



## **Understanding the Paycheck Protection Program Forgiveness Program**

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### Subject

## **Paycheck Protection Program Update**

**21 May 2020**

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## PPP Program Updates as of May 16

- 513,271,137,359 dollars
- 4,341,145 loans
- Expect more updates to the forgiveness requirements

## PPP Forgiveness Calculation – Part 1

- Basic Loan Information (Loan #, Amount, Disbursement Date)
- # Employees at Application & at Forgiveness
- Payroll Schedule
- Covered Period (Optional Alternative Payroll Covered Period)

 **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:





## Covered Period vs. Alternative Payroll Covered Period

Covered period:

- 8 weeks (56 days)
- Disbursement Date is Day 1
- Use this for all non-Payroll Costs
- 

Optional Alternative Payroll Covered Period

- 8 weeks (56 days)
- Aligns with pay period
- 1<sup>st</sup> day of 1<sup>st</sup> pay period after Disbursement
- For biweekly (or more often) payroll only
- For Payroll Costs only (non-Payroll costs still use covered period)



Disbursement Date: April 20

1<sup>st</sup> Date of 1<sup>st</sup> Pay Period: April 26

**Covered Period: April 20 – June 14**

**Alternative Payroll Covered Period: April 26 – June 20**





## Forgiveness Calculation- Part 2

### Payroll Costs

Use Schedule A & Schedule A Worksheet to calculate

### Non-Payroll Costs

All must be based on contracts or agreements in place before 2/15/20

**Remember: At least 75% of the amount for which you request forgiveness must be Payroll Costs**

### Enter FTE & Wage Reductions

Use Schedule A & Schedule A Worksheet to calculate

### Apply Reductions

Line 11 = Forgiveness 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 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): \_\_\_\_\_





## Incurred vs. Paid- Payroll Costs

Unclear whether Payroll Costs must be incurred during your applicable Period – waiting on additional SBA guidance

- Payroll Costs are incurred on the day the employee's pay is earned

Payroll Costs must be paid during your applicable Period or on or before your next regularly scheduled payroll date

- Payroll Costs are paid on the day checks distributed or ACH credited



Covered Period April 20 – June 14: if your 1<sup>st</sup> pay date is April 26, and you pay 2 weeks in arrears, it is unclear whether your April 26 pay amount may be included, since incurred prior to April 20. But you could include all Payroll Costs incurred through June 14, even if not paid until your next scheduled pay date. In this case, you would include only the portion of your June 21 payroll that was incurred by June 14.

Alternative Payroll Covered Period is April 26 – June 20: if your 1<sup>st</sup> pay date is April 26, and you pay 2 weeks in arrears, it is unclear whether your April 26 pay amount may be included, since incurred prior to April 26. But you could include all Payroll Costs incurred through June 20, even if not paid until your next scheduled pay date of June 21. In this case, you would not need to prorate your June 21 payroll.

## Incurred vs. Paid- Non-Payroll Costs

- **You must use your Covered Period for Non-Payroll Costs, even if you choose to use your Alternative Payroll Covered Period for Payroll Costs**
- **You may include if paid during your Covered Period**  
Example: if your Covered Period is April 20 – June 14, and your rent for the month of July is due June 1, you may include the full amount since it was paid during your Covered Period, even though it was not yet incurred
- **You may include if incurred during your Covered Period and paid on or before your next regularly scheduled billing date**  
Example: if your Covered Period is April 20 – June 14, and your water bill is for the period May 14- June 14 but is not billed until July 1, you may include the full amount since it was incurred during your Covered Period, even though you don't pay it until after your Covered Period – must pay on or before the next regular billing date
- **Remember: current requirement is that no more than 25% of the amount for which you request forgiveness may go towards Non-Payroll Costs**





### **PPP Schedule A- Businesses with employees**

- **Lines 1-5 – Payroll Costs (Compensation)**  
Use Schedule A Worksheet
- **Lines 6-8 – Payroll Costs (Benefits)**  
Total employer contributions for health insurance, retirement and state/local taxes
- **Line 9 – Payroll Costs (Owners)**  
Total amount paid to owners – for each owner, must be lesser of \$15,385 or 8-wks worth of 2019 owner pay – no hazard pay or raise allowed
- **Line 10 – Total Payroll Costs (at least 75% of PPP)**
- **Lines 11-13 Forgiveness Amount**  
Use Schedule A Worksheet

### **PPP Schedule A- No Employees**

- **Lines 1-5 – Payroll Costs (Compensation)**  
If no employees other than yourself (some sole proprietors, independent contractors, self-employed individuals), you will enter N/A for lines 1-5
- **Lines 6-8 – Payroll Costs (Benefits)**  
Total employer contributions for health insurance, retirement and state/local taxes
- **Line 9 – Payroll Costs (Owners)**  
Must be lesser of \$15,385 or 8-wks with of 2019 owner pay-no hazard pay or raise allowed
- **Line 10 – Total Payroll Costs (at least 75% of PPP)**
- **Lines 11-13 Forgiveness Amount**  
Check the box and enter 1.0 on Line 13





## PPP Schedule A Worksheet – Part 1

- If no employees other than yourself – IGNORE!
- For everyone else – complete and keep this form for 6 years, but do not submit to lender
- Employee list for Covered Period (or Alternative Payroll Covered Period)
- Do not include owners or partners
- Table1–employees earning up to \$100,000
- Table2–employees earning over \$100,000



**Paycheck Protection Program  
Loan Forgiveness Application**

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
<b>FTE Reduction Exceptions:</b>				
<b>Totals:</b>		<b>Box 1</b>	<b>Box 2</b>	<b>Box 3</b>

**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
<b>Totals:</b>		<b>Box 4</b>	<b>Box 5</b>

Attach additional tables if additional rows are needed.





## **PPP Schedule A Worksheet- Part 2**

- If no employees other than yourself – IGNORE!
- For everyone else – complete and keep this form for 6 years, but do not submit to lender
- FTE Reduction Safe Harbor is confusing – waiting on additional SBA guidance (SBA Forgiveness Application allows borrowers to choose the appropriate periods for FTE comparison, but this calculation does not provide the same flexibility)

### **FTE Reduction Safe Harbor:**

- 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.

## **FTE Calculation – Part 1**

Two options:

### **Option 1:**

- Base on 40-hour work week
- Divide employee's average hrs/wk by 40, and round to nearest tenth
- Example: an employee who works 32 hrs/wk = 0.8 FTE
- No employee can count as more than 1 FTE, even if they work more than 40 hrs/wk

### **Option 2:**

- Count each employee who works 40 hrs/wk as 1 FTE
- Count each employee who works < 40 hrs/wk as 0.5 FTE
- Example: an employee who works 32 hrs/wk = 0.5 FTE

### **Remember:**

- Calculate FTEs for your chosen pre-COVID reference period & for your Covered Period (or Alternative Payroll Covered Period) the same way
- Consider calculating both ways to see which works best







## **FTE Calculation- Part 2**

### **❑ Pre-COVID Reference Period**

- February 15, 2019 – June 30, 2019
- January 1, 2020 – February 29, 2020
- If you are a seasonal business, you may also choose any consecutive 12-week period between May 1, 2019 – September 15, 2019

**❑ Remember:** To maximize forgiveness, choose the pre-COVID Reference Period that will result in your lowest total FTEs

### **Other Things to Remember**

- Review required representations and certifications
- Demographic information is requested, but is optional – it will not impact the forgiveness decision, but could help SBA document and address lending inequities for underserved communities
- Keep all documentation (including Schedule A Worksheet, if applicable) for 6 years from the date of forgiveness or date your loan is repaid in full
- If you were not able to use all PPP proceeds, you may still request forgiveness for the portion used for forgivable purposes
- Any amount of your loan that is not eligible for forgiveness will be repaid by you over the remaining 2-year term of your PPP Note

