
PrestigePEO

June 3, 2020

COVID-19

We Are Here For You

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 2 of 3 - presented by Seth Perretta, Principal Groom Law Group
- NY FORWARD Re-Opening Process, presented by Jason Flinn
- 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.

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

PPP Loan Forgiveness Presented by Seth Perretta



Today's Discussion

- Part 2 of 3 part series
 - Part 1 – Completing Schedule A Worksheet
 - **Part 2 – Completing Schedule A**
 - Part 3 – Completing the Loan Forgiveness Application

Potential Legislative Developments

- **Paycheck Protection Program Flexibility Act (House)**

- Sponsored by Reps. Chip Roy (R-TX) and Dean Phillips (D-MN). **House passed the bill on 5/28**
- Requirement that 75% of “forgivable amount” be used on payroll costs is lowered to 60%
- Gives borrower option to extend “covered period” after origination of loan from eight to twenty-four weeks
- Extends exemption from FTE reduction factor if business can demonstrate inability to hire qualified employees on or before December 31, 2020
- Allows employers to utilize deferral of payment of Social Security Acts under the CARES Act, even if a PPP loan is forgiven

- **Paycheck Protection Program Expansion Act (Senate)**

- Extends deadline to apply for PPP to December 31, 2020
- Extends “covered period” from eight to sixteen weeks (employers that maintained payroll for eight weeks would not be negatively impacted)
- Allows borrowers to use loan funds to purchase PPE for employees and to pay for adaptive investments needed to reopen safely
- Clarifies that the current lender hold-harmless provision relates to all SBA/Treasury guidance regarding PPP loans

PPP Loan Forgiveness Application

Application components

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

PPP Loan Forgiveness Calculation Form (Form 1) with a yellow box containing the number 1 at the bottom right.

PPP Schedule A Worksheet (Form 2) with a yellow box containing the number 2 at the bottom right.

PPP Schedule A Worksheet (Form 3) with a yellow box containing the number 3 at the bottom right.

PPP Borrower Demographic Information Form (Form 4) with a yellow box containing the number 4 at the bottom right.

PPP Loan Forgiveness Application

- Must complete and submit Schedule A
- **But must first complete** “PPP Schedule A Worksheet” or lender’s equivalent prior to completing Schedule A

OMB Control Number 3245-0407
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.

| 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: | | Box 4 | Box 5 |

Attach additional tables if additional rows are needed.

FTE Reduction Safe Harbor:

Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 30, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: _____

Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: _____

Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, the FTE Reduction Safe Harbor is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

Step 4. Enter the borrower's total FTE as of June 30, 2020: _____

Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor has been satisfied. Otherwise, the FTE Reduction Safe Harbor does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

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

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: _____

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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**

Schedule A Worksheet

Table 1

| Employee's Name | Employee Identifier | Cash Compensation | Average FTE | Salary/Hourly Wage Reduction |
|----------------------------------|---------------------|-------------------|------------------|------------------------------|
| Paul P. Phillips | 9754 | \$6,540 | 0.7 | \$0 |
| Cora Novirus | 3465 | \$15,385 | 1.0 | 0 |
| Phau Chi | 9675 | \$7,550 | 0.3 | \$1,200 |
| | | | | |
| | | | | |
| | | | | |
| FTE Reduction Exceptions: | | | 1.3 | |
| Totals: | | Box 1 \$29,475 | Box 2 3.3 | Box 3 \$1,200 |

Table 2

| Employee's Name | Employee Identifier | Cash Compensation | Average FTE |
|-----------------|---------------------|-------------------|-------------|
| Noah Swab | 2876 | \$9,230 | 0.5 |
| | | | |
| | | | |
| | | | |
| | | | |
| Totals: | | Box 4 \$9,230 | Box 5 0.5 |

PPP Schedule A (Lines 1-5)

STEP 5: Begin completing Schedule A regarding Table 1 and Table 2 information



Paycheck Protection Program
Loan Forgiveness Application

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

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 partner:
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: _____

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1: \$29,475

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1: 3.3

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. \$1,200

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2: \$9,230

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2: 0.5

PPP Schedule A (Lines 6-8)

STEP 6: Begin completing Schedule A regarding NON-cash compensation

Paycheck Protection Program
Loan Forgiveness Application
OMB Control Number 3244-0487
Expiration Date: 10/31/2020

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 (1) and enter \$ 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 (1), 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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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: _____

Regarding Non-Cash Compensation:

- **Only consider employer nonelective contributions** towards health and retirement since employee pre-tax contributions are already reflected in “gross” cash compensation numbers elsewhere on Schedule A
- “Employee health insurance” appears to encompass major medical, dental, vision, HRA, employer contributions to FSA (but not employee pre-tax contributions). Does not appear to encompass life, AD&D, accident, or employer contributions to HSAs
- “Employee retirement plan” contributions appears to encompass only employer matching or non-elective (such as profit-sharing) contributions
- **Does NOT appear to include the expenses for owner-employees, self-employed persons, and general partners (i.e., line 9 persons)**

How to Complete the PPP Schedule A Worksheet

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

- **Example:** Paul P. Phillips makes monthly pre-tax contributions of \$600 for major medical coverage, as well as dental, vision, and a \$100 a month contribution to a health FSA
- ACME contributes \$200 towards the cost of Paul's major medical coverage
- Paul also earns a wellness incentive from ACME equal to \$250, which is paid into his HSA
- Only the \$200 employer contribution towards major medical coverage should be reflected on Line 7 of the Worksheet
- The employee pre-tax contributions and the HSA contribution do not qualify as eligible contributions

| Employee's Name | Employee Identifier | ER Contributions for Health Coverage | ER Contributions for Retirement Benefits | State and Local Tax Liability for Employer on EE Comp |
|------------------|---------------------|--------------------------------------|--|---|
| Paul P. Phillips | 9754 | \$200 | \$180 | \$25 |
| Cora Novirus | 3465 | \$300 | \$150 | \$53 |
| Phau Chi | 9675 | \$0 | | \$35 |
| Noah Swab | 2876 | \$200 | \$110 | \$39 |
| | | | | |
| | | | | |
| Totals: | | \$700 | \$440 | \$152 |

Note: The above table is not included in the PPP Schedule A Worksheet. This was created for the presentation

PPA Schedule A (Line 9)

STEP 7: Determine whether any amounts were paid to owner employees, self-employed persons or general partners

Paycheck Protection Program
Loan Forgiveness Application
PPP Schedule A

OMB Control Number 1545-0047
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 each employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here (1) 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 employee contributions for employee health insurance: _____

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

Line 8. Total amount paid by Borrower for employee 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 (1), 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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Line 9: Enter any amounts paid to owners (owner-employees, a self-employed individual, or general partners). This amount is capped at \$15,385 (the eight-week equivalent of \$100,000 per year) for each individual or the eight-week equivalent of their applicable compensation in 2019, whichever is lower. See Interim Final Rule on Additional Eligibility Criteria and Requirements for Certain Pledges of Loans posted on April 14, 2020 for more information ([85 FR 21747, 21749](#)).

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.

Regarding Compensation to Owners:

- These individuals should NOT be listed in Tables 1 or Table 2
- The amounts to reflect on Line 9 of the Worksheet are capped at \$15,385 per individual (prorated amount of \$100,000 annual comp), or the eight-week equivalent of what was reported on their 2019 Form 1040, Schedule C line 31 (net profit amount)- whichever is lower

NOTE: It is very important to discuss the treatment of these individuals with your advisers

PPP Schedule A (Line 9)

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.

\$15,385

Example re: Birx N. Stock

- As mentioned, she is an owner-employee of the ACME, therefore she is not reflected in Tables 1 or 2
- Birk had over \$100,000 reported as profit for 2019, so she reports the \$15,385 capped prorated amount.

PPP Schedule A (Line 10)

STEP 8: Determine "Total Payroll Costs"

Paycheck Protection Program
Loan Forgiveness Application

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

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 the employee's 2019 average annual salary or
hourly wage between January 1, 2020 and February 29, 2020, enter the percentage of
reduction on this line.

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

Line 6. Total amount paid by Borrower for employer contributions to employee retirement plans: _____

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: _____

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):

\$55,382

PPP Schedule A (Lines 11-13)

STEP 9: Perform Full-Time Equivalency Reduction Calculation to determine FTE Reduction Quotient

Paycheck Protection Program
Loan Forgiveness Application

OMB Control Number 1545-0047
Expiration Date: 10/31/2020

PPP Schedule A

PPP Schedule A Worksheet, Table 1 Total

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 Total

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 employee contributions for employee health insurance: _____

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

Line 8. Total amount paid by Borrower for employee state and local taxes assessed on employee compensation: _____

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individuals/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 on 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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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: _____

Regarding Calculation:

- Regarding line 11 – This figure represents the Average FTE during the borrower's chosen reference period
- Regarding line 12 – This figure is derived from the Average FTE totals on Tables 1 (e.g., 3.3) and Table 2 (e.g., 0.5)
- Regarding line 13 – This figure is the "FTE Reduction Quotient" which is then used to reduce the extent of the maximum forgivable amount; thus, the closer the figure is to 1.0 the better
- Note that line 13 directs the borrower to enter 1.0 "if the FTE Safe Harbor is met"

PPP Schedule A (Lines 11-13)

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: _____

Line 11: Enter the Borrower's total average weekly full-time equivalency (FTE) during the chosen reference period. For purposes of this calculation, the reference period is, at the Borrower's election, either (i) February 15, 2019 to June 30, 2019; (ii) January 1, 2020 to February 29, 2020; or (iii) in the case of seasonal employers, either of the preceding periods or a consecutive twelve-week period between May 1, 2019 and September 15, 2019. For each employee, follow the same method that was used to calculate Average FTE on the PPP Schedule A Worksheet. Sum across all employees during the reference period and enter that total on this line.

Example:

- ACME elects to use the January 1, 2020 to February 29, 2020 reference period
 - Note: Unclear whether a borrower may use first payroll period beginning on or after January 1, 2020
- ACME does not choose to use the "simplified" method. It looks at any employee employed during the 8-week reference period and calculates each employee's average FTE score, then sums the scores to arrive at the answer

PPP Schedule A (Lines 11-13)

Example:

- ACME elects to use the January 1, 2020 to February 29, 2020 reference period
- ACME does not choose to use the “simplified” method. It looks at any employee employed during the 8-week reference period and calculates each employee’s average FTE score, then sums the scores to arrive at the answer

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> |

| Reference Period | Paul P. Phillips | Cora Novirus | Phau Chi | Noah Swab | Gro Logee (Termed 4/1/20) |
|--|-----------------------------|--------------|----------|-----------|---------------------------|
| | Average Hours Paid Per Week | | | | |
| Week 1 | 40 | 40 | 24 | 40 | 40 |
| Week 2 | 40 | 40 | 24 | 40 | 40 |
| Week 3 | 40 | 40 | 24 | 40 | 40 |
| Week 4 | 40 | 40 | 24 | 40 | 40 |
| Week 5 | 40 | ZERO (“0”) | 24 | 40 | 40 |
| Week 6 | 40 | 40 | 24 | 40 | 40 |
| Week 7 | 40 | 40 | 24 | 40 | 40 |
| Week 8 | 40 | 40 | 24 | 40 | 40 |
| Total Weekly Average | 40 | 35 | 24 | 40 | 40 |
| Each Employee Average FTE (Total Weekly Average/40) | 1.0 | 0.9 | 0.6 | 1.0 | 1.0 |
| Borrower’s Reference Period Average FTE | 4.5 (1+0.9+0.6+1+1= 4.5) | | | | |

- Note: It appears that for purposes of determining an employee’s individual Average FTE score, each week where the individual was not paid would be counted as a zero (“0”) (e.g., See Week 5 for Cora Novirus)
- Result is an Average FTE of 4.5 for the reference period of January 1, 2020 to February 29, 2020

Note: The above table is not included in the PPP Schedule A Worksheet. This was created for the presentation

PPP Schedule A (Lines 11-13)

Example:

- ACME elects to use the January 1, 2020 to February 29, 2020 reference period
- ACME does not choose to use the “simplified” method. It looks at any employee employed during the 8-week reference period and calculates each employee’s average FTE score, then sums the scores to arrive at the answer

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: 4.5

Line 12. Total Average FTE (add lines 2 and 5): 3.8 (1.0 + 0.9 + 0.6 + 1.0 + 1.0)

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met:

**** BUT REMEMBER: Per Line 13, enter an FTE Reduction Quotient of “1.0” if the FTE Safe Harbor is Met ****

| Reference Period | Paul P. Phillips | Cora Novirus | Noah Swab | Ciro Logee (Termed 4/1/20) |
|---|----------------------|--------------|-----------|----------------------------|
| Week 1 | 40 | | 40 | 40 |
| Week 2 | 40 | | 40 | 40 |
| Week 3 | 40 | | 40 | 40 |
| Week 4 | 40 | 24 | 40 | 40 |
| Week 5 | 40 | 24 | 40 | 40 |
| Week 6 | 40 | 24 | 40 | 40 |
| Week 7 | 40 | 24 | 40 | 40 |
| Week 8 | 40 | 24 | 40 | 40 |
| Total Weekly Average | 40 | 24 | 40 | 40 |
| Each Employee Average FTE (Total Weekly Average/40) | 1.0 | 0.9 | 0.6 | 1.0 |
| Borrower's Reference Period Average FTE | 4.5 | | | |
| | (1+0.9+0.6+1+1= 4.5) | | | |

- Note: It appears that for purposes of determining an employee’s individual Average FTE score, each week where the individual was not paid would be counted as a zero (“0”) (e.g., See Week 5 for Cora Novirus)
- Result is an Average FTE of 4.5 for the reference period of January 1, 2020 to February 29, 2020

Note: The above table is not included in the PPP Schedule A Worksheet. This was created for the presentation

STEP 10: Determine whether FTE Reduction Safe Harbor applies

(Let's assume this number is probably around 3.8)

FTE Reduction Safe Harbor:

(Probably will be greater than 3.8 because Ciro was terminated and Phau's hours reduced since 2/15/20)

- Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: _____.
- Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: _____.
- Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, the FTE Reduction Safe Harbor is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
- Step 4. Enter the borrower's total FTE as of June 30, 2020: **???**_____.
- Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor has been satisfied. Otherwise, the FTE Reduction Safe Harbor does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

(So ACME moves to Step 4...)

(If ACME can get FTEs as of 6/30/20 back to where they were as of 2/15/20, we can eliminate our FTE reduction quotient)



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> |
|--|-----------------|

Total Payroll Costs

| | |
|--|-----------------|
| Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9): | <u>\$55,382</u> |
|--|-----------------|

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

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): _____

Final Thoughts....

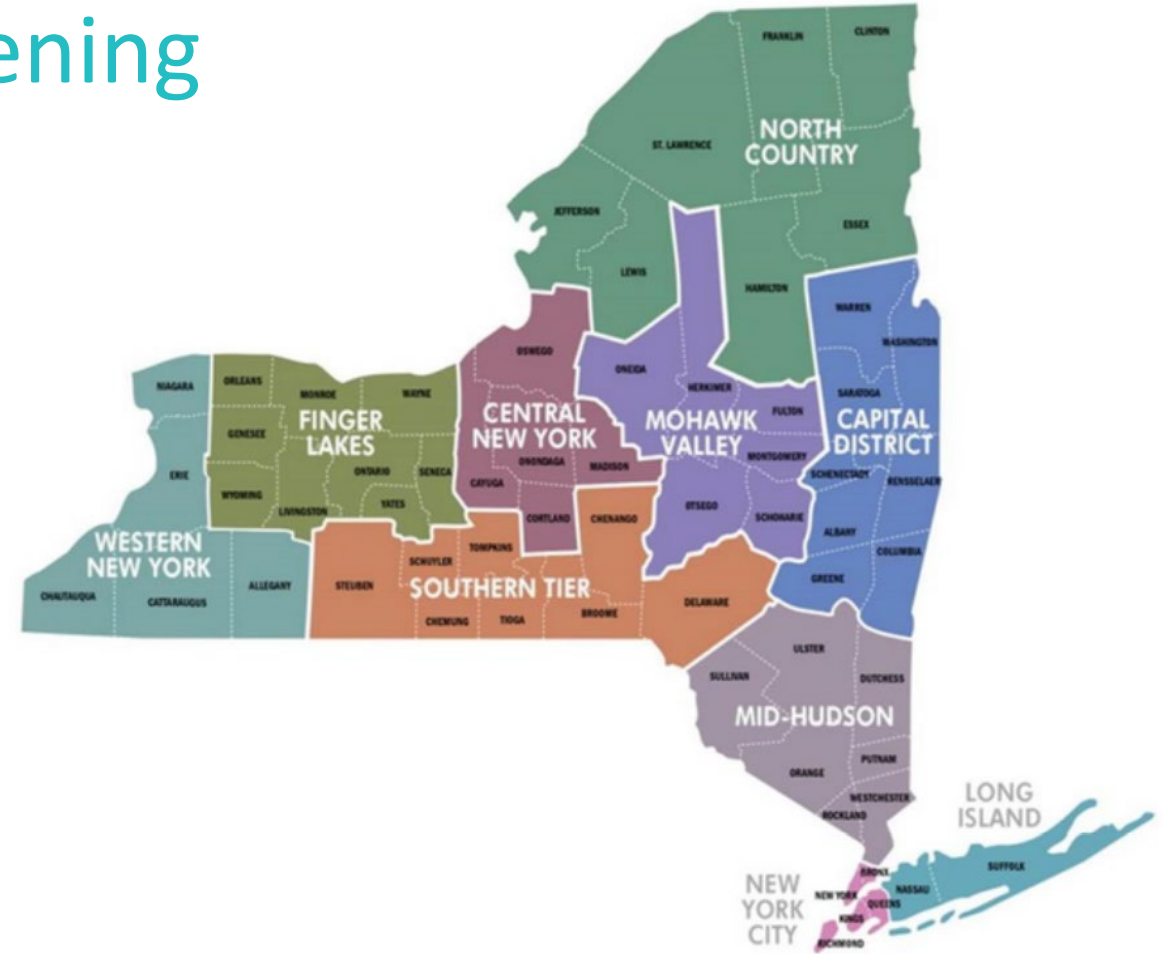
**“To err is human- to
forgive, divine”**

- Alexander Pope

NY Forward

New York State Re-Opening

- NY State Re-opening over 4 Phases
- 10 New York Regions
 - North Country
 - Western New York
 - Finger Lakes
 - Southern Tier
 - Central New York
 - Mohawk Valley
 - Capital District
 - Mid-Hudson
 - New York City
 - Long Island
- UnPause
 - Regional Requirements to Re-open



Four Re-Opening Phases

1

Phase One

- Construction
- Agriculture
- Forestry
- Retail
- Fishing and Hunting
- Manufacturing
- Wholesale Trade

2

Phase Two

- Storefront Retailers
- Professional Services
- Finance and Insurance
- Administrative Support
- Real-Estate/Rental Leasing
- Hair Salons/Barbershops

Four Re-Opening Phases

3

Phase Three

- Restaurants
- Food-Service Businesses
- Hotels

4

Phase Four

- Storefront Retailers
- Professional Services
- Finance and Insurance
- Administrative Support
- Real-Estate/Rental Leasing

FAQs

FAQs

PPP Loan Forgiveness

If Company A received a \$1.9 million loan and related Company B received a \$200K loan, would the automatic audit be eliminated if Company B paid back the loan in full right away?

- Businesses are not able to pay back any loan amounts to bring the total loan amount under \$2million.

The Company is an L.P. and therefore, do not have General Partners. Where do non-owner Partners go? They are partners in name only.

- Compensation paid to partners that receive a K-1 are reported on Line 9 Schedule A.

FAQs

PPP Loan Forgiveness

Will prestige provide the information for completing the forgiveness application?

- Prestige is developing reports to complete the application. There will be reports for Tables 1 and 2 on the Schedule A worksheet, and lines 6,7, and 8 on Schedule A.

Is the covered period based on check date or pay period? Our pay period was 4/1 – 4/15, but the loan was dispersed on 4/10

- The paycheck dates within the covered period are eligible for forgiveness even though the pay period dates are outside of the covered period. SBA language clearly states expenses paid or incurred during the loan period are eligible for forgiveness.

FAQs

PPP Loan Forgiveness

Our standard hours are 35 hours per week. Does the 40 hours for FTE calculation apply to us?

- Yes. We will count that as a 1.0 FTE.

If you only paid benefits, does that count as part of FTE headcount.

- Benefit payments to furloughed employees are eligible for loan forgiveness but they are not included in the FTE headcount calculation as they did not receive wages.

Is the statement from Prestige that covers the healthcare & dental costs acceptable as documentation?

- Yes, to reflect the employer portion

FAQs

PPP Loan Forgiveness

Are severance or bonus payments forgivable?

- Yes. Severance and bonus wages are forgivable. But do consider what would be considered "customary and reasonable" in the ordinary course of business.

What if we do not fund our 2020 Employer 401K Match until 2021? Can we still include that amount in our forgiveness calculation?

- Expenses that were incurred but not paid within the covered period must be paid on the next regular pay date. If the accrual is not paid until 2021, the amount is not eligible for forgiveness.

FAQs

PPP Loan Forgiveness

If you reduce salaries by 10% during the period of payroll PPP loan is being used, will we be penalized for that.

- Employees that made less than \$100,000 in 2019 cannot incur more than a 25% reduction in salary or gross wages as compared to average Q1 earnings without reduction in forgiveness.

Are amounts payable to employees working less than 40 hours per week eligible for forgiveness? I have 2 employees that work 20-30 hours per week, and we included in the salary calculations for the initial application.

- Yes, the salary amounts are eligible for forgiveness. PT employees are calculated for FTE as directed by the SBA.

FAQs

PPP Loan Forgiveness

If a full-time employee is hired in the fifth week of the covered period, will that employee be a 1.0 FTE?

- This employee will be a 0.5 average FTE. 4 weeks with zero hours, 4 weeks with 40 hours per week results in an average FTE of 0.5

Are there any exceptions for FTE reductions?

- There is an FTE exception for an employee that refused an offer of rehire, voluntarily resigned, was fired for cause, or voluntarily request and received a reduction in hours.

FAQs

PPP Loan Forgiveness

Can we pay rent in advance and have it included in the 8 week as paid. For instance pay July rent before 8 week ends on 6/15?

- If it is customary for you to pay rent in advance then it should not raise any red flags. The guidance is to follow customary business processes when making payments during the covered period.

What is the actual deadline to submit forgiveness application.

- There is no date that is given. The application expiration date on the form is 10/31/20 so that could be the date even though the SBA has not given an official date. This is subject to change based on any new legislation

COVID-19 Client Communications

COVID-19 Communications

- 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 “**How to Guide You Through Completing the Loan Worksheet**”

COVID-19 Client Support



- 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



PrestigePEO
We Are Here For You