



PPP Loan Forgiveness
*Flexibility Act and Other Current
Developments*

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PPP Loan Forgiveness

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PPP Loan Forgiveness

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PPP FLEXIBILITY ACT



PPP Flexibility Act

Key Takeaways

- 24 weeks to spend loan proceeds (originally 8 weeks)
 - But not beyond 12/31/2020
 - Can elect to keep original 8 week spending period
- At least 60% of loan proceeds must be used on payroll costs (originally 75%)
 - No more than 40% of loan proceeds may be spent on eligible non-pay costs (rent, interest, utilities, etc)
 - This is NOT a cliff – it was clarified that partial forgiveness is possible



Key Takeaways (Cont'd)

- New safe harbors to achieve full (more) forgiveness
 - 1) Inability to find qualified workers, and/or
 - 2) Unable to restore operations to 2/15/2020 levels due to COVID
 - Both use 12/31/2020 as the determination date
- Extension of loan repayment period
 - Now 5 years (was 2 years)
 - Only for loans approved AFTER 6/5/2020
 - 1% interest rate was retained



Key Takeaways (Cont'd)

- Extension of payment deferment period
 - The date that the SBA remits loan forgiveness to the bank
 - If borrower does not apply for forgiveness, it's 10 months after covered period
- Confirmation of PPP loan application deadline
 - Remains at 6/30/2020
- Deferral of employer portion of social security is now available to businesses that received a PPP loan



PPP LOAN
FORGIVENESS
APPLICATION –
ORIGINAL GUIDELINES



Paycheck Protection Program

Filing for Forgiveness Early

- Original due date for application: 10/31/2020
- Updated due date for application: unknown
- Financial institutions should accept the forgiveness application published by the SBA for the 8-week covered period PPP loans if businesses are prepared to apply.



Paycheck Protection Program

Filing for Forgiveness Early

Calculations and comparisons to begin application preparation:

- FTE calculation: 2 Lookback periods, FTE average as of 2/15/2020, FTE average between 2/15/2020 and 4/26/2020, FTE as of 6/30/2020, FTE average during 8 week covered period.
- FTE comparison to determine if decrease in FTE is present and if safe harbor is applicable



Paycheck Protection Program

Filing for Forgiveness Early

Calculations and comparisons to begin application preparation (continued):

- Salary and wage rate information for quarter 1, as of 2/15/2020, during the period between 2/15/2020 and 4/26/2020, during the 8 week covered period, and as of 6/30/2020
- Calculation of average hours worked per week in quarter 1 if reduction in salary/wage rate forgiveness reduction is applicable.



Paycheck Protection Program

Filing for Forgiveness Early

Additional information to have at hand:

- Owner-employee/self-employed owner/partner compensation numbers from 2019
- Annualized compensation numbers to determine any employees (not owners) that are over the \$100,000 compensation threshold
- All noncash compensation and other covered cost amounts
- Supporting documentation for all calculations and amounts



Paycheck Protection Program

F.A.Q.s (with no answers)

- 8/52 week limitation on owner-employee/self-employed individuals/partners? (What about health insurance and retirement benefits?)
 - Is the cap on cash compensation everyone still \$15,384?
- FTE Calculation – do FTE levels need to be sustained through the 24 weeks?
- What constitutes allowable retirement expenses?

What does the 24 week extension mean?

No need to be aggressive.



OTHER GUIDANCE
FOR PPP AND EIDL
LOANS



EIDL Loan Program

Top EIDL Questions

Should I accept the EIDL loan offer?

- Need to understand what you can and cannot use the proceed for.
- Need to understand that you may be required to issue a personal guarantee.
- Need to plan for the future repayment. This is not a forgivable loan.
- Need to understand whether it will affect your personal credit.



Top EIDL Questions

What can I use the EIDL proceed for?

- This is not as clearly defined as the PPP loan
- This is a working capital loan to cover regular operating expenses and loan payments that cannot otherwise be covered by other capital sources or ongoing operations
- In general the EIDL can be used for payroll costs, regular mortgage payments, increased supply costs, other expenses that cannot otherwise be paid.



EIDL Loan Program

Top EIDL Questions

What can I **NOT** use the EIDL proceed for?

- Payment of bonuses or dividends
- Disbursements to owners
- Relocation, expansion and capital additions
- Repayment of shareholder loans
- Payment of any other SBA or government issue debts (including regular monthly payments)
- Repair and replacement of physical damage
- Penalties or contractor malfeasance



Other Unanswered PPP Loan Questions

What do they mean by retirement plan contributions?

Still no meaningful guidance here, and perhaps even less agreement among experts on what can be included. With an extension of time, this question becomes less significant and borrowers have less pressure to be aggressive and include retirement costs that do not related to wages paid in the covered period.



Other Unanswered PPP Loan Questions

How do voluntary terminations or terminations for cause affect my calculations?

The voluntary termination/terminations for cause issue received specific SBA guidance recently. Employees that leave voluntarily or that are terminated for cause can be removed from the reduction calculations



Paycheck Protection Program

Other Unanswered PPP Loan Questions

As an employee-owner making greater than \$100,000 annually, do I also get to include my health insurance and retirement contribution or am I capped at \$15,384 of total “payroll costs” in the covered period?

There is guidance issued, but the guidance does not read clearly as to whether an employee owner in this scenario will also be allowed to include insurance and retirement.



Other Unanswered PPP Loan Questions

Under the extended 24-month covered period, will self-employed and general partners now be able to get 100% forgiveness?

No. Unless the new application changes the “lesser of” method of determining the forgiveness amount, the self-employed/general partner will still be limited by owner payroll costs divided by 75%.



QUESTIONS?



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