

PPP LOAN FORGIVENESS APPLICATION AND INSTRUCTIONS

Presented by:

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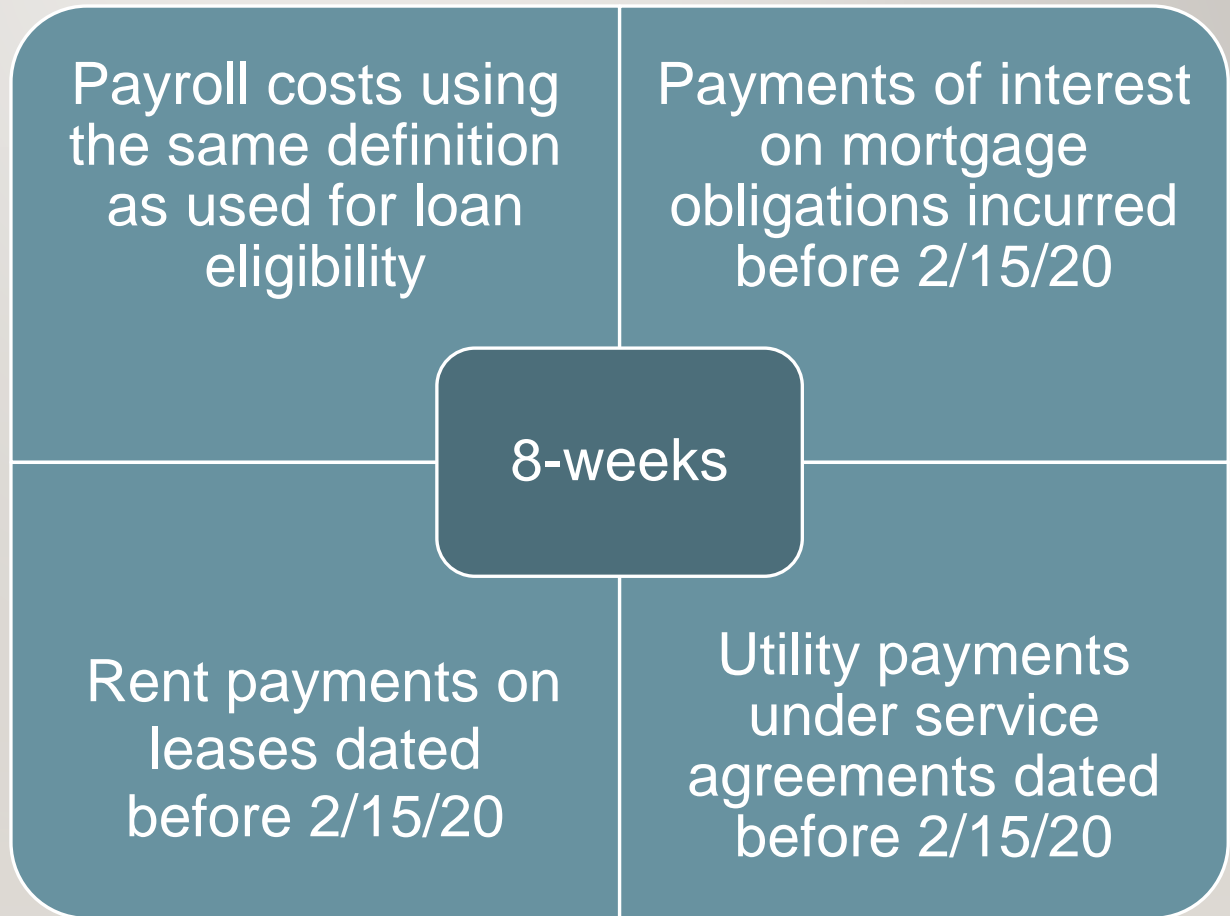
LEGISLATIVE HISTORY

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
 - First round of Paycheck Protection Program (PPP) loans (\$349B)
 - By April 27, PPP loan appropriations were exhausted
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 LOAN FORGIVENESS

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week covered period or alternative covered period:

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



COVERED PERIOD OPTIONS

Covered Period

- 8-week (56 day) period starting on the same day as the PPP loan proceeds were received
- This is the only option for companies with semi-monthly or less frequent payroll periods

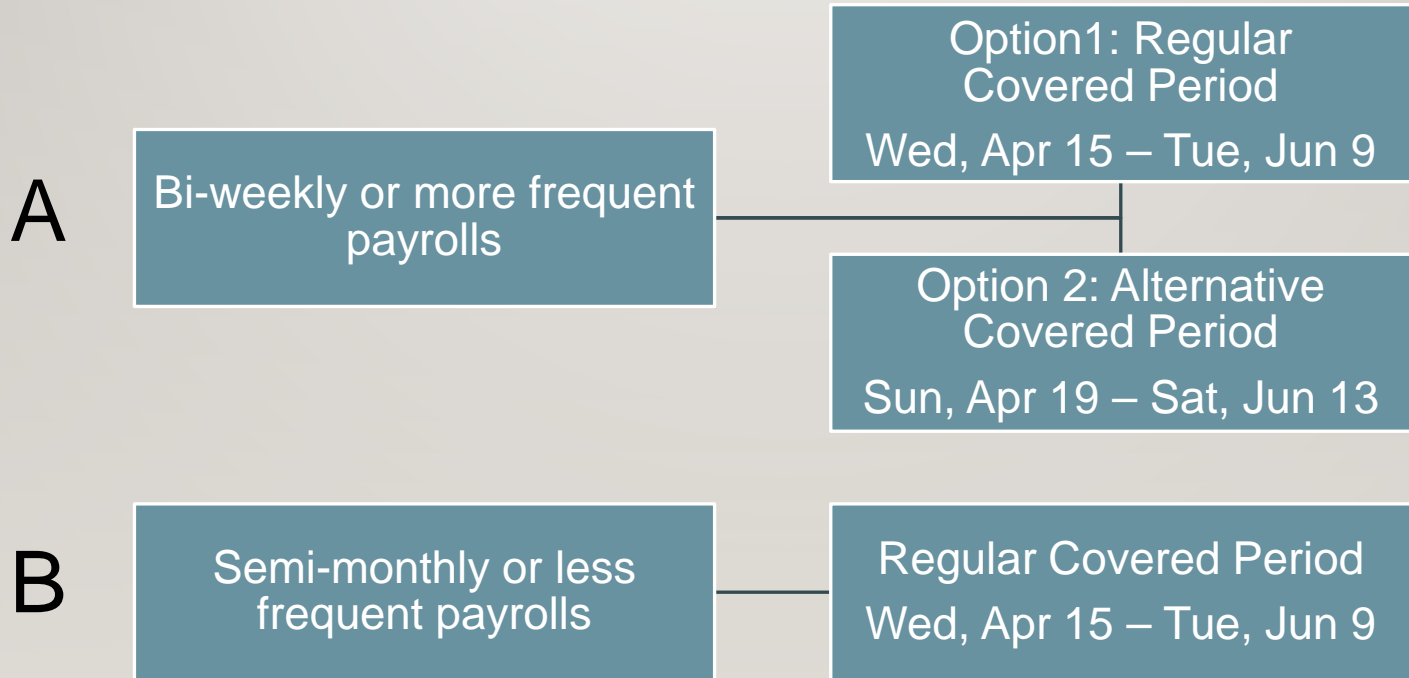
Alternative Covered Period

- 8-week (56 day) period starting on the first day of their first pay period following PPP disbursement date
- This is an additional option for companies with bi-weekly or more frequent payroll periods

COVERED PERIOD EXAMPLES

Scenario: ABC Company received the PPP funds on Wednesday, April 15.

- A. What if they have a weekly payroll with a pay period from Sunday through Saturday?
- B. What if they have a semi-monthly payroll?



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

SALARY / HOURLY WAGE REDUCTION

Salaried Employees

Salary reduced > 25%

- Compare the person's:
 - Average annual salary during the covered period
 - Average annual salary between January 1, 2020 and March 31, 2020

Hourly Employees

Pay rate reduced > 25%

- Compare the person's:
 - Average hourly wage (pay rate) during the covered period
 - Average hourly wage (pay rate) between January 1, 2020 and March 31, 2020
 - Actual hours worked does not affect this reduction

FTE FORGIVENESS REDUCTIONS

Reference Period Options

8-week
Period

Option 1: 02/15/19 – 06/30/19

Option 2: 01/01/20 – 02/29/20

Option 3 (seasonal): 12-week period
between 05/01/19 – 09/15/19

FTE FORGIVENESS REDUCTIONS

Empl Name	Hours Worked per Week								Weekly Avg
	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8	
Jane	40	51	38	39	41	35	40	52	42.0
John	12	10	10	8	12	13	18	15	12.3

Employee Name	Average Hours Worked per Week	Calculation Option 1 (Rounded and capped at 1.0)	Calculation Option 2 Simplified (1.0 or 0.5)
Jane	42.0	1.0 (42.0/40.0)	1.0
John	12.3	0.3 (12.3/40.0)	0.5
Total FTE Count		1.3	1.5

SAFE HARBORS AND EXCEPTIONS

Wage Reduction Safe Harbor (June 30)

- ✓ Individual employee's annual salary or hourly wage went down from February 15, 2020 through April 26, 2020; and
- ✓ Individual employee's annual salary or hourly wage as of June 30, 2020 is greater than or equal to the salary/wage as of February 15, 2020

FTE Reduction Safe Harbor (June 30)

- ✓ Company FTE count went down from February 15, 2020 through April 26, 2020; and
- ✓ Company FTE count as of June 30, 2020 is greater than or equal to the FTE count as of February 15, 2020

FTE Reduction Exception (Events during the 8-week period)

- ✓ Job offer to re-hire an employee was rejected
- ✓ Employee was fired for cause
- ✓ Employee voluntarily resigned
- ✓ Employee voluntarily requested and received a reduction of hours
- ✓ Exceptions are only allowed if the position was not filled by a new employee

IS THIS FORGIVABLE?

Topic	Forgivable?
1) PPP funds received April 15. Pay period was April 5 thru April 11. Pay date was April 17	Yes
2) Rent invoice from March 2020 was outstanding and then paid within 8-week period	Yes
3) Employer paid medical, dental and vision premiums	Yes
4) Employer paid life, accident, disability premiums	No
5) Owner compensation through W-2 payroll or Schedule K-1 payments	Yes
6) Owner draws that are not subject to self-employment tax	No
7) Employer contributions towards owners' health and retirement benefits	No
8) Vacation pay representing paid time off	Yes
9) Employee average hours worked above 40 per week included in FTE calculations	No
10) Owners' hours worked included in FTE calculations	No

Guidance above based on current interpretations and is subject to change

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 (based on a 40 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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