

# Welcome to our Webinar

- ▶ Copies of this presentation and other resources can be found at <https://ceriniandassociates.com/coronavirus-updates/>
- ▶ Our presentation is based on all information and is current as of May 18<sup>th</sup>, 2020. Any key changes that have occurred may not be reflected in this presentation.
- ▶ The information provided is based on our interpretation of the CARES Act after reviewing the law and consulting with other sources.
- ▶ This webinar & information is for educational purposes only and cannot be used to contest any IRS, SBA or other penalties or assessments. We make no guarantees regarding your eligibility for these programs or any related benefits.
- ▶ We will make every effort to answer questions at the end of the webinar, time permitting.
- ▶ Thank you for your attendance!

# PPP Loan Forgiveness Update and Application



**CERINI**  
*&*  
**ASSOCIATES**

CERTIFIED PUBLIC ACCOUNTANTS

May 19th, 2020

3:00 - 4:30 pm

# About the Speaker

- ▶ Tax Director at Cerini and Associates, LLP
- ▶ 10+year experience
- ▶ Industry expertise includes Healthcare, Financial Services, Technology, Professional Services, State and Local Taxation, & International Taxation
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# Key Updates Provided with Release of Application

- ▶ Allowance of a modified 8-week period (alternative payroll covered period)
- ▶ Expansion of 8-week window to cover payroll incurred but unpaid
- ▶ Expansion of 8-week window for nonpayroll costs incurred but unpaid
- ▶ FTEs are calculated on a 40-hour week basis
- ▶ Employee cash compensation confirmed capped at \$15,385 for 8-week period.
- ▶ Owner compensation capped at same amount or 2019 compensation levels.
- ▶ Still many uncertainties, unanswered questions and new questions.

# Covered Period & Alternative Payroll Covered Period

- Covered Period refers to 8-week period after the loan was disbursed

Loan Disbursement Date	Payroll Frequency	Covered Period	
		Start	End
4/13/2020	Bi-Weekly	4/13/2020	6/7/2020
4/20/2020	Weekly	4/20/2020	6/14/2020
4/27/2020	Bi-Weekly	4/27/2020	6/21/2020
5/4/2020	Weekly	5/4/2020	6/28/2020

- Now allows for an “Alternative Payroll Covered Period” to align the covered period with payroll, but only for Payroll Costs (will not impact nonpayroll costs like rent).

Loan Disbursement Date	Payroll Frequency	Payroll Period		Alt. Payroll Covered Period	
		Start	End	Start	End
4/13/2020	Bi-Weekly	4/18/2020	5/1/2020	4/18/2020	6/12/2020
4/20/2020	Weekly	4/26/2020	5/2/2020	4/26/2020	6/20/2020
4/27/2020	Bi-Weekly	5/2/2020	5/15/2020	5/2/2020	6/26/2020
5/4/2020	Weekly	5/10/2020	5/16/2020	5/10/2020	7/4/2020

# Expansion of 8-Week Window & Payroll Cost Method

- ▶ “Payroll costs paid and payroll costs incurred”
  - ▶ Some (many) interpretations have this meaning that prior wages are eligible if paid during covered period. This would allow, in theory, for more than 8 weeks. But comp is still capped at that number.
- ▶ Payroll costs are paid when check is written or ACH Credit is originated
- ▶ Payroll costs are incurred per day the payroll is earned
- ▶ Payroll costs incurred but are not paid during the last pay period of the covered period but paid during the next regular payroll are eligible for forgiveness.



# Payroll Cost Refresher

Eligible payroll costs	
1	Gross Cash Compensation, up to \$100,000 per employee annualized
2	Employer portion of health insurance contributions
3	Employer portion of retirement plans
4	Employer State and Local Taxes on Compensation

Non eligible payroll costs	
1	Independent Contractors
2	Workers Compensation Insurance
3	Payroll Processing Fees
4	Employer share of FICA Taxes

Forgiveness instructions have clearly indicated per employee comp is capped at \$15,385 per employee -  $\$100,000 / 52 * 8$ .

# Covered Period & Alternative Payroll Covered Period

Traditional Covered Period						
		Covered Period		Last Pay Period	Pay Date	Days
Loan Disbursement Date	Payroll Frequency	Start	End	End	Paid	To Pay
4/13/2020	Bi-Weekly	4/13/2020	6/7/2020	6/12/2020	6/17/2020	9.00
4/20/2020	Weekly	4/20/2020	6/14/2020	6/20/2020	6/27/2020	1.00
4/27/2020	Bi-Weekly	4/27/2020	6/21/2020	6/26/2020	7/1/2020	9.00
5/4/2020	Weekly	5/4/2020	6/28/2020	7/4/2020	7/11/2020	1.00

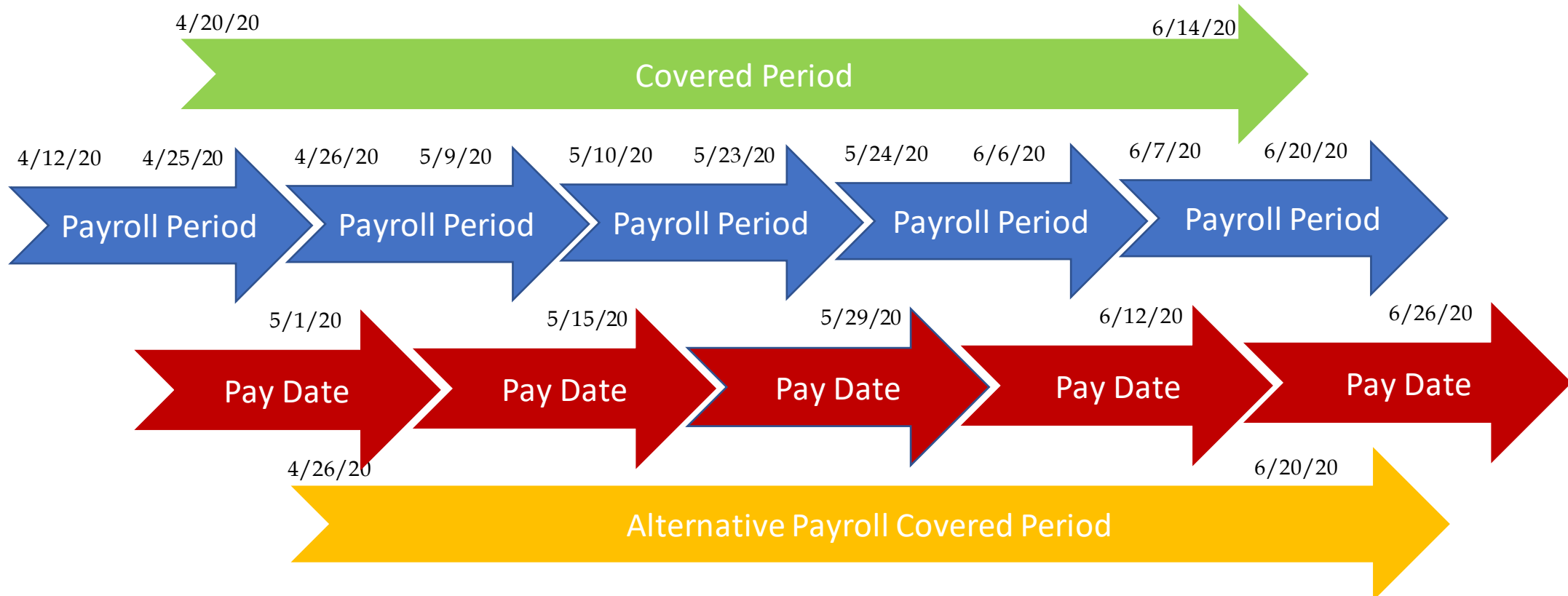
Alternative Covered Period						
		Payroll Period		Alt. Payroll Covered Period		Pay Date
Loan Disbursement Date	Payroll Frequency	Start	End	Start	End	Paid
4/13/2020	Bi-Weekly	4/18/2020	5/1/2020	4/18/2020	6/12/2020	6/17/2020
4/20/2020	Weekly	4/26/2020	5/2/2020	4/26/2020	6/20/2020	6/27/2020
4/27/2020	Bi-Weekly	5/2/2020	5/15/2020	5/2/2020	6/26/2020	7/1/2020
5/4/2020	Weekly	5/10/2020	5/16/2020	5/10/2020	7/4/2020	7/11/2020



# Covered Period & Alternative Payroll Covered Period

Loan Disbursement Date 4/20/2020  
Covered Period Start Date 4/20/2020  
Covered Period End Date 6/14/2020

Alternative Period Start Date 4/26/2020  
Alternative Period End Date 6/20/2020



# Expanded Window for eligible nonpayroll costs

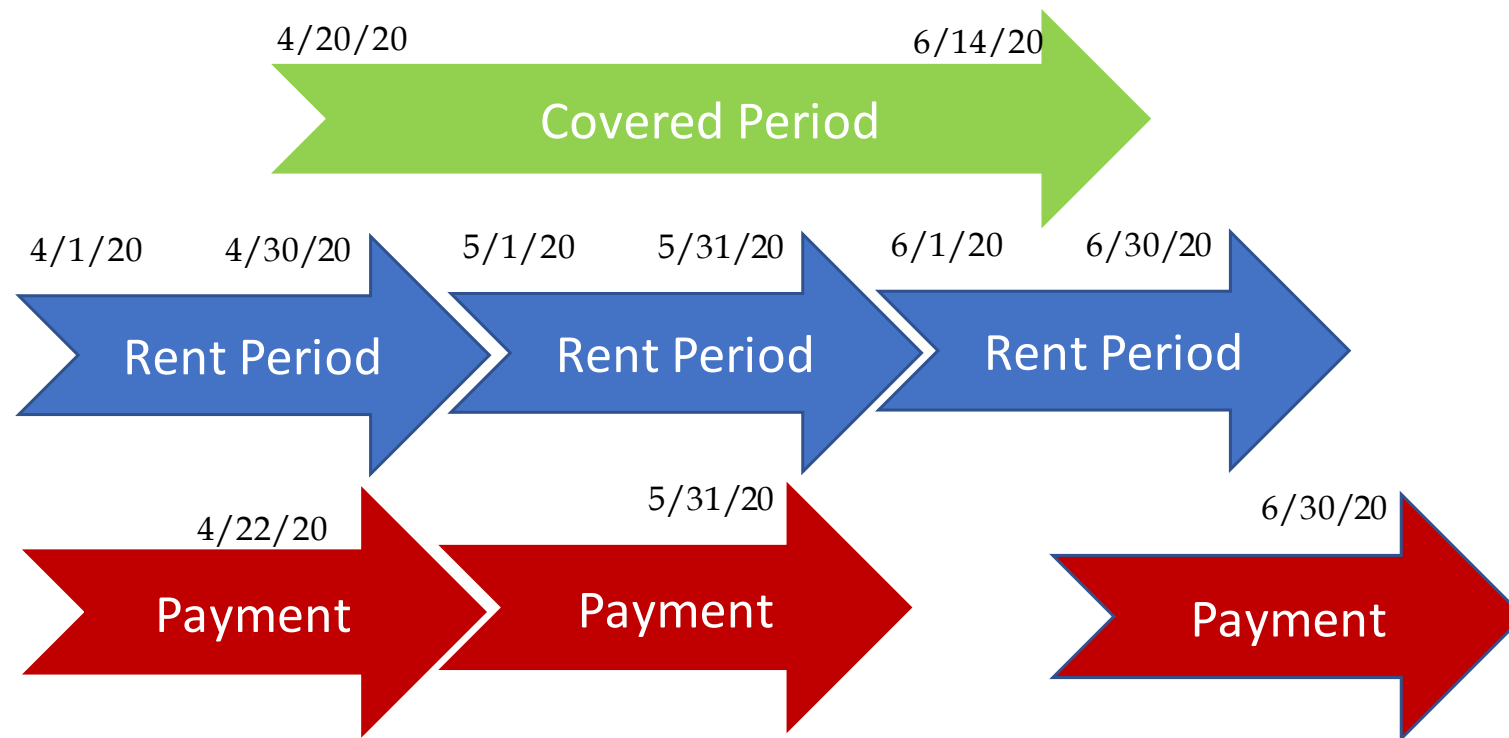
- ▶ Similar to payroll, allows for payment of costs incurred during covered period but not yet paid, so long as paid by next regular billing cycle.
- ▶ “must be paid during the covered period OR incurred during the covered period”
  - ▶ Note different language than payroll - and vs or
- ▶ Not impacted by any alternative covered period election
- ▶ Potential for back payments made in period - what about pre-payments?
  - ▶ Mortgage specifically covers prepayment as disallowed, but not for other payments

# Eligible nonpayroll costs refresher

Eligible nonpayroll costs	
1	Mortgage Interest (not principal) on "real and personal property" for a mortgage incurred prior to February 15, 2020
2	Rent or lease payments for "real or personal property" for leases incurred prior to February 15, 2020
3	Utilities for service that began prior to February 15, 2020. Utilities include gas, water, electric, transportation, telephone, internet access

# Expanded window for eligible nonpayroll costs

Loan Disbursement Date	4/20/2020
Covered Period Start Date	4/20/2020
Covered Period End Date	6/14/2020



# FTE Calculation

- ▶ Full-Time Equivalency (FTE) will be used to determine if there has been a reduction in head count.
- ▶ Based on a 40-hour week
  - ▶ If your full-time week is less than 40 hours, it shouldn't impact since it impacts on both sides of the calculation. May impact ability or desire to use "simplified" method.
- ▶ 2 Methods of Calculation
  - ▶ Simplified
  - ▶ Average Weekly Calculation
- ▶ June 30, 2020 safe-harbor still exists, with questions.
- ▶ Employees with written offer that refused to return, fired with cause or voluntary exits will be exceptions and added to average FTE Count

# FTE Calculation

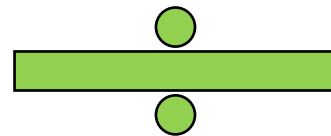
- ▶ Simplified Method - employees that work more than 40 hours per week (scheduled, presumably) count as 1.0, all others count as .5
  - ▶ Begs question of if a lower scheduled FT Week (37.5, 35) hours is .5 or 1.0
- ▶ Average Weekly Calculation
  - ▶ Calculate average hours worked per week over test period and divide by number of weeks in period.
  - ▶ Divide this number by 40, and round to nearest tenth.
- ▶ Use the same method to calculate FTEs for reference periods and safe harbor periods



# FTE Reduction Quotient

- Potential forgiveness is reduced by the FTE reduction quotient

Average FTE, Covered Period



Average FTE, Reference Period

Reference Period - borrower choice of

1. January & February 2020
2. February 15, 2019 - June 30, 2019

Average FTE Covered Period	5.1	4.6	16.8	24.9
Average FTE Reference Period	5.1	5.4	15.1	32.5
<b>FTE Reduction Quotient</b>	<b>1</b>	<b>0.9</b>	<b>1</b>	<b>0.8</b>

# Sample FTE Calcs

Covered Period													
Employee's Name	Full/Part Time	Hours Worked								Total Hours	Average Hours	Avg Weekly FTE	Simplified FTE
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8				
Employee 1	Full Time	40.00	42.00	42.00	40.00	41.00	40.00	43.00	40.00	328.00	41.00	1.0	1.0
Employee 2	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 3	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 4	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 5	Part Time	22.50	22.50	22.50			22.50	18.50	14.50	123.00	15.38	0.4	0.5
Employee 6	Part Time	35.00	20.00	34.00	25.00	32.00	30.00	28.00	10.00	214.00	26.75	0.7	0.5
												5.1	5.0

Reference Period - Jan 1, 2020 - February 29, 2020														
Employee's Name	Full/Part Time	Hours Worked									Total Hours	Average Hours	Avg Weekly FTE	Simplified FTE
		1/3/2020	1/10/2020	1/17/2020	1/24/2020	1/31/2020	2/7/2020	2/14/2020	2/21/2020	2/28/2020				
Employee 1	Full Time	24.00	40.00	42.00	46.00	47.00	55.00	42.00	40.00	42.00	378.00	43.95	1.0	1.0
Employee 2	Full Time	24.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	344.00	40.00	1.0	1.0
Employee 3	Full Time	24.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	344.00	40.00	1.0	1.0
Employee 4	Full Time	24.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	344.00	40.00	1.0	1.0
Employee 5	Part Time	32.00	32.00	24.00	32.00	16.00	16.00	24.00	28.00	35.00	239.00	27.79	0.7	0.5
Employee 6	Part Time	8.00	16.00	16.00	24.00	16.00	8.00	30.00	4.00	24.00	146.00	16.98	0.4	0.5
													5.1	5.0

The reference period is an FTE count per month - any reasonable method applied consistently should suffice



# FTE Safe Harbor

- ▶ No guidance yet as to how long would have to keep employed past June 30<sup>th</sup> deadline.
- ▶ No requirement to keep employed to June 30<sup>th</sup> for forgiveness.
- ▶ May be calculated first to avoid covered period FTE calculations.

FTE Safe Harbor Calculation	
Step 1	Calculate Total Average FTE between February 15, 2020 & April 26, 2020
Step 2	Total FTE for payroll period covering February 15, 2020
Step 3	If Step 2 (February 15, 2020) is greater than Step 1 (February 15, 2020 - April 26, 2020) go to step 4. If not, stop, as borrower is not eligible for safe harbor.
Step 4	Borrower total FTE as of June 30, 2020
Step 5	If Step 4 (June 30, 2020) is greater than Step 2, borrower has met safe harbor and no reduction applies

# Salary Reduction Calculations

- ▶ Second forgiveness reduction in the CARES Act
- ▶ Stays true to CARES Act form - the percentage over 25% reduction vs prior quarter (confirmed to be 1<sup>st</sup> Q 2020) may potentially reduce forgiveness
- ▶ Confirmed to calculate on an employee-by-employee basis
- ▶ Detailed and mechanical computation
  - ▶ Step 1 - Determine if there was a reduction in salary
  - ▶ Step 2 - Determine if safe harbor was met
  - ▶ Step 3 - Determine wage reduction



# Salary Reduction Calculation

Salary Reduction Calculation	
Step 1	Determine if there was a reduction in salary
a.	Enter Average Annual Salary During Covered Period
	Total Wages During 8-week period
	Divided by 8
	Times 52
	Average Annual Salary
b.	Enter Average Annual Salary from January 1 - March 31, 2020
	Total Wages During 1st Quarter 2020
	Times 4
	Average Annual Salary
c.	Divide 1a. by 1b.
	If the amount is more than 75%, stop, and enter 0 in salary reduction

Input

Calculation

Calculation

Output

Input

Calculation

Output

TEST



# Salary Reduction Calculation

Salary Reduction Calculation	
Step 2	Determine if "Safe Harbor" was met
a.	Enter annual salary or wage as of February 15, 2020
	Payroll paid for period covering February 15, 2020
	Times Payroll Frequency
	Annual Salary
b.	Enter average annual salary or wage for period of February 15, 2020 to April 26, 2020
	Payroll paid during periods covering February 15 - April 26, 2020, prorated
	Divided by 72 days
	Times 365 days
	Average annual salary
	If 2b is equal or greater than 2a, stop and move to Step 3
c.	Enter the average salary or wage for period of June 30, 2020
	Payroll paid for period covering June 30, 2020
	Times Payroll Frequency
	Annual Salary
	If the amount in 2c is greater or equal than the amount in 2a, the safe harbor has been met. Enter zero for reduction.

Input

Input

Output

Input

Calculation

Calculation

Output

Input

Input

Output

TEST



# Salary Reduction Calculation

Salary Reduction Calculation		
Step 3	Determine the Wage Reduction	
	a. Multiply the amount in 1b (1st Q 2020 salary) by 0.75	Calculation
	b. Subtract amount in 1a (8-week period annual) from 3a	Calculation
	c. For hourly employees	
	Average number of hours worked, 1st Q 2020	Input
	d. Times amount in 3b.	Calculation
	Times 8	REDUCTION
	e. For salaried employees	
	Multiply amount in in 3b. Times 8	Calculation
	Divide by 52	REDUCTION



# Salary Reduction Calculation Example

A salaried employee making 80,000 per year was reduced to 55,000

Salary Reduction Calculation	
Step 1	Determine if there was a reduction in salary
	a. Enter Average Annual Salary During Covered Period
	Total Wages During 8-week period
	8,000
	Divided by 8
	1,000
	Times 52
	52
	Average Annual Salary
	52,000
	b. Enter Average Annual Salary from January 1 - March 31, 2020
	Total Wages During 1st Quarter 2020
	20,000
	Times 4
	4
	Average Annual Salary
	80,000
	c. Divide 1a. by 1b.
	If the amount is more than 75%, stop, and enter 0 in salary reduction
	65%

# Salary Reduction Calculation Example

Salary Reduction Calculation	
Step 2	Determine if "Safe Harbor" was met
a.	Enter annual salary or wage as of February 15, 2020
	Payroll paid for period covering February 15, 2020
	Times Payroll Frequency
	Annual Salary
b.	Enter average annual salary or wage for period of February 15, 2020 to April 26, 2020
	Payroll paid during periods covering February 15 - April 26, 2020, prorated
	Divided by 72 days
	Times 365 days
	Average annual salary
	If 2b is equal or greater than 2a, stop and move to Step 3
c.	Enter the average salary or wage for period of June 30, 2020
	Payroll paid for period covering June 30, 2020
	Times Payroll Frequency
	Annual Salary
	If the amount in 2c is greater or equal than the amount in 2a, the safe harbor has been met. Enter zero for reduction.

3,077

26

80,000

9,593

133

365

48,633

FALSE

2,500

26

65,000

FALSE

# Salary Reduction Calculation Example

Salary Reduction Calculation	
Step 3	Determine the Wage Reduction
a.	Multiply the amount in 1b (1st Q 2020 salary) by 0.75
	60,000
b.	Subtract amount in 1a (8-week period annual) from 3a
	(8,000)
c.	For hourly employees
	Average number of hours worked, 1st Q 2020
d.	Times amount in 3b.
	Times 8
e.	For salaried employees
	Multiply amount in in 3b. Times 8
	(64,000)
	Divide by 52
	(1,231)



# Salary Reduction - Safe Harbor Example

Salary Reduction Calculation	
Step 2	Determine if "Safe Harbor" was met
a.	Enter annual salary or wage as of February 15, 2020
	Payroll paid for period covering February 15, 2020
	Times Payroll Frequency
	Annual Salary
b.	Enter average annual salary or wage for period of February 15, 2020 to April 26, 2020
	Payroll paid during periods covering February 15 - April 26, 2020, prorated
	Divided by 72 days
	Times 365 days
	Average annual salary
	If 2b is equal or greater than 2a, stop and move to Step 3
c.	Enter the average salary or wage for period of June 30, 2020
	Payroll paid for period covering June 30, 2020
	Times Payroll Frequency
	Annual Salary
	If the amount in 2c is greater or equal than the amount in 2a, the safe harbor has been met. Enter zero for reduction.

3,077

26

80,000

9,593

133

365

48,633

FALSE

3,077

26

80,000

TRUE

Returned to  
Feb 15, 2020  
level, no  
reduction

# PPP Loan Documentation

PPP Loan Documentation	
Submitted to Lender	
1	PPP Loan Forgiveness Calculation Form (Application)
2	PPP Schedule A
3	<p>Payroll</p> <ul style="list-style-type: none"> <li>a Bank Statements or 3rd Party Payroll Provider reports showing cash compensation to employees</li> <li>b Tax forms (or equivalent) for the periods that overlap with the covered period (or alternative) Form 941 State Tax Forms</li> <li>c Receipts, cancelled checks or account statements documenting employer contributions to health insurance &amp; retirement plans</li> </ul>
4	<p>FTEs</p> <ul style="list-style-type: none"> <li>a Documentation showing FTEs for reference period Payroll tax filings (Form 941 and state tax forms) that may cover longer than covered period.</li> </ul>
5	<p>Nonpayroll</p> <ul style="list-style-type: none"> <li>a <i>Business Mortgages</i> Lender Amortization Schedule, proof of payment or lender account statements for period of February 2020 to one month after covered period.</li> <li>b <i>Business Rents &amp; Leases</i> Copy of lease agreement and proof of payment, or lessor account statements from February 2020 - one month after covered period</li> <li>c <i>Business Utilities</i> Invoices from February 2020 - one month after covered period, proof of payment.</li> </ul>

# PPP Loan Documentation

PPP Loan Documentation	
Retained by Borrower	
1	PPP Schedule A Worksheet
2	<p>Documentation Supporting Schedule A Worksheet</p> <p>a Documentation "supporting" the listing of each individual in PPP Schedule A, table 1, including the reduction calculation.</p> <p>b Documentation "supporting" the listing of each individual in PPP Schedule A, table 2, with attention to proof of pay at an annualized rate of over \$100,000 per year at ANY point in 2019.</p> <p>c Documentation for employee job offers, refusals, firings for cause, resignations and voluntary reductions.</p> <p>d Documentation supporting the FTE Safe Harbor calculation</p>

Per SBA, all PPP Loan Documentation (Application, certification of necessity, forgiveness application) should be kept for 6 years after forgiveness or paid in full.

# PPP Loan Forgiveness Application

- ▶ Released on Friday, May 15th on the treasury website.
- ▶ <https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>
- ▶ 4 Primary Components
  - ▶ Forgiveness Calculation Form
  - ▶ PPP Schedule A
  - ▶ PPP Schedule A Worksheet
  - ▶ Optional Demographic Information Form

# Required Attestations on the Application

- ▶ The amount for which forgiveness was requested
  - ▶ Was used for pay forgiveness eligible costs
  - ▶ Includes all applicable reductions
  - ▶ Does not include nonpayroll costs in excess of 25%
  - ▶ Does not exceed 8 weeks worth of 2019 compensation for any owner-employee or self-employed partner/individual, capped at \$15,385
- ▶ If willingly used for unauthorized purposes, the government may pursue recovery and/or civil and criminal charges
- ▶ ***Borrower*** (emphasis added) has accurately verified payments for eligible payroll and nonpayroll costs
- ▶ Submitted documentation for payroll costs, existence of obligations and service prior to February 15, 2020, and eligible payments
- ▶ All submitted information is true and materially correct. A false statement is punishable under law with fines and imprisonment
- ▶ All documents submitted are true and more may be requested.

# Application

## Payroll and Nonpayroll Costs

Line 1	Payroll Costs	Output (Sch A)
Line 2	Mortgage Interest Payments	Input
Line 3	Rent or Lease Payments	Input
Line 4	Utility Payments	Input

## FTE Adjustments

Line 5	Total Salary/Wage Reduction	Output (Sch A)
Line 6	Sum of 1-4, less 5	Calculation
Line 7	FTE Reduction Quotient	Output (Sch A)

## Potential Forgiveness Amounts

Line 8	Modified Total	Calculation
Line 9	PPP Loan Amount	Input
Line 10	Payroll Costs 75% (Line 1/.75)	Calculation

## FORGIVENESS AMOUNT

Line 11	Forgiveness Amount (lower of 8,9,10)	TEST
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# Application

- ▶ First Part requires key demographic information on the borrower
  - ▶ SBA PPP Loan number can be gotten from Lender
  - ▶ Lender number will be a Lender created ID number; may be same or different than SBA number
  - ▶ Employees will mean all employees (full time, part time, etc) for periods - this has no impact on application.

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:

# Application

- ▶ Payroll frequency will refer to normal frequency of payment.
- ▶ Covered period or Alternative Covered period; enter 1 only
- ▶ \$2,000,000 checkbox
  - ▶ Will be used for SBA Review of loans per SBA guidance

**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:** ☐



# Application

- Information from Schedule A will be used to populate these lines.

## 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):

# Application

- ▶ Lowest amount of Lines 8, 9 and 10 will be the loan forgiveness amount
  - ▶ Line 8 has the reductions for Salary and FTEs
  - ▶ Line 9 the total Loan Amount
  - ▶ Line 10 limitation of 75% for payroll costs

## 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):


# Application - Schedule A

**Table 1 - Less than 100,000 2019 compensation**

Line 1	Cash Compensation (Box 1 of Schedule A Worksheet)	Box 1
Line 2	Average FTE (Box 2)	Box 2
Line 3	Salary Reductions (Box 3)	Box 3

**Table 2 - More than 100,000 2019 compensation**

Line 4	Cash Compensation (Box 4)	Box 4
Line 5	Average FTE (Box 5)	Box 5

**Noncash Compensation during Covered Period**

Line 6	Employer Health Contributions	Input
Line 7	Employer Retirement Plan Contributions	Input
Line 8	Employer State and Local Taxes	Input

**Owner Compensation**

Line 9	Owner-employees, self employed & partners	Input
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**PAYROLL COSTS**

Line 10	Sum of Lines 1,4, 6-9	Output
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**FTE Reduction Calculation**

Line 11	Average FTEs During Reference Period	Input
Line 12	Average FTES During Covered Period (Line 2+5)	Calculation
Line 13	FTE Reduction Quotient (Line 12/Line 11)	Output

# Application - Schedule A

- Lines 1 - 5 come from the Schedule A Worksheet

## 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:

# Application - Schedule A

- ▶ Lines 6-8 will be inputs from the borrower
- ▶ Line 9 is for owner compensation, subject to caps
- ▶ Line 10 is the total payroll costs

## 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):

# Application - Schedule A

- ▶ Line 11 - Line 13  
are for the FTE  
calculations

## 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:


# Compensation, FTE & Salary Reduction Calculations - Schedule A Worksheet

- Provided by SBA Schedule A Worksheet - for borrower benefit.
- Does not get submitted to lender for forgiveness.

Table 1 - employees making less than \$100,000 per year annualized in 2019

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary/Hourly Wage Reduction
Name	Last 4 SSN	Gross Pay - 8 weeks	FTE Calc	Salary Reduction Calc
FTE Reduction Exceptions			Non-return, fired, quit	
Totals		Box 1	Box 2	Box 3

Table 2 - employees making more than \$100,000 per year annualized in 2019

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Name	Last 4 SSN	Gross Pay - 8 weeks	FTE Calc
Totals		Box 4	Box 5

# Comprehensive Example

- ▶ Acme Co is an eligible borrower in good-faith and applied for and received their PPP Loan on April 24<sup>th</sup>, 2020 for 149,087.
- ▶ Acme pays their employees on a bi-weekly schedule, starting on Saturday and ending on a Friday. Acme has pay days on Thursdays, or 6 days after the end of the payroll period. Acme last payroll period ended on April 17, 2020 and was paid on April 23, 2020
- ▶ Acme applied for their loan using the following data points from their 2019 operations.

	Annual Salary	To Cap	Capped	Retirement Match	Health Insurance	SALT	Total Payroll Costs	PPP Loan
Employee 1	125,000	(25,000)	100,000	5,000	6,000	1,875	112,875	23,516
Employee 2	95,000		95,000	4,750	6,000	1,425	107,175	22,328
Employee 3	85,000		85,000	4,250	6,000	1,275	96,525	20,109
Employee 4	75,000		75,000	3,750	6,000	1,125	85,875	17,891
Employee 5	65,000		65,000	3,250	6,000	975	75,225	15,672
Employee 6	50,000		50,000	2,500	6,000	750	59,250	12,344
Employee 7	50,000		50,000	2,500	6,000	750	59,250	12,344
Employee 8	50,000		50,000	2,500	6,000	750	59,250	12,344
Employee 9	28,750		28,750	1,438	6,000	431	36,619	7,629
Employee 10	16,500		16,500	825	6,000	248	23,573	4,911
	640,250	(25,000)	615,250	30,763	60,000	9,604	715,616	149,087



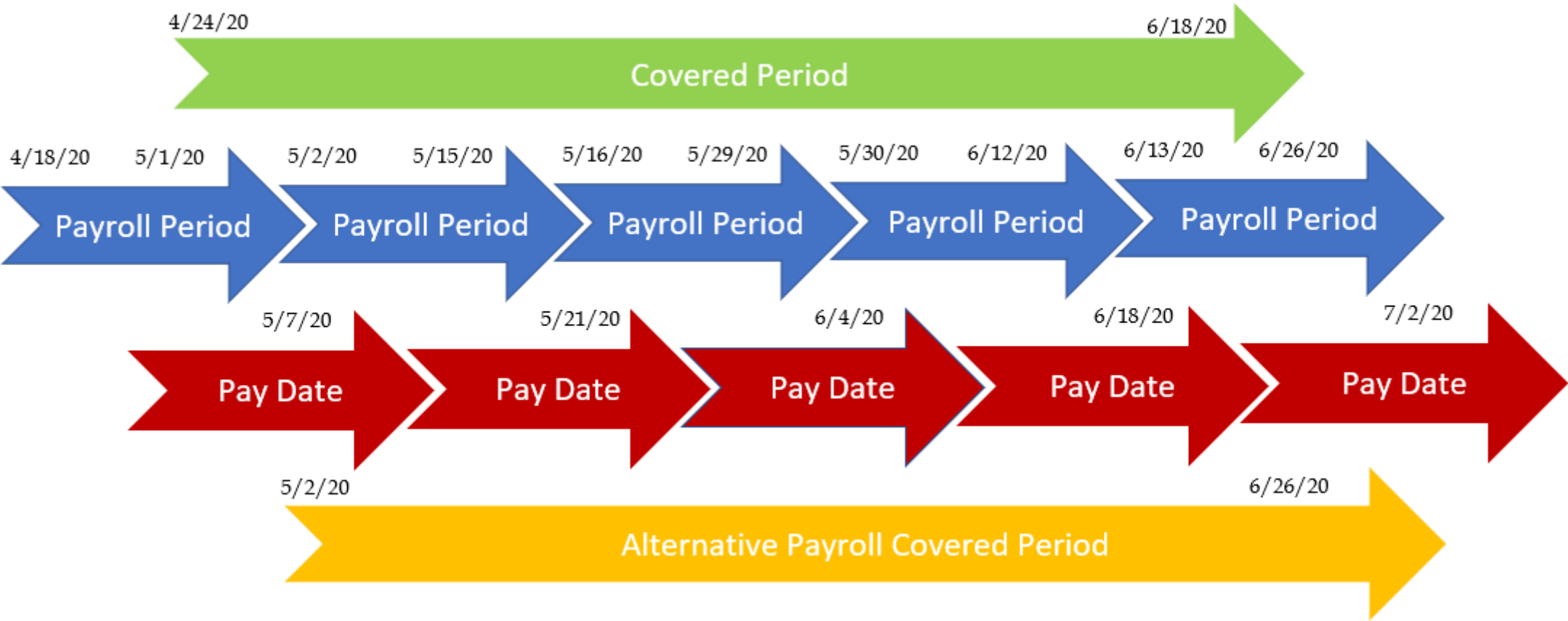
# Comprehensive Example

- ▶ Acme let go of Employee 6 at the end of March 2020 as a result of a slowdown from COVID-19 operations.
- ▶ Employee 7 was caught stealing from the company food drive and was terminated with cause in April 2020.
- ▶ Neither have been replaced.
- ▶ Employee 1 has taken a voluntary pay cut
- ▶ Employee 2 has taken a 30% pay cut with no change in hours
- ▶ Employee 8 has had their salary reduced from 40 hours to 24 hours.



# Comprehensive Example

Loan Disbursement Date	4/24/2020	
	Start	End
Covered Period	4/24/2020	6/18/2020
Alternative Covered Period	5/2/2020	6/26/2020



Acme WILL elect for the Alternative Payroll Covered Period to align with pay dates for convenience.

# Payroll Data - Example

	Pay Date	5/7/2020	5/21/2020	6/4/2020	6/18/2020	7/2/2020
	Payroll Start	4/18/2020	5/2/2020	5/16/2020	5/30/2020	6/13/2020
	Payroll End	5/1/2020	5/15/2020	5/29/2020	6/12/2020	6/26/2020
1st Quarter 2020						
Employee 1	31,250	3,605.77	3,605.77	3,605.77	3,605.77	3,605.77
Employee 2	23,750	2,557.69	2,557.69	2,557.69	2,557.69	2,557.69
Employee 3	21,250	3,269.23	3,269.23	3,269.23	3,269.23	3,269.23
Employee 4	18,750	2,884.62	2,884.62	2,884.62	2,884.62	2,884.62
Employee 5	16,250	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
Employee 6	12,500	-	-	-	-	-
Employee 7	12,500	-	-	-	-	-
Employee 8	12,500	769.23	769.23	769.23	769.23	769.23
Employee 9	7,188	900.00	1,250.00	800.00	900.00	550.00
Employee 10	4,125	750.00	750.00	500.00	250.00	250.00
	160,063	17,237	17,587	16,887	16,737	16,387

	Retirement Match	Health Insurance	SALT	Total
Employee 1	721	1,000	54	1,775.24
Employee 2	512	1,000	38	1,549.90
Employee 3	654	1,000	49	1,702.88
Employee 4	577	1,000	43	1,620.19
Employee 5	500	1,000	38	1,537.50
Employee 6	-	-	-	-
Employee 7	-	-	-	-
Employee 8	154	1,000	12	1,165.38
Employee 9	175	1,000	8	1,183.25
Employee 10	88	1,000	4	1,091.25
	3,380	8,000	246	11,626

# FTE Calculations

Covered Period													
Employee's Name	Full/Part Time	Hours Worked								Total Hours	Average Hours	Avg Weekly FTE	Simplified FTE
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8				
Employee 1	Full Time	40.00	42.00	42.00	40.00	41.00	40.00	43.00	40.00	328.00	41.00	1.0	1.0
Employee 2	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 3	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 4	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 5	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 8	Part Time	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	192.00	24.00	0.6	0.5
Employee 9	Part Time	25.00	25.00	16.00	16.00	36.00	-	11.00	11.00	140.00	17.50	0.4	0.5
Employee 10	Part Time	25.00	25.00	33.33	-	8.33	8.33	10.00	6.00	116.00	14.50	0.4	0.5
												6.4	6.5

Reference Period - Jan 1, 2020 - February 29, 2020													
Employee's Name	Full/Part Time	Hours Worked								Total Hours	Average Hours	Avg Weekly FTE	Simplified FTE
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8				
Employee 1	Full Time	40.00	42.00	42.00	40.00	41.00	40.00	43.00	40.00	328.00	41.00	1.0	1.0
Employee 2	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 3	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 4	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 5	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 6	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 7	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 8	Full Time	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	320.00	40.00	1.0	1.0
Employee 9	Part Time	36.00	36.00	36.00	36.00	36.00	36.00	36.00	35.50	287.50	35.94	0.9	0.5
Employee 10	Part Time	30.00	35.00	35.00	32.50	38.00	39.00	36.00	29.50	275.00	34.38	0.9	0.5
												9.8	9.0

# Salary Reduction Calculation

Salary Reduction Calculation	
Step 1	Determine if there was a reduction in salary
a.	Enter Average Annual Salary During Covered Period
	Total Wages During 8-week period
	10,231
	Divided by 8
	1,279
	Times 52
	52
	Average Annual Salary
	66,500
b.	Enter Average Annual Salary from January 1 - March 31, 2020
	Total Wages During 1st Quarter 2020
	23,750
	Times 4
	4
	Average Annual Salary
	95,000
c.	Divide 1a. by 1b.
	If the amount is more than 75%, stop, and enter 0 in salary reduction
	70%

Salary Reduction Calculation	
Step 2	Determine if "Safe Harbor" was met
a.	Enter annual salary or wage as of February 15, 2020
	Payroll paid for period covering February 15, 2020
	3,654
	Times Payroll Frequency
	26
	Annual Salary
	95,000
b.	Enter average annual salary or wage for period of February 15, 2020 to April 26, 2020
	Payroll paid during periods covering February 15 - April 26, 2020, prorated
	12,423
	Divided by 72 days
	173
	Times 365 days
	365
	Average annual salary
	62,978
	If 2b is equal or greater than 2a, stop and move to Step 3
	FALSE
c.	Enter the average salary or wage for period of June 30, 2020
	Payroll paid for period covering June 30, 2020
	3,250
	Times Payroll Frequency
	26
	Annual Salary
	84,500
	If the amount in 2c is greater or equal than the amount in 2a, the safe harbor has been met. Enter zero for reduction.
	FALSE

Salary Reduction Calculation	
Step 3	Determine the Wage Reduction
a.	Multiply the amount in 1b (1st Q 2020 salary) by 0.75
	71,250
b.	Subtract amount in 1a (8-week period annual) from 3a
	(4,750)
c.	For hourly employees
	Average number of hours worked, 1st Q 2020
d.	Times amount in 3b.
	Times 8
e.	For salaried employees
	Multiply amount in in 3b. Times 8
	(38,000)
	Divide by 52
	(731)

# Schedule A Calculation

Table 1 - employees making less than \$100,000 per year annualized in 2019

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary/Hourly Wage Reduction
Employee 2	7456	10,230.77	1.00	(731)
Employee 3	6549	13,076.92	1.00	
Employee 4	2252	11,538.46	1.00	
Employee 5	2232	10,000.00	1.00	
Employee 8	6619	3,076.92	0.50	
Employee 9	5272	3,500.00	0.50	
Employee 10	4410	1,750.00	0.50	
<b>FTE Reduction Exceptions</b>			1.00	
<b>Totals</b>		53,173.08	6.50	(731)

Table 2 - employees making more than \$100,000 per year annualized in 2019

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Employee 1	5555	14,423.08	1.00
<b>Totals</b>		14,423.08	1.00

Table 1 - Less than 100,000 2019 compensation

Line 1	Cash Compensation (Box 1 of Schedule A Worksheet)	53,173.08
Line 2	Average FTE (Box 2)	6.50
Line 3	Salary Reductions (Box 3)	(730.77)

Table 2 - More than 100,000 2019 compensation

Line 4	Cash Compensation (Box 4)	14,423.08
Line 5	Average FTE (Box 5)	1.00

Noncash Compensation during Covered Period

Line 6	Employer Health Contributions	3,379.81
Line 7	Employer Retirement Plan Contributions	8,000.00
Line 8	Employer State and Local Taxes	245.80

Owner Compensation

Line 9	Owner-employees, self employed & partners	-
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PAYROLL COSTS

Line 10	Sum of Lines 1,4, 6-9	79,221.76
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FTE Reduction Calculation

Line 11	Average FTEs During Reference Period	9.00
Line 12	Average FTES During Covered Period (Line 2+5)	7.50
Line 13	FTE Reduction Quotient (Line 12/Line 11)	0.83

# Forgiveness Calculation

Payroll and Nonpayroll Costs		
Line 1	Payroll Costs	79,221.76
Line 2	Mortgage Interest Payments	-
Line 3	Rent or Lease Payments	25,000.00
Line 4	Utility Payments	2,850.00
FTE Adjustments		
Line 5	Total Salary/Wage Reduction	730.77
Line 6	Sum of 1-4, less 5	106,340.99
Line 7	FTE Reduction Quotient	0.83
Potential Forgiveness Amounts		
Line 8	Modified Total	88,617.49
Line 9	PPP Loan Amount	149,086.72
Line 10	Payroll Costs 75% (Line 1/.75)	105,629.01
FORGIVENESS AMOUNT		
Line 11	Forgiveness Amount (lower of 8,9,10)	88,617.49

# What if.....

- ▶ If Employee 1 was an owner-employee, partner or individual owner, his compensation would be listed on Line 9. He would NOT count for the FTE calculation.
- ▶ If Acme had chosen the regular Covered period, the first payroll would *likely* be prorated and the final would be prorated
- ▶ If Acme had done the weekly FTE calc, they would have had a higher FTE reduction quotient
- ▶ If Acme had replaced employee 6 and fixed the cut in hours of employee 8, either during the 8-week period or by June 30, 2020 (to get to the safe harbor), they would have had forgiveness of 105,629 even though they spent 107,041
  - ▶ This is because of the Line 10 75% payroll floor. To note it is not a cliff, but sliding scale



# Final Thoughts

- ▶ The original PPP Application changed after the initial release; would not be surprising for a repeat with this application.
- ▶ Support for increasing the window, but is it too little, too late?
- ▶ Potential safe harbor or deemed forgiveness for loans of a certain size?
- ▶ More relief coming?
- ▶ Looks like unused or unforgiven amounts will be converted to a low cost of capital loan.



# Questions?

Thank you for your attendance. If you have any questions or comments or potentially need assistance with these programs, please feel free to reach out to us