

PAYCHECK PROTECTION PROGRAM (PPP) LOAN UPDATE

Presented by:

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LEGISLATIVE HISTORY

1. Coronavirus Preparedness and Response Supplemental Appropriations Act
 - Signed into law on March 6
 - \$8.3B in emergency funding, \$20M in small business loans
2. Families First Coronavirus Response Act (FFCRA)
 - Signed into law on March 18, effective April 1, 2020
 - Emergency Paid Sick Leave and FMLA
 - Applies to companies with less than 500 employees
 - Requires employee notice / poster
3. Coronavirus Aid, Relief and Economic Security Act (CARES Act)
 - Signed into law on March 27
 - Unemployment benefits increased by \$600
 - First round of Paycheck Protection Program (PPP) loans (\$349B)
 - By April 27, PPP loan appropriations were exhausted
 - May 14 is deadline to return PPP funds without penalty
4. Paycheck Protection Program and Health Care Enhancement Act
 - Signed into law on April 24
 - Second round of PPP loans (\$310B)
 - Loan processing resumed April 27

PPP STATISTICS – ROUND 1

Loan Count	Net Approved Dollars	Lender Count
1,661,367	\$342,277,999,103	4,975

Average loan size: \$206K

SBA: 04/16/2020

Loan Size	Approved Loans	Approved Dollars	% of Count	% of Amount
\$150K & Under	1,229,893	\$58,321,791,761	74.03%	17.04%
>\$150K - \$350K	224,061	\$50,926,354,675	13.49%	14.88%
>\$350K - \$1M	140,197	\$80,628,410,796	8.44%	23.56%
>\$1M - \$2M	41,238	\$57,187,983,464	2.48%	16.71%
>\$2M - \$5M	21,566	\$64,315,474,825	1.30%	18.79%
>\$5M	4,412	\$30,897,983,582	0.27%	9.03%

PPP LOAN SUMMARY

- ✓ What are the loans?
 - Paycheck Protection loans – in some cases forgivable – to cover payroll costs, healthcare, rent, utilities, etc. (typical max is 2.5 months payroll)
 - Current economic uncertainty makes this loan request necessary to support the ongoing operations
- ✓ Who is eligible?
 - Companies with less than 500 employees; and
 - Companies in the hospitality industry (NAICS Code of 72) with less than 500 employees “per physical location”
- ✓ What part of the loans can be forgiven?
 - Qualifying costs spent during an 8-week period - qualifying costs include payroll costs, mortgage interest, and rent and utilities in place prior to February 2020.

PPP LOANS – PAYROLL COSTS

Included Payroll Costs

- Salary, wage, commission, or similar compensation
- Payment of cash tips or equivalent
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment for group health insurance & retirement benefits
- Payment of state or local tax assessed on employee compensation

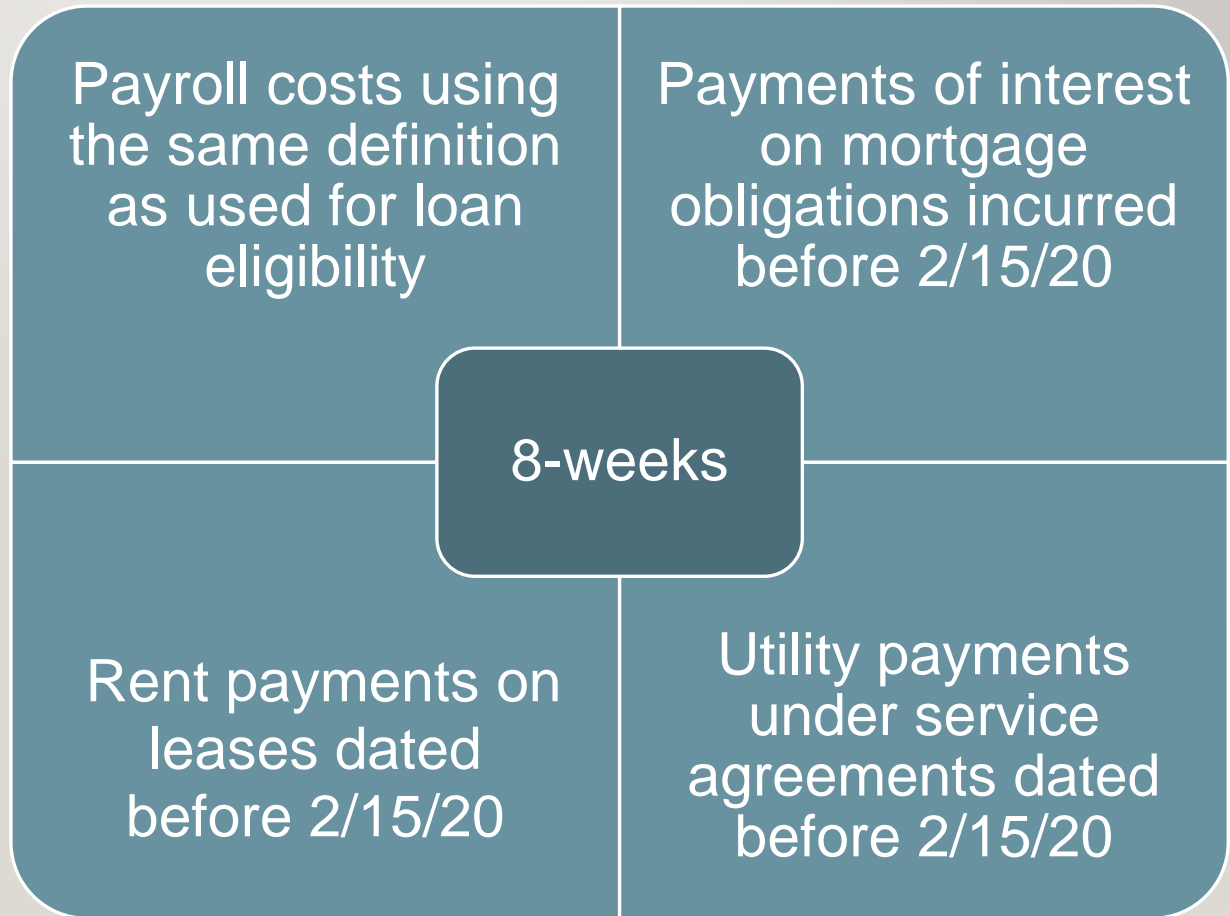
Excluded Payroll Costs

- Compensation of an individual over \$100K (health & retirement excluded)
- Employer portion of payroll taxes
- Compensation of an employee whose residence is out the United States
- Qualified FFCRA sick leave or FMLA wages

PPP LOAN FORGIVENESS

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

NOTE: Not more than 25% of the forgiven amount may be for non-payroll costs.



FORGIVENESS REDUCTIONS

How could the forgiveness be reduced?

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Specifically:

Source:
U.S. Chamber of Commerce

Reduction based on reduction of number of employees



PAYROLL COST
Calculated on page 2

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Average Number of Full-Time Equivalent Employees (FTEs) Per Month for the 8-Weeks Beginning on Loan Origination

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Option 1:

Average number of FTEs per month from February 15, 2019 to June 30, 2019

Option 2:

Average number of FTEs per month from January 1, 2020 to February 29, 2020

For Seasonal Employers:

Average number of FTEs per month from February 15, 2019 to June 30, 2019

Reduction based on reduction in salaries



PAYROLL COST
Calculated on page 2

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For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

FORGIVENESS SCENARIO 1

Scenario 1: A company borrows \$250K and has no reductions to pay or headcount

\$250,000
(Loan amount)

- 2.5 months payroll
- \$25K average weekly payroll
- 20 FT and FTE employees in prior period

\$200,000
(8-week payroll)

- \$25K average weekly payroll (no reductions)
- 20 FT and FTE employees (no reductions)

+ \$50,000
(8-week rent & utilities)

- Represents 20% of total forgiveness amount
- Less than the 25% allowed

= \$250,000
(Forgiveness amount)

- Full loan amount is forgiven

FORGIVENESS SCENARIO 2

Scenario 2: A company reduces all employee pay by 20%

\$250,000
(Loan amount)

- 2.5 months payroll
- \$25K average weekly payroll
- 20 FT and FTE employees in prior period

\$160,000
(8-week payroll)

- \$20K average weekly payroll (20% reduction)
- 20 FT and FTE employees (no reductions in headcount)

+ \$53,333
(8-week rent & utilities)

- Represents 25% (max) of total forgiveness amount

= \$213,333
(Forgiveness amount)

- Loan (partial) forgiveness amount
- \$36,667 non-forgivable amount that converts to a 2-year term loan with 1% interest

FORGIVENESS SCENARIO 3

Scenario 3: A company has a reduction in headcount and a reduction in pay > 25%

\$250,000
(Loan amount)

- 2.5 months payroll
- \$25K average weekly payroll
- 20 FT and FTE employees in prior period

\$142,500
(8-week net payroll)

- No pay reduction for 13 employees (\$1,250/week)
- 50% pay reduction for 5 empl (\$625/week)
- \$155K 8-week payroll minus \$12,500 in forgv reductions

+ \$47,500
(8-week rent & utilities)

- Represents 25% (max) of total forgiveness amount

- \$19,000
(10% FTE reduction)

- 18 FT and FTE employees (loss of 2 employees)
- 10% reduction ($\$142,500 + \$47,500 \times 10\%$)

= \$171,000
(Forgiveness amount)

- Loan (partial) forgiveness amount
- \$79,000 non-forgivable amount that converts to a 2-year term loan with 1% interest

TIPS TO MAXIMIZE FORGIVENESS



Adjust your payroll schedule (temporarily) to fit within the 8-week window



Don't forget to include employer-paid benefit amounts in the payroll costs, including group medical, dental, vision, FSA and 401(k) plans



Keep track of hours worked for each employee – the forgiveness is based on FT and FTE counts (will likely use a 30 hour work week)



Pay a bonus or increase compensation for employees if you're tracking too low near the end of the 8 weeks

QUESTIONS?

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