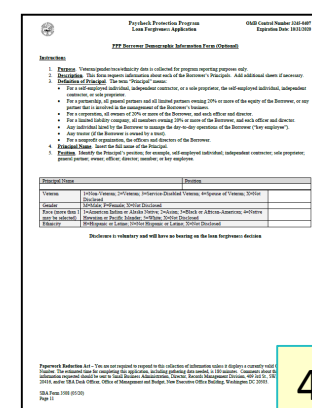


Paycheck Protection Program  
Loan Forgiveness Application  
PPP Schedule A Worksheet

OMB Control Number 1545-0047  
Expiration Date: 03/31/2020

1545 Form 100 (01/20)  
Page 3

**3**



Paycheck Protection Program  
Loan Forgiveness Application  
PPP Borrower Demographic Information Form (Optional)

OMB Control Number 1545-0047  
Expiration Date: 03/31/2020

1545 Form 100 (01/20)  
Page 4

**4**

## PPP Loan Forgiveness Application

- To guide today's discussion, we are going to use a case study as an example
- Company: **ACME Co.**
- Owner-Employee: **Birx N. Stock**
- Employee Roster:
  - **Paul P. Phillips**
  - **Cora Novirus**
  - **Phau Chi**
  - **Noah Swab**
  - **Ciro Logee (Employment terminated April 1, 2020)**
- PPP loan amount: **\$90,000**
- PPP disbursement date: **April 15, 2020**
- Payroll period: **Bi-weekly**



## PPP Loan Forgiveness Application

- Now, with all of that work done, one can begin to complete the *actual* PPP “Loan Forgiveness Application”....



### PPP Schedule A

#### PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:	<u>\$29,475</u>
Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:	<u>3.3</u>
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 <input type="checkbox"/> and enter 0 on line 3.	<u>\$1,200</u>

#### PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:	<u>\$9,230</u>
Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:	<u>0.5</u>

#### 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:	<u>\$700</u>
Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans:	<u>\$440</u>
Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation:	<u>\$152</u>

#### 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.	<u>\$15,385</u>
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#### Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):	<u>\$55,382</u>
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#### 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:	<u>4.5</u>
Line 12. Total Average FTE (add lines 2 and 5):	<u>3.8 (3.3 + 0.5)</u>
Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met:	<u>0.84 (3.8/4.5)</u>

## PPP Loan Forgiveness Application

- Remember: One application per borrower; therefore if two affiliated companies applied for and each received PPP loans, each company will need to file its own PPP Loan Forgiveness Application



### 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): \_\_\_\_\_

# PPP Loan Forgiveness Application

**Paycheck Protection Program  
Loan Forgiveness Application**  
OMB Control Number 3246-0447  
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 ☐

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 box: ☐

**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: \_\_\_\_\_

**Adjustment 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 Amount**  
 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): \_\_\_\_\_

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
ACME Co.		N/A	
Business Address		Business TIN (EIN, SSN)	Business Phone
XYZ Street, State, ZIP		XX - XXXXXX	XXX- XXX-XXXX
		Primary Contact	E-mail Address
		Noah Swab	nswab@acme.com

SBA PPP Loan Number: XXXXXX Lender PPP Loan Number: XXXXXX <sup>4/15/20</sup>  
 PPP Loan Amount: \$90,000 PPP Loan Disbursement Date: \_\_\_\_\_

# PPP Loan Forgiveness Application

Paycheck Protection Program  
Loan Forgiveness Application  
OMB Control Number 3246-0407  
Expiration Date: 10/31/2020

**PPP Loan Forgiveness Calculation Form**

Borrower Legal Name (Borrower)		DBA or Trade Name, 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 loan in excess of \$2 million, enter the date of the first PPP loan disbursement: \_\_\_\_\_

**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 Reductions (enter the amount from PPP Schedule A, line 5): \_\_\_\_\_  
 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 Amount:**  
 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): \_\_\_\_\_

**Employees at Time of Loan Application:** Enter the total number of employees at the time of the Borrower's PPP Loan Application.

**Employees at Time of Forgiveness Application:** Enter the total number of employees at the time the Borrower is applying for loan forgiveness.

**Employees at Time of Loan Application:** 4

**Employees at Time of Forgiveness Application:** 4

**EIDL Advance Amount:** N/A **EIDL Application Number:** N/A

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

☐ Weekly ☒ Biweekly (every other week) ☐ Twice a month ☐ Monthly ☐ Other \_\_\_\_\_

**Payroll Schedule:** Select the box that corresponds to your payroll schedule.

## Regarding Payroll Schedule

Note: The Application does not appear to contemplate use of more than one payroll schedule



# PPP Loan Forgiveness Application

Paycheck Protection Program  
Loan Forgiveness Application  
OMB Control Number 3246-0407  
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 on line 5: \_\_\_\_\_

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): \_\_\_\_\_

Potential Forgiveness Amount

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): \_\_\_\_\_

**Covered Period:** 4/15/20 to 6/9/20

**Alternative Payroll Covered Period, if applicable:** 4/19/20 to 6/13/20

**Covered Period:** Enter the eight-week (56-day) Covered Period of your PPP loan. The first day of the Covered Period must be the same as the PPP Loan Disbursement Date. For example, if the Borrower received its PPP loan proceeds on Monday, April 20, the first day of the Covered Period is April 20 and the last day of the Covered Period is Sunday, June 14.


**Alternative Payroll Covered Period:** For administrative convenience, Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the eight-week (56-day) period that begins on the first day of their first pay period following their PPP Loan Disbursement Date (the “Alternative Payroll Covered Period”). For example, if the Borrower received its PPP loan proceeds on Monday, April 20, and the first day of its first pay period following its PPP loan disbursement is Sunday, April 26, the first day of the Alternative Payroll Covered Period is April 26 and the last day of the Alternative Payroll Covered Period is Saturday, June 20. Borrowers who elect to use the Alternative Payroll Covered Period must apply the Alternative Payroll Covered Period wherever there is a reference in this application to “the Covered Period or the Alternative Payroll Covered Period.” However, Borrowers must apply the Covered Period (not the Alternative Payroll Covered Period) wherever there is a reference in this application to “the Covered Period” only.

## Regarding Covered Periods

Per the Instructions, appears the Alternative Payroll Covered Period can only be utilized by borrowers that utilize a bi-weekly (or more frequent) payroll schedule

Note that all borrowers will need to complete the “Covered Period” information as this period will be important for numerous purposes in completing the PPP Loan Forgiveness Application, including regarding eligible NON-payroll expenses

# PPP Loan Forgiveness Application

 Paycheck Protection Program  
Loan Forgiveness Application

OMB Control Number 3245-0047  
Expiration Date: 10/31/2020

**PPP Loan Forgiveness Calculation Form**

Business Legal Name (Borrower)		DBA or Trade Name, if applicable	
Business Address		Business TIN (DIN, SSN)	Business Phone
		Primary Contact	Email 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

Covered Period: \_\_\_\_\_ to \_\_\_\_\_

**Alternative Payroll Covered Period (Seasonal/Reduced Hours):**

☐ 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 Reductions (enter the amount from PPP Schedule A, line 7): \_\_\_\_\_

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 Amount**

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): \_\_\_\_\_

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

**If Borrower Received PPP Loans in Excess of \$2 Million:** Check the box if the Borrower, together with its affiliates (to the extent required under SBA's interim final rule on affiliates ([85 FR 20817](#) (April 15, 2020)) and not waived under 15 U.S.C. 636(a)(36)(D)(iv)), received PPP loans with an original principal amount in excess of \$2 million.

## Regarding the \$2 million question:

- The \$2 million threshold considers PPP loans received by the borrower and its affiliates (Thus, if Company X received a \$1.2 million PPP loan and its affiliate, Company Y received a \$1 million PPP loan, both Company X and Company Y would need to check the box indicating a PPP loan in excess of \$2 million)
- The \$2 million threshold appears to be based on the amount of the loan that was disbursed; therefore, cannot pay back loan amounts in order to be get below the threshold (e.g., cannot pay back \$201k of \$2.2 million loan to avoid checking the box)

# PPP Loan Forgiveness Application

Paycheck Protection Program  
Loan Forgiveness Application  
OMB Control Number 3246-0487  
Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Business")	DBA or Trade Name
Business Address	Business TIN (SSN/EIN)
Primary Contact	

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: \_\_\_\_\_

KIDL Advance Amount: \_\_\_\_\_ KIDL Application Number: \_\_\_\_\_

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

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

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:

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 Employees (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 amount 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 Amount

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): \_\_\_\_\_

## 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:** \_\_\_\_\_

**Line 2:** Enter the amount of business mortgage interest payments during the Covered Period for any business mortgage obligation on real or personal property incurred before February 15, 2020. Do not include prepayments.

**Line 3:** Enter the amount of business rent or lease payments for real or personal property during the Covered Period, pursuant to lease agreements in force before February 15, 2020.

**Line 4:** Enter the amount of business utility payments during the Covered Period, for business utilities for which service began before February 15, 2020.

## Regarding eligible NON-payroll costs:

- Generally payments of interest on mortgage obligations incurred before February 15, 2020, rent payments on leases dated before February 15, 2020, and utility payments under service agreements dated before February 15, 2020
    - Note: Instructions state that rent for equipment qualifies as eligible non-payroll expense so long as rental agreement was in effect before February 15, 2020
  - The Instructions state that these costs must be either (1) "paid during the Covered Period" or (2) "incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period"
  - Must be calculated based on the DEFAULT eight-week Covered Period (even if the Alternative Payroll Covered Period is used for Payroll Costs)
- [www.prestigepeo.com](http://www.prestigepeo.com)

# PPP Loan Forgiveness Application

Paycheck Protection Program  
Loan Forgiveness Application  
OMB Control Number 3246-0487  
Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Business")	DBA or Tradename, if applicable	
Business Address	Business TIN (SSN, EIN)	Business Phone
Primary Contact	Email 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  
 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 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: \_\_\_\_\_

**Potential Forgiveness Amount**  
 Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3): \_\_\_\_\_  
 Line 6. Add the amount 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): \_\_\_\_\_  
 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): \_\_\_\_\_  
 Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): \_\_\_\_\_

## Forgiveness Amount Calculation:

### Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

**\$55,382**

Line 2. Business Mortgage Interest Payments:

**\$0**

Line 3. Business Rent or Lease Payments:

**\$11,200**

Line 4. Business Utility Payments:

**\$1,216**

Line 2: Enter the amount of business mortgage interest payments during the Covered Period for any business mortgage obligation on real or personal property incurred before February 15, 2020. Do not include prepayments.

Line 3: Enter the amount of business rent or lease payments for real or personal property during the Covered Period, pursuant to lease agreements in force before February 15, 2020.

Line 4: Enter the amount of business utility payments during the Covered Period, for business utilities for which service began before February 15, 2020.

## Example:

- ACME has no business mortgage; however it does pay \$6,083 per month for a lease for office space (the lease took effect on January 1, 2020), which is on average \$200 per day. Thus, for the 56-day Covered Period beginning 4/15/20, ACME had qualifying lease payments of \$11,200
- ACME also had utility payments of \$5/day for phone, \$12/day on average for electricity, and \$4/day for water, for a total of \$1,216 for the Covered Period (i.e., \$320 (phone) + \$672 (electricity) + \$224 (water))



# PPP Loan Forgiveness Application

Paycheck Protection Program  
Loan Forgiveness Application  
PPP Loan Forgiveness Calculation Form

OMB Control Number: 3245-0047  
Expiration Date: 10/31/2020

Business Legal Name (Borrower):	DBA or Trade Name, if applicable:		
Business Address:	Business TIN/EIN/SSN:	Business Phone:	
	Primary Contact:	Email Address:	

SBA PPP Loan Number: \_\_\_\_\_ Lender PPP \_\_\_\_\_  
 PPP Loan Amount: \_\_\_\_\_ PPP Loan ID: \_\_\_\_\_  
 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:  
☐ Weekly ☐ Biweekly (every other week) ☐ Twice a month  
 Covered Period: \_\_\_\_\_ to \_\_\_\_\_  
 Alternative Payroll Covered Period, if applicable: \_\_\_\_\_  
 If Borrower (together with affiliates, if applicable) received PPP loan forgiveness, enter the amount: \_\_\_\_\_  
 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 on 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):

## 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):

**\$1,200**

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:

**\$66,598**

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):

**0.84**

## Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):

**\$55,942**

Line 9. PPP Loan Amount:

**\$90,000**

Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75):

**\$73,843**

## Forgiveness Amount

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

**\$55,942**

## Example:

- ACME's "Forgiveness Amount" is equal to the smallest of lines 8, 9 and 10, which in its case is line 8 at \$55,942. This means that ACME will need to repay the remaining balance of \$34,058 at a maximum 1% interest rate over the two-year term of the loan

## Final Thoughts....

**“To err is human - to  
forgive, divine”**

– Alexander Pope

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# FAQs

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## FAQs

# PPP Loan Forgiveness

Does the salary/wages, pension contributions and health insurance premiums for “S” corporation “owner” who is paid a salary and receives a W-2 counted as part payroll costs?

- There is only one line for compensation paid to owner-employees on the forgiveness application with a cap of \$15,385 per employee, line 9. Lines 6, 7, and 8 are for amounts paid for employees only. Without additional guidance from SBA, it does not appear to include those expenses for owner-employees.

When does the covered period (either 8 week or 24 week) begin?

- The covered period begins on the date the loan proceeds are received by the borrower.

# FAQs

## PPP Loan Forgiveness

I have a part-time employee who was out for the entire 8 week covered period due to surgery. Will this count against the FTE count?

- There was an exception in the SBA/Treasury guidance that was issued prior to the PPPFA for employees that requests a reduction in hours. It is unclear if these exceptions will remain.

If I had 10 FTE's in the look back period and then have 9.5 FTE's during the covered period, how much will the forgiveness be reduced?

- Line 13 of Schedule A is calculated  $9.5/10 = .95$ . 95% of the amount loan proceeds spent (after wage reductions) will be eligible for forgiveness.



# FAQs

## PPP Loan Forgiveness

Can I defer the FICA taxes even if my loan is forgiven?

- Yes. The PPPFA allows all employers to defer FICA taxes for second, third and fourth quarters of 2020.

Who will be approving the forgiveness applications?

- Each individual lender will be approving the forgiveness applications.

How (and when) do I make the election between 8 & 24 weeks?

- We are waiting on a new forgiveness application to see how the covered period choice is made.

# FAQs

## PPP Loan Forgiveness

For employers that received the PPP loan with the 8 week timeframe, do they now get to choose if they follow the 8 weeks or 24 weeks? We are getting to the end of our 8 week period and moving to 24 weeks would not help us.

- Any borrower that received their PPP loan prior to the PPPFA is able to choose between the 8 week covered period (or alternate 8 week covered period) as outlined in the original application and the new 24 week covered period in the PPP Flexibility Act.

Regarding the calculation of Average FTEs, would adding 1 FTE employee mid 8-week period only count as 0.5 FTE on Table 1 of the loan forgiveness application?

- While the FTE aspect of the loan forgiveness application is very complicated...yes, a full time employee added half way through the covered period will only count as 0.5 FTE.

# FAQs

## PPP Loan Forgiveness

If we choose to reduce salaries of full time employees who make less than \$100,000 by the allowable reduction of 25%, we'd still qualify for the forgiveness but would the forgiveness be reduced?

- Salary reductions up to 25% for employees that made less than \$100,000 in 2019 will not reduce forgiveness.

If we hire an employee after we receive the PPP loan, but they voluntarily leave the company before the 24 weeks expires, do they count in our headcount number?

- The SBA guidance, prior to the PPPFA, provided an FTE exception for voluntary resignations. We are awaiting confirmation that the original exceptions remain.

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# COVID-19 Client Communications

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# COVID-19 Communications

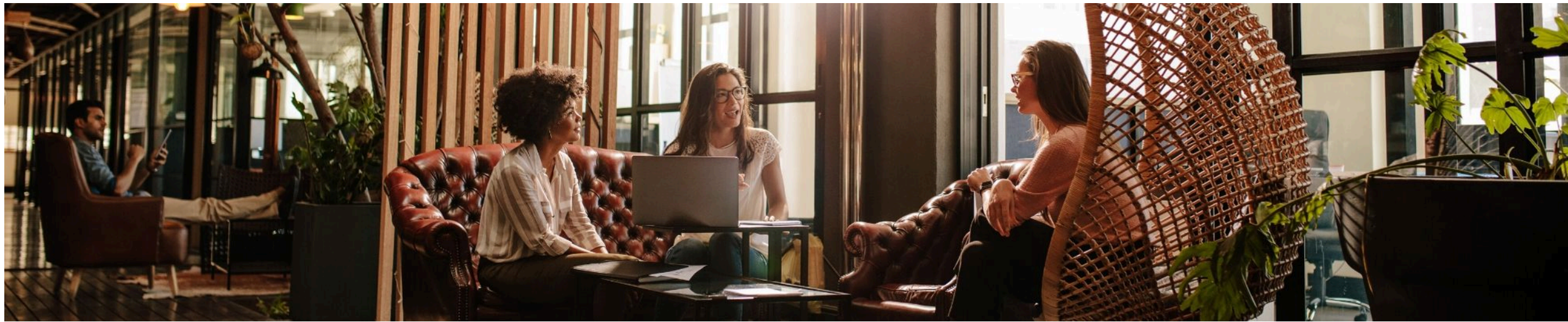
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- Today's presentation will be posted on our COVID-19 resource center located at [PrestigePEO.com/COVID-19](https://www.prestigepeo.com/COVID-19)
- The weekly COVID-19 email update will deploy later this week
- Stay tuned for an invitation to next weeks webinar



# COVID-19 Client Support

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- Daily support from your HRBPs, Payroll, Benefits, Compliance, Workers' Comp & Retirement Specialists
- Try the new PrestigeGO mobile app to link directly to your dedicated support teams
- Visit our [PrestigePEO.com/COVID-19](https://www.prestigepeo.com/COVID-19) resource center for all things COVID-19



A man with a beard and glasses, wearing a white shirt and dark pants, is riding a black mountain bike. He has a brown messenger bag slung over his shoulder and is wearing earbuds. The background is a modern building with large stone tiles and a blue-tinted overlay.

# PrestigePEO

## We Are Here For You