



PPP Loan Forgiveness Update

June 25, 2020

How to maximize loan forgiveness
and understand the implications of
new PPP flexibility rules



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- The webinar will remain live for approximately ten minutes after the conclusion of the presentation to provide the opportunity to submit follow up questions via the Q&A function. A summary of top questions may be provided to all attendees.
- Additionally, all attendees will be emailed a link to a recording of the webinar, a pdf of the presentation, and speaker bios and contact information.
- **Today's presentation is not:**
 - Legal advice
 - The final word on today's topics – updates will be continuously provided via herbein.com
 - Qualified for continuing education credits (i.e. CPE.)

This information is current as of June 22, 2020. Before taking any action, companies should review their PPP information with internal and/or external advisers.

Tell us where you stand in the PPP Loan process?

- Received funding and have been using PPP loan proceeds for more than 5 weeks.
- Received funding and have been using PPP loan proceeds for less than 5 weeks.
- Have not applied for a PPP loan yet.
- Not sure what to do.

Paycheck Protection Program (PPP) Timeline



- March 13, 2020 – COVID-19 Emergency Declaration was issued.
- March 27, 2020 – the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was signed into law. Initially authorizing \$349 billion of federally-guaranteed loans to qualifying small businesses.
- April 3, 2020 – First date that small businesses and sole proprietorships could apply for PPP loans.
- April 3, 2020 – SBA and Department of Treasury created a Frequently Asked Questions (FAQs) document to provide additional guidance to borrowers and lenders. Question #1 was posted on this date.
- April 6, 2020 – FAQ #2 to #18 were published by the SBA and Department of Treasury.

- April 8, 2020 – FAQ #19 and #20 were published by the SBA and Department of Treasury.
- April 10, 2020 – First date that independent contractors and self-employed individuals could apply for PPP loans.
- April 13, 2020 – FAQ #21 to #25 were published by the SBA and Department of Treasury.
- April 14, 15 and 17, 2020 – FAQ #26 to #30 were published by the SBA and Department of Treasury.

- April 15, 2020 – the SBA issued an [Interim Final Rule](#) regarding administration, including certain limitations on PPP loan forgiveness. For the first time, we were informed about the limitation that the borrower must use at least 75% of the PPP loan proceeds for payroll costs in order to be eligible for full forgiveness of the PPP loan principal and interest amounts. (No more than 25% of the forgiveness amount may be attributable to non-payroll costs, and any excess amounts will not be eligible for forgiveness.)
- Since April 15, 2020, the SBA/Treasury Department has issued 15 Interim Final Rules regarding matters related to the PPP.

- April 21, 2020 – Congress passed a bill approving over \$480 billion in additional coronavirus relief – the new package includes another \$310 billion for the PPP, specifically setting aside \$60 billion to be funded by credit unions and community banks.
- April 23, 2020 – FAQ #31 was published by the SBA and Department of Treasury. This FAQ pertained to whether or not a businesses certification was truly made in good faith and questioned the ability to have access to other sources of liquidity or capital. This FAQ caused a lot of concerns amongst out client base.
- April 24, 2020 - The Paycheck Protection Program ("PPP") and Health Care Enhancement Act of 2020 ("PPP Act") was signed into law on April 24, 2020.
- April 24, 26, 28, and 29, 2020 – FAQ #32 to #39 were published by the SBA and Department of Treasury.

- May 3, 5, 6 and 13, 2020 – FAQ #40 to #47 were published by the SBA and Department of Treasury.
- May 15, 2020 – The SBA and Department of Treasury released the PPP loan forgiveness application (SBA Form 3508) and related instructions. Treasury also indicated that the SBA will issue regulations and guidance to further aid borrowers and lenders with the forgiveness process and their responsibilities. Over 2 weeks later, we are still awaiting such additional guidance.
- May 19, 2020 – FAQ #48 was published by the SBA and Department of Treasury.
- May 28, 2020 – U.S. House of Representatives passed the PPP Flexibility Act, in a 417-1 vote. We will discuss the changes associated with this Act towards the end of today's presentation.

- **June 5, 2020 - President Trump signed into law the Paycheck Protection Program Flexibility Act (PPPFA)**
- June 11, 2020 – U.S. Treasury and SBA issue Interim Final rule on Revisions to First Interim Final Rule
- June 12, 2020 – U.S. Treasury and SBA issue Interim Final rule on Additional Revisions to First Interim Final Rule
- June 16, 2020 – Revised Loan application and form EZ
- June 17, 2020 – U.S. Treasury and SBA issue Interim Final rule on Additional Revisions to Third and Sixth Interim Final Rule
- June 22, 2020 – U.S. Treasury and SBA issue Interim Final rule and SBA Loan Review Procedures Interim Final Rule

THE WALL STREET JOURNAL.

Small Businesses Tackle New PPP Puzzle: Forgiveness

Repeated changes to program complicate process of getting loans forgiven, raise prospect of costly errors; 'looks like the bar exam'

- Forty-seven Senate Democrats are pressing the Small Business Administration to set up a streamlined application process for “low-dollar” subsidized small business loan recipients, according to a letter released Friday by the office of Senate Minority Leader Charles E. Schumer (D-N.Y.).
- The lawmakers say the SBA’s existing 11-page loan forgiveness [application](#) takes too long to complete and may be too difficult for some “underserved” small businesses such as sole proprietors, who may not have lawyers and accountants to help with the application.

Small businesses could receive second PPP loan under new proposal

Bill introduction comes as Congress, White House grapple with a fourth coronavirus aid package to help US economy

- Apply and receive PPP funds
- Spend PPP funds on eligible costs during the allowed 8-week/ 24-week period, with at least 60% of those expenditures being payroll costs as defined in the CARES Act
- Maintain (or reinstate) certain levels of salaries, wages and FTEs
- Complete and submit the Loan Forgiveness Application with supporting documentation within 10 months of the earlier of the last day of the Covered Period or 12/31/2020
- Lender must issue a decision on the Loan Forgiveness Application within 60 days of receipt
- Forgiveness must be approved by the SBA within 90 days of lender's decision

New PPP loan forgiveness applications released

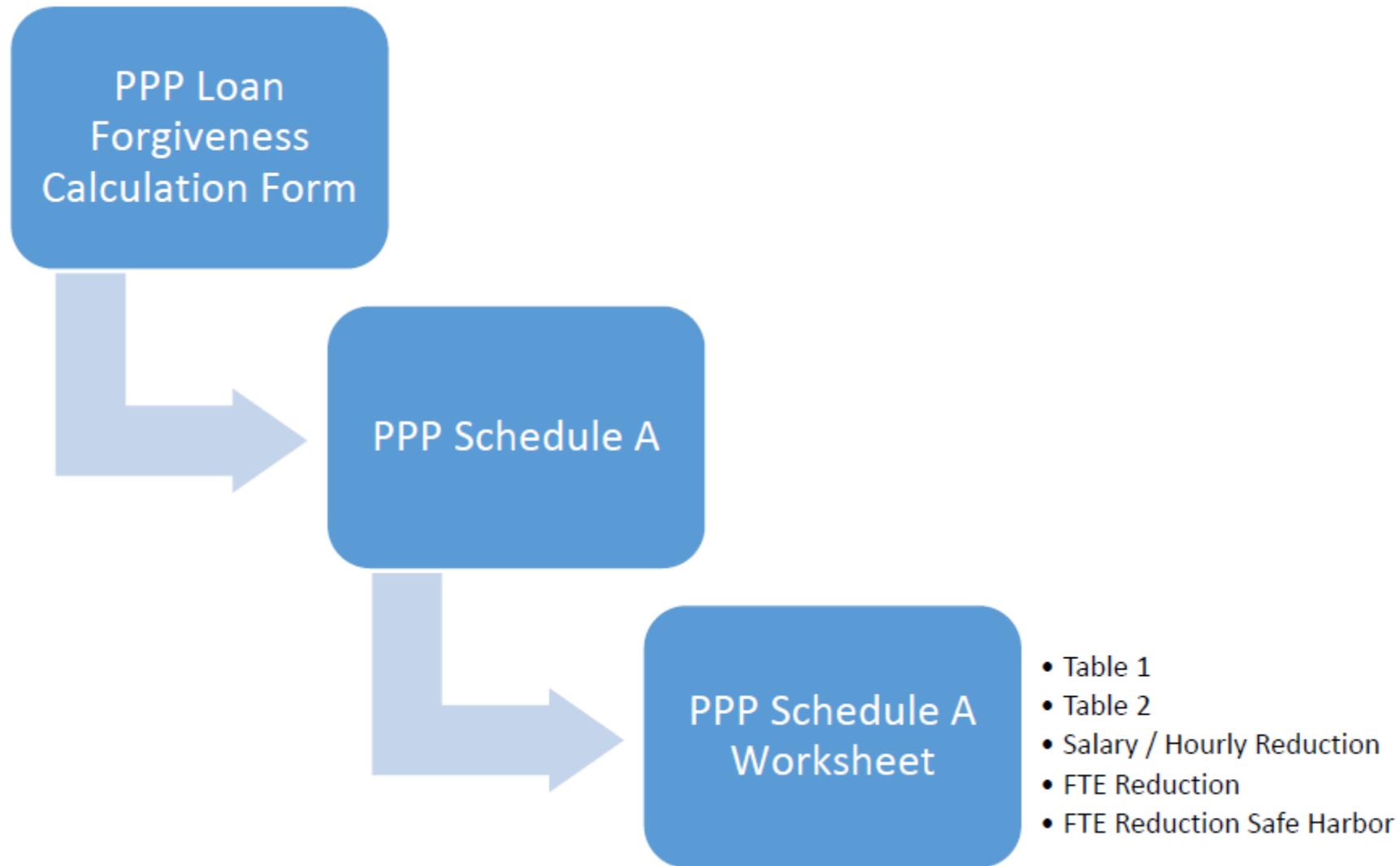
The U.S. Small Business Administration (SBA), in consultation with Treasury, released Wednesday a revised loan forgiveness application for the Paycheck Protection Program (PPP). The SBA also unveiled a new EZ application for forgiveness of PPP loans.

The revised PPP Loan Forgiveness Application and instructions include a number of notable items. Among them are:

- Health insurance costs for S corporation owners cannot be included when calculating payroll costs; however, retirement costs for S corporation owners are eligible costs.
- Safe harbors for excluding salary and hourly wage reductions and reductions in the number of employees (full-time equivalents) from loan forgiveness reductions can be applied as of the date the loan forgiveness application is submitted. Borrowers don't have to wait until Dec. 31 to apply for forgiveness to use the safe harbors.
- Borrowers that received loans before June 5 can choose between using the original eight-week covered period or the new 24-week covered period.

New EZ application details

- The EZ PPP Loan Forgiveness Application requires fewer calculations and less documentation than the full application. The EZ application can be used by borrowers that:
 - Are self-employed and have no employees;
 - Did not reduce the salaries or wages of their employees by more than 25% and did not reduce the number or hours of their employees; or
 - Experienced reductions in business activity as a result of health directives related to COVID-19 and did not reduce the salaries or wages of their employees by more than 25%.



Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs:

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Potential Forgiveness Amounts

Line 5. Add the amounts on lines 1, 2, 3, and 4:

Line 6. PPP Loan Amount:

Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60):

Forgiveness Amount

Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7):

Key Definitions you will need to know in order to complete the PPP Loan Forgiveness Application

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- PPP Loan Disbursement Date
 - Date you first received PPP loan proceeds from Lender
- Covered Period
 - Original law: 8-week/56-day period beginning on the PPP Loan Disbursement Date
 - New election: 24-week/168-day period beginning on the PPP Loan Disbursement Date
- Alternative Covered Period
 - Only available to those with a weekly or biweekly payroll schedule
 - Original law: 8-week/56-day period beginning on the first day of the first pay period following the PPP Loan Disbursement Date
 - New election: 24-week/168-day period beginning on the first day of the first pay period following the PPP Loan Disbursement Date

Are you more likely to apply for PPP loan forgiveness after the 8-week covered period or extend?

- I plan to apply at the end of 8 weeks.
- I plan to extend to 24 weeks (longer than 8 weeks).
- I am undecided at this time.



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 _____

Eligible Payroll Costs –General

1. **Eligible payroll costs.** Borrowers are generally eligible for forgiveness for the payroll costs paid and payroll costs incurred during the eight-week (56-day) Covered Period (or Alternative Payroll Covered Period) (“payroll costs”). Payroll costs are considered paid on the day that paychecks are distributed or the Borrower originates an ACH credit transaction. Payroll costs are considered incurred on the day that the employee’s pay is earned. Payroll costs incurred but not paid during the Borrower’s last pay period of the Covered Period (or Alternative Payroll Covered Period) are eligible for forgiveness if paid on or before the next regular payroll date. Otherwise, payroll costs must be paid during the Covered Period (or Alternative Payroll Covered Period). For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of \$100,000, as prorated for the covered period. Count payroll costs that were both paid and incurred only once. For information on what qualifies as payroll costs, see Interim Final Rule on Paycheck Protection Program posted on April 2, 2020 ([85 FR 20811](#)).

Note: Now an election for 24-week (168-day) is available

Eligible Payroll Costs –Cash Compensation

Cash Compensation: Enter the sum of gross salary, gross wages, gross tips, gross commissions, paid leave (vacation, family, medical or sick leave, not including leave covered by the Families First Coronavirus Response Act), and allowances for dismissal or separation paid or incurred during the Covered Period or the Alternative Payroll Covered Period. For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of \$100,000, as prorated for the Covered Period; therefore, do not enter more than \$15,385 in Table 1 or Table 2 for any individual employee.

Note: Now “do not enter more than \$46,154 in Table 1 or Table 2...”

Eligible Payroll Costs –Non-Cash Compensation

Line 6: Enter the total amount paid by the Borrower for employer contributions for employee health insurance, including employer contributions to a self-insured, employer-sponsored group health plan, but excluding any pre-tax or after tax contributions by employees.

Line 7: Enter the total amount paid by the Borrower for employer contributions to employee retirement plans, excluding any pre-tax or after-tax contributions by employees.

Line 8: Enter the total amount paid by the Borrower for employer state and local taxes assessed on employee compensation (e.g., state unemployment insurance tax); do not list any taxes withheld from employee earnings.

Eligible Nonpayroll Costs

2. **Eligible nonpayroll costs.** Nonpayroll costs eligible for forgiveness consist of:
- (a) covered mortgage obligations: payments of interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before February 15, 2020 (“business mortgage interest payments”);
 - (b) covered rent obligations: business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020 (“business rent or lease payments”); and
 - (c) covered utility payments: business payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020 (“business utility payments”).

An eligible nonpayroll cost must be paid during the Covered Period or incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period. Eligible nonpayroll costs cannot exceed 25% of the total forgiveness amount. Count nonpayroll costs that were both paid and incurred only once.

Note: Now “Eligible nonpayroll costs cannot exceed 40% of the total...”

Eligible Payroll Costs – Compensation to Owners

Line 9: Enter any amounts paid to owners (owner-employees, a self-employed individual, or general partners). This amount is capped at \$15,385 (the eight-week equivalent of \$100,000 per year) for each individual or the eight-week equivalent of their applicable compensation in 2019, whichever is lower. See Interim Final Rule on Additional Eligibility Criteria and Requirements for Certain Pledges of Loans posted on April 14, 2020 for more information ([85 FR 21747, 21749](#)).

Note: Now “capped at \$46,154 the twenty-four-week equivalent...”

- Owner-employees are capped by the amount of their 2019 employee cash compensation and employer retirement and health care contributions made on their behalf.
- Schedule C filers are capped by the amount of their owner compensation replacement, calculated based on 2019 net profit.
- General partners are capped by the amount of their 2019 net earnings from self-employment (reduced by claimed section 179 expense deduction, unreimbursed partnership expenses, and depletion from oil and gas properties) multiplied by 0.9235.
- No additional forgiveness is provided for retirement or health insurance contributions for self-employed individuals, including Schedule C filers and general partners, as such expenses are paid out of their net self-employment income.

1. Covered Period or Alternative Payroll Covered Period

- The “covered period” is the 8 or 24 week period generally beginning on the date you received the loan disbursement.
- The instructions to the application allow for as-yet-unseen flexibility in choosing your 8-week or 24-week covered period specific to payroll costs. Borrowers with a biweekly (or more frequent) payroll schedule may elect to choose an “alternative payroll covered period,” which is the 8-week (56 day) period beginning on the first day of the first pay period following the disbursement date, allowing a business to neatly align its covered period with the beginning of a pay period.
- Thus, if you received your PPP loan on April 20, 2020, and the first day of your next pay period is April 26, 2020, you may elect to count the payroll costs — and only the payroll costs — for the 8 or 24 week period beginning April 26, 2020, rather than the 8 or 24 week period beginning April 20, 2020.
- Note: If you elect to use the “alternative payroll covered period,” you HAVE to use it everywhere that the alternative payroll covered period is an option.

2. “Paid or Incurred”

- Payroll costs are paid on the day the paychecks are distributed or the borrower originates an ACH credit transaction. Thus, you could presumably receive PPP loans on, for example, April 16 and immediately pay – as part of your regular payroll process – wages that had been earned by the employees for the previous two weeks, and include the amounts in the forgiveness calculation because the amounts had been PAID within the covered period. What is not clear, however, is how far in arrears you may pay wages with PPP funds and continue to count those wages towards forgiveness.
- The application instructions further provide that payroll costs are incurred on the day they are earned, before providing additional flexibility by allowing the payroll costs incurred for your last pay period of the 8-week period to be eligible for forgiveness as long as they are paid no later than the next regular payroll date.
- For non-payroll costs such as mortgage interest, rent and utilities, to qualify for forgiveness, these expenses must either be: 1) paid DURING the 8/24-week covered period, or 2) INCURRED during the 8-week period, and paid by its next regular due date, even if that due date is outside the 8-week period.
- Once again, it would appear that by allowing all payments made DURING the period to be eligible for forgiveness, borrowers are permitted to pay rent, interest, or utilities related to periods prior to the 8-week period and have those expenses forgiven.

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
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

3. How to compute FTE's

- To determine the average full-time equivalent employees (FTEs) for the covered period (or the alternative payroll covered period, if elected, or any other periods where it's required), for each qualifying employee:
 - Determine the average number of hours worked per week for the applicable period;
 - Take the average number of hours worked per week and divide by 40, before rounding to the nearest tenth. The maximum amount for each employee is 1.0.
 - Alternatively, you can skip the math and use 1.0 for every employee who worked 40 hours per week and 0.5 for every employee who didn't meet that standard. Either way you get there, you will ultimately arrive at the average FTE throughout the relevant covered period.

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):

Full-Time Equivalency (FTE) Reduction Calculation

If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here , skip lines 11 and 12 and enter **1.0** on line 13.

Line 11. Average FTE during the Borrower's chosen reference period:

Line 12. Total Average FTE (add lines 2 and 5):

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met:

4. FTE Reduction

- The amount of loan forgiveness may ALSO be reduced if the borrower reduces headcount during the covered period. Just as we saw with the reduction resulting from reduced salary, however, the reduction may be ignored if a safe harbor is satisfied.
- Your forgiveness is reduced if your average number of full-time equivalent employees (FTEs) during the covered period is less than the average number of FTEs for any of the following periods, at your election:
 - The period beginning on February 15, 2019 and ending on June 30, 2019; or
 - The period beginning on January 1, 2020 and ending on February 29, 2020, or
 - For a seasonal employer, as determined by the SBA, either of the two previous periods or any 12-week period between May 1, 2019 and September 15, 2019.

FTE Reduction Exceptions: Indicate the FTE of (1) any positions for which the Borrower made a good-faith, written offer to rehire an employee during the Covered Period or the Alternative Payroll Covered Period which was rejected by the employee; and (2) any employees who during the Covered Period or the Alternative Payroll Covered Period (a) were fired for cause, (b) voluntarily resigned, or (c) voluntarily requested and received a reduction of their hours. In all of these cases, include these FTEs on this line only if the position was not filled by a new employee. Any FTE reductions in these cases do not reduce the Borrower's loan forgiveness.

Boxes 1 through 5: Enter the sums of the amounts in each of the columns.

FTE Reduction Safe Harbor

A safe harbor under applicable law and regulation exempts certain borrowers from the loan forgiveness reduction based on FTE employee levels. Specifically, the Borrower is exempt from the reduction in loan forgiveness based on FTE employees described above if both of the following conditions are met: (1) the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and (2) the Borrower then restored its FTE employee levels by not later than June 30, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020.

5. FTE Reduction Restoration

- A borrower may ignore the required reduction, however, if a safe harbor is met. To satisfy the safe harbor, the borrower must first use the methodology described above to determine FTEs for two additional periods:
 - The period from February 15, 2020, through April 26, 2020, and
 - For the pay period that includes February 15, 2020,
- If the average FTEs for the first period is less than the FTEs for the second period, the borrower must then compare the average FTEs for the second period to the total FTEs as of June 30, 2020 (8 week) or December 31, 2020 (24 week). If the FTEs on June 30, 2020 (8 week) or December 31, 2020 (24 week) are greater than the FTEs on February 15, 2020, the safe harbor is met and no reduction is required.

6. Salary/Wage Reduction

- The total amount of loan forgiveness will eventually be reduced by the amount of any reduction in total ANNUAL salary or AVERAGE wages of any employee during the covered period who did not receive, during any single pay period during 2019, wages or salary at an annualized rate of pay of more than \$100,000.
- The reduction in forgiveness amount is required if the reduction in wages over the covered period is in excess of 25% of the total salary or wages of the employee during the period from January 1, 2020 through March 31, 2020.
- The reduction is limited to 8/52 of the excess of:
 - 1) 75% of the base period salary, over
 - 2) the amount received during the covered period.

7. Salary/Wage Reduction Restoration

- The reduction is not required, however, if a safe harbor is met. Whether the safe harbor is met is determined via the following steps:
- Step 1: Determine the annual salary or hourly wage as of February 15, 2020.
- Step 2: Determine the average annual salary or hourly wage for the period from February 15, 2020 through April 26, 2020.
- Step 3: If Step 2 is greater than Step 1, the safe-harbor does not apply. If Step 2 is less than Step 1, proceed to Step 4.
- Step 4: Determine the average annual salary or hourly wage for the employee. If that amount is equal to or greater than Step 1, the safe harbor has been met.
- In other words, the SBA will ignore a reduction in salary during the covered period relative to the 1st quarter of 2020, but ONLY IF that salary is restored to what it was on February 15, 2020, by June 30, 2020 (8-week) or December 31, 2020 (24-week).

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance: _____

Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans: _____

Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation: _____

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners: _____
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

8. Non-compensation payroll costs; in addition to \$100,000 employee/cap

- Interesting: Previous informal guidance had indicated that severance/vacation pay were in addition to the \$100,000 cap per employee. Now it appears they are subject to the cap.
- Application includes employer contributions to a self-insured, employer-sponsored group health plan, but excluding any pre-tax or after-tax contributions by employees.
- Retirement contributions do NOT include any pre-tax or after-tax contributions by employees.

9. Treatment of owner/employees, general partners, self-employed tax payers (other partners?)

- These individuals do not appear to be treated as employees and included in the FTE computation.
- More importantly, it appears non-compensation payroll costs for owner-employees, partners and self-employed taxpayers are NOT forgivable.
- MOST importantly, these taxpayers cannot increase their pay during the 8-week period relative to 8/52 of their 2019 compensation. The amount forgivable is the LESSER of the amount paid to the individual during the 8-week covered period or 8/52 of 2019 compensation.

10. Determining Final Forgiveness

- The amount forgiven is the lesser of:
 - Total payroll costs/mortgage interest/rent/utilities, less salary reduction amount, multiplied by any FTE reduction quotient.
 - The principal balance of the loan (one piece of previous guidance had suggested accrued interest could be forgiven as well).
 - Payroll cost/75%, revised to 60%.
- Two big takeaways here:
 - There is NO cliff; whereby a borrower has to use 60% of the loan PROCEEDS on payroll or else NONE of the loan was forgivable. Instead, it's what we expected: the amount eligible for forgiveness is capped at total payroll costs/60%.
 - Other good news: the payroll cost/60% formula is done BEFORE any reduction for salary reduction/FTE reduction.

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- Current borrowers have the option to extend the 8-week covered period to **24 weeks**. (Provides flexibility for borrowers that may make it easier to achieve full or near-full forgiveness if current conditions aren't conducive to bringing back employees.)
- New borrowers after June 5, 2020, have a covered period of 24 weeks after the loan proceeds are received or December 31, 2020, whichever is earlier. (Note: The deadline for PPP loan applications continues to be June 30, 2020.)
- The 75% payroll expenditure requirement in the original CARES Act is reduced to 60% of the covered loan amount for payroll costs.
 - Per June 8, 2020 Joint SBA and Treasury statement, “If a borrower uses less than 60 percent of the loan amount for payroll costs during the forgiveness covered period, the borrower will continue to be eligible for partial loan forgiveness, subject to at least 60 percent of the loan forgiveness amount having been used for payroll costs.”
 - Because the loan amount is based on 10 weeks of payroll, borrowers may have a good chance of meeting the 60% requirement with the covered period extended to 24 weeks.

- Opportunity to avoid FTE or Salary/Wage reduction penalties if headcount or salary/wages are restored by December 31 instead of June 30.
 - Borrowers have a longer period of time to restore workforce or salary/wages.
 - It is unclear if the borrower can claim the safe harbor was met prior to Dec. 31. Additional guidance is needed.
- New exceptions for FTE reduction provided if borrower documents an inability to:
 - Rehire individuals who were employees of the eligible recipient on February 15, 2020;
 - Hire similarly qualified employees for unfilled positions on or before December 31, 2020;
 - Return to the same level of business activity as before Feb. 15, 2020, due to compliance with requirements established or guidance issued ...related to COVID-19.
- Repayment period extended to five years for new loans.
 - Existing PPP loans can have maturity extended if lender and borrower agree and interest rate to remain at 1%
- Loan Payments are deferred until the SBA determines the amount of loan forgiveness and remits to the lender.
- Ensure full access to payroll tax deferment for businesses that take PPP loans.
- This legislation does not address tax deductibility of expenses paid with a forgiven PPP loan.

Other Recent Developments

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- The SBA issued rules Monday (6/22) night for determining payroll costs and owner compensation in calculating PPP loan forgiveness under the new 24-week covered period.
- The Paycheck Protection Flexibility Act tripled the duration during which PPP recipients could spend the funds and still qualify for loan forgiveness — a span of time called the covered period. The [interim final rule](#) adjusts and adds to previous guidance for calculating loan forgiveness under the original eight-week covered period.
- The PPP allows loan forgiveness for payroll costs — including salary, wages, and tips — for up to \$100,000 annualized per employee, or \$15,385 per individual over the eight-week period. The new interim final rule establishes the 24-week maximum for full loan forgiveness at \$46,154 per individual.

Why new PPP loan rules for Owner-Employees of S and C corporations are bad news?

- The group health insurance costs of an individual who is an owner of an S corporation cannot be included in the forgiveness amount.
- Compensation counted for Owner-Employees cannot exceed the pro rata portion of what they were paid in 2019.
- \$20,833 for 8-week testing versus \$46,154 for 24-week testing and why?
- What about retirement plan expenses?
- What is an Owner-Employee and what can be done to avoid this limitation?

The SBA will disclose the business names, addresses, North American Industry Classification System (NAICS) codes, ZIP codes, business type, demographic data, not-for-profit information, jobs supported, and loan amount ranges as follows:

- \$150,000 to \$350,000
- \$350,000 to \$1 million
- \$1 million to \$2 million
- \$2 million to \$5 million
- \$5 million to \$10 million

For loans below \$150,000, the SBA will release totals aggregated by ZIP code, by industry, by business type, and by various demographic categories.

Are you currently receiving PPP loan advice from your external accountant, banker, or primarily using internal resources?

- External Accountant
- Banker
- Both External Accountant and Banker
- Just internally



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Thank you for attending our webinar!

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