

Donovan, Klimczak & Company
PPP Loan Forgiveness – Updated Guidance
May 22, 2020 Webinar
Questions and Answers

Below are answers to frequently asked questions from our May 22, 2020 webinar on PPP Loan Forgiveness – Updated Guidance. We strongly encourage you to discuss with your lender their interpretation regarding items which still need additional guidance, as they will make the loan forgiveness decision.

1. Can you pay a bonus to make up to \$15,385?

Employee bonuses are eligible for loan forgiveness. As noted, the maximum eligible compensation for the covered period is \$15,385. Owner-employee's maximum eligible compensation for the covered period is limited to 8/52 of their 2019 compensation with a \$15,385 cap.

2. FTE – What happens if an employee calls off sick, that will reduce his hours to below 40. How does that affect us since he was scheduled to work?

You would compute the FTE for that employee based on the actual number of hours worked in the covered period. If the employee was paid for the sick day, you would include 8 hours in the total hours worked. If they were not paid for the time off, there would be no hours for that day.

3. What happens when employees quit during the Feb 15 to April 26th time frame and you replace them prior to the June 30th date but not during the 56 day period.

If you have a reduction in FTE's during the Feb 15 to April 26th time frame compared to the payroll inclusive of Feb 15, 2020 and restore FTE's to the Feb 15th level by June 30, 2020, there will be no reduction in loan forgiveness related to the FTE reduction.

4. Did I understand you can pay past due rent?

The application provides nonpayroll costs paid and nonpayroll costs incurred in the covered period are eligible for forgiveness. Based on this, we believe past due rent paid during the covered period would be eligible for forgiveness. Please note that nonpayroll costs can only account for 25% of total eligible costs.

5. My loan was funded on April 8th. My first payroll Paid Date is April 10th - for period incurred of March 29 thru April 4. My 56th day is June 2. The last payroll incurred date would be for the period May 24th thru May 30th - normal pay date would be June 8th. If I accelerate the pay date to June 1st or 2nd I would end up with 9 payrolls in 8 weeks. Is this acceptable?

The new guidance allows for wages earned by employees in the covered period, but not paid until the first payroll after the covered period ended to be included in eligible payroll costs. As such, there would no need to accelerate the June 8th payroll to June 1st or 2nd. The payroll for the period May 24th thru May 30th will be included in eligible payroll costs, even if paid on June 8th.

- 6. For the lease agreements for personal property, would that include any company vehicles or any leases on trucks that we use for deliveries of product? All were in effect before 2/15/20.**

Leases for personal property, including vehicles or trucks, are eligible nonpayroll costs if paid during the covered period.

- 7. For the lookback periods and the covered periods, I assume that we still should use the metric of 40 hours and not 30 hours. Would we also have the option to use the simplified method during the lookback period or does this only apply to the covered period?**

The guidance provides that you must use 40 hours in determining FTE's. You can use the simplified method for both the covered and all lookback periods. Note that if you use the simplified method, you must use it for all periods. You cannot use the actual FTE count for one period and the simplified method for another period.

- 8. We have payroll through ADP. Looking at the earnings record, we have many times where we did not enter any hours but just listed wages for an employee. Would they not count towards any computation since no hours would be listed? How should we calculate a person's hours if it was just a salary but no hours are listed?**

If no hours are listed or they are paid a salary, the assumption presumably would be that they average 40 hours a week. If that is not the case, you would need to determine the hours worked from another report or source.

- 9. Are cell phones and garbage removal considered utilities?**

Cell phone costs are eligible utilities. Trash removal is not listed. We suggest discussing with your lender if trash removal is eligible to be included in utilities.

- 10. If you did not reduce anyone's hourly rate or salary rate, do you have to do this computation?**

You would not have to do the computation, but you will be required to maintain documentation that proves there was no reduction in hourly rate or salary rate.

- 11. If an employee only earns \$80k / yr but we wish to bonus them during period can we even if during the period it will be over \$15,385?**

You can pay any employee, including bonuses, over \$15,385 during the covered period. However, only \$15,385 will be eligible for loan forgiveness.

- 12. In Ohio, we can't submit for SUTA payments until after 6/30/20 (after the quarter). How do we include these large costs in the forgiveness?**

We can only suggest that businesses contact ODJFS to determine if payments can be made prior to June 30, 2020.

- 13. We paid 1st Qtr 2020 SUTA before we received our PPP loan, can this still be covered payroll expense?**

No. Only SUTA payments made during the covered period, which begins on the day loan funds are received, are eligible for loan forgiveness. SUTA payments prior to that date are not eligible.

14. How long do we have to submit our forgiveness application after our 56 days are up?

The guidance does not provide any time frame for when the loan forgiveness application must be submitted after the 56 days are up. We suggest you contact your lender to determine if they have any requirements. We would also suggest you monitor additional guidance or legislation which may affect your loan forgiveness prior to submitting your application.

15. One of our employees left our company in December last year. I did not count him in our FTE when applying for the loan. We paid him severance pay in January. We still owe him commission that will be paid on June 15th (in our 8 week loan period). Can I count that payment as part of our loan forgiveness?

Yes. Commissions are included in the eligible payroll costs if paid within the covered period.

16. Can you address a bi-monthly payroll situation please. i.e. there would be 4 total pay periods, but the 4th period would deposit just outside the 8 week period by a couple days.

The new guidance allows for wages earned by employees in the covered period, but not paid until the first payroll after the covered period ended to be included in eligible payroll costs. As such, the wages paid in the first payroll outside your covered period will be included in eligible payroll costs.

17. Does the salary/Hourly rate reduction apply to owner wages?

No.

18. Does ownership percentage for Employee/owners matter in FTE?

Nothing in the current guidance mentions ownership percentages for owner/employees. Presumably any owner-employee is excluded from the FTE calculation.

19. Our salaried employees are issued a monthly auto allowance which is reflected on their payroll stubs and are taxable income as part of their benefits package. Are those eligible to be included as part gross salary?

As long as the auto allowance is a taxable fringe benefit, it would be included as part of the gross salary.

20. Can I include vacation pay during this period?

Vacation pay is included in eligible payroll costs if paid during the covered period.

21. If I got ppp loan before state opened (I have retail stores) what would the date be for me, when I received it or when we were allowed to return to work?

It would be the date received or for payroll costs only, the first day of the first pay period following the date the loan proceeds are received if you elect the Alternative Payroll Covered Period.

22. What about employee who is working 39-45 hours but has a flat salary?

They would count 1.0 FTE for the period.

23. If the only employees on payroll are employee/owners, does that mean there is no FTE reduction factor?

There would be non FTE reduction factor if only owner-employees are on payroll during the covered period and the lookback periods.

24. Are employer HSA contributions an allowable expense?

Based on current guidance, we believe employer HSA contributions are included in eligible payroll costs.

25. What if an S Corp owner paid himself \$5,000 in 2019. What would his limitation be towards PPP?

Their PPP wage limitation for the covered period would be \$769.23 ($8/52 * \$5,000$).

26. For the FTE and Salary/Hourly Wage calculations for an hourly employee, do you have to count overtime hours?

For the FTE calculations, overtime hours would be included. For the Hourly Wage calculations, there is no clear guidance as the guidance only provides it is based on average hourly rate.

27. My plant manager is not coming back due to the virus, I need to replace him but I was sem-retired and did not draw a paycheck. Can I now draw a paycheck for replacing my manager?

If you are an owner and did not draw a paycheck in 2019, your wage would not be eligible for forgiveness due to the 8/52 of 2019 compensation limitation.

28. Did you say Utilities included trash?

We believe trash collection is included in utilities, but suggest you contact your lender to obtain their guidance since it is not a specific listed utility.

29. Received PPP April 16. Bi-weekly payroll= Paydays April 17, May 1,15, 29 Jun 12....For 8 week period can the Jun 12th payday be pushed up to pay June 5th. This would total 5 bi-weekly payroll costs.

The new guidance allows for wages earned by employees in the covered period, but not paid until the first payroll after the covered period ended to be included in eligible payroll costs. As such, the wages paid in the first payroll outside your covered period will be included in eligible payroll costs and there would not be a need to accelerate the June 12 pay date.

30. Are the following items covered in the expenses? Life Insurance Premiums (all FT covered)? Are the following included in utilities: Water/Sewer, Cable TV, Security System

Life insurance premiums are not an eligible expense. Water and sewer are included in utilities. Cable TV and security system are not included in utilities.

31. Paid PTO counts toward 40 hour week in FTE calculation, correct? Example... Employee works 32 hours and uses 8 hours PTO for week. They would've worked 40 hours as it pertains to FTE, correct?

Paid PTO does count toward 40 hour week in FTE calculation. The employee in your example would've worked 40 hours as it pertains to FTE calculations.

32. We are a S Corp. My brother and I own 50% each of the Corp. My brother was out of county last year and had no wages or salary. He is now back in country and working during this 56 day period. Are his wages eligible under PPP?

Based on latest guidance, it does not appear his wages would be eligible under PPP due to the 8/52 of 2019 compensation for owner-employees.

33. Are Cell phone expenses able to be included in forgiveness?

Yes.

34. Are non payroll forgivable costs subject to the same percentage decrease of forgivability as dictated by your forgivable payroll percentage.

Nonpayroll costs are subject to the FTE reduction factor, if applicable.

35. is a February utility bill paid during the 8 week period forgivable?

Based on latest guidance, utility bills paid during the covered period are eligible, even if they were incurred prior to the covered period.

36. if you were granted mortgage loan forbearance during the 8 week period can you count the interest incurred and still owed, but not paid?

37. Are FTE calculations from Feb 15 to April 26 computed the same way as the newly released FTE calculations given for the covered period?

Yes. The FTE calculation is the same for all periods.

38. BWC is not considered a tax but an insurance, will it fall under the health insurance approved payroll payments?

No. Workers comp is not considered group health insurance.

39. Would employees used through a temporary service be allowable?

No. They would need to be on your payroll if they were temporary labor.

40. How do you handle an hourly employee if they earned over \$100,000 in the previous year? Do they qualify in the program.

They would be capped at \$15,385 for the covered period for purposes of loan forgiveness.

41. I'm told owner employees for S corp does count, is that true?

That is not true. Wages paid to owner-employees during the covered period are eligible payroll costs. But their wages are limited at 8/52 of their 2019 compensation with a cap of \$15,385.

42. With the actual paid and the accrued (earned) payroll coverage during the 56 days, does that mean you could actually have 9 weekly payrolls included?

Yes.

43. Can a portion of union payments specifically designated for health insurance and pension paid to the union be included in payroll?

We believe union pension and health insurance paid during the covered period will be an eligible payroll cost.

44. Partners in an LLC who take only draws out of company useable?

Partners draws capped at 8/52 of the 2019 net earnings from self-employment multiplied by 0.9235.

45. Are any services included copier maintenance, web hosting etc?

We do not believe any of these services would be included in eligible utilities.

46. If reimburse employee flat amount for use of their vehicle, would that be included?

Only if it is included as taxable compensation through payroll.

47. Will there be a link to revisit the webcast? If so how can I get that link?

The webinar can be replayed by clicking on the registration link for the webinar. If requested, enter your email from when you originally registered.