



# Forgiveness Now or Later?

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- Paycheck Protection Program

August 25, 2020

- What has happened since you received your PPP monies?
- Are you ready for forgiveness?



**PAYCHECK  
PROTECTION  
PROGRAM**



## What's happening at the SBA?

- Is now ready to begin accepting forgiveness applications (August 10).
- Is no longer accepting NEW PPP applications.
- As of July 31 – approved over \$520 Billion in PPP loans.
- Over \$32B in Florida.

## What's happening in Congress?

- Considering Blanket Forgiveness @ \$150,000?
- Considering expanding non-payroll expenses?
- Considering PPP 2?

## What's new since we last spoke?

- Form 3508EZ – an abbreviated forgiveness application.
- Clarity on Owner/Employee forgiveness for payroll cost.
- Clarity on who can use Alternative Covered Period.
- Guidance to government contractors.
- Safe Harbor and LAST day to spend PPP dollars moved to December 31, 2020.

## Are you comfortable that you will be fully forgiven?

### Before you apply for forgiveness...lets review and consider some options:

- Confirm that you spent the money within the agreed and newly updated parameters.
- Are you using the 8 week or 24-week period?
- Are you using the Covered period or the Alternative Covered Period?
- Are you eligible for the abbreviated 3508EZ Forgiveness process?
- Do you have all your backup information ready and organized?
- Do you have your SBA and Bank Loan Number?

# PPP Loan Forgiveness



## What's the rush?

- Take your time ... Better to ensure that you will achieve 100% forgiveness than to fall short!

## Some things to consider...

Establish a drop-dead date of when you MUST have everything submitted.

**Example:** ABC Company received a PPP loan on April 20, 2020.

- Last day of 8 week Covered Period is June 14
- Last day of 8 week Alternative Covered Period is June 20
- Last day of 24 week Covered Period is October 4
- Last day of 24 week Alternative Covered Period is October 10
- Last day for all PPP loan covered period is December 31, 2020.
- SBA has established that filing for forgiveness must be within 10 months from end of Covered Period.
- A borrower is not required to make any payments until the forgiveness amount is remitted to the lender by the SBA.

Apr-20							May-20							Jun-20						
Sun	Mon	Tue	Wed	Thur	Fri	Sat	Sun	Mon	Tue	Wed	Thur	Fri	Sat	Sun	Mon	Tue	Wed	Thur	Fri	Sat
			1	2	3	4						1	2		1	2	3	4	5	6
5	6	7	8	9	10	11	3	4	5	6	7	8	9	7	8	9	10	11	12	13
12	13	14	15	16	17	18	10	11	12	13	14	15	16	14	15	16	17	18	19	20
19	20	21	22	23	24	25	17	18	19	20	21	22	23	21	22	23	24	25	26	27
26	27	28	29	30			24	25	26	27	28	29	30	28	29	30				
							31													

8 week Covered Period  
8 week Alternative Covered Period

Jul-20							Aug-20							Sep-20						
Sun	Mon	Tue	Wed	Thur	Fri	Sat	Sun	Mon	Tue	Wed	Thur	Fri	Sat	Sun	Mon	Tue	Wed	Thur	Fri	Sat
			1	2	3	4							1			1	2	3	4	5
5	6	7	8	9	10	11	2	3	4	5	6	7	8	6	7	8	9	10	11	12
12	13	14	15	16	17	18	9	10	11	12	13	14	15	13	14	15	16	17	18	19
19	20	21	22	23	24	25	16	17	18	19	20	21	22	20	21	22	23	24	25	26
26	27	28	29	30	31		23	24	25	26	27	28	29	27	28	29	30			
							30	31												

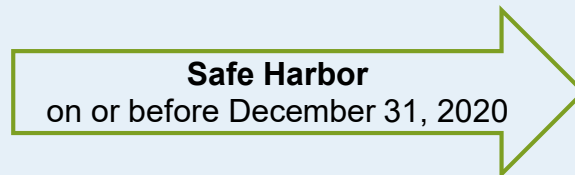
Oct-20							Nov-20							Dec-20							
Sun	Mon	Tue	Wed	Thur	Fri	Sat	Sun	Mon	Tue	Wed	Thur	Fri	Sat	Sun	Mon	Tue	Wed	Thur	Fri	Sat	
					1	2	3	1	2	3	4	5	6	7			1	2	3	4	5
4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12	
11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19	
18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26	
25	26	27	28	29	30	31	29	30						27	28	29	30	31			

24 week Covered Period  
24 week Alternative Covered Period

Dec 31 - Last day for ALL costs paid and incurred

## Other considerations:

- Have there been any reductions to FTE that have not been rehired within Safe Harbor timeframe?
- Have there been any salary adjustments greater than 25% that have not been reinstated within Safe Harbor Timeframe?
- Have I captured ALL forgivable expenses, notwithstanding that they may exceed the amount of the PPP loan?



## Payroll Costs for Non- Owner Employees

### Lets review briefly what is forgivable:

#### Payroll Costs for Non- Owner Employees

- Gross Payroll Costs
- Vacation, Sick Leave, Medical or family leave
- Group Health Benefits
- Bonus

#### Maximum forgivable compensation for any non-owner employee:

- 8 week - \$15,385
- 24 week- \$46,153

### Clarity from SBA:

- Payroll costs paid during the Covered Period are eligible for forgiveness.
- Payroll costs incurred during the Covered Period but paid after the Covered Period are eligible for forgiveness, provided they are paid by the following payroll date.
- The Alternative Covered Period may only be used by businesses whose pay cycles are weekly or bi-weekly.



## Payroll Costs for Owner Employees

### Payroll Costs for Owner Employees – a bit more complicated...

- Compensation is Capped by aggregating ALL companies that have received PPP.
- Compensation is Capped at 2.5Xs average monthly 2019 earnings (20.83%).
- S-Corp health benefits ineligible for 5% + owner/employee and any family member of 5% plus employee.
- General partners compensation must be paid during the Covered Period.

OWNER EMPLOYEE FORGIVABLE PAYROLL COSTS					
		C-Corp	S-Corp	Self Employed Sch C or F filers	General Partners
<b>Cash Compensation</b>					
	maximum:				
	8 week	\$15,385	\$15,385	\$15,385	\$15,385
	24 week	\$20,833	\$20,833	\$20,833	\$20,833
	Additional Cap	max at 20.83% of 2019 compensation	max at 20.83% of 2019 compensation	max at 20.83% of 2019 compensation Form 1040 Sch C line 31	max at 20.83% of 2019 Net Earning - see below
<b>Cash Comp plus...</b>					
	State and Local Taxes	prorata	prorata	Not eligible	Not eligible
	Healthcare Benefits	prorata	Not eligible for any 5% + owner and any family member of 5% + owner	Not eligible	Not eligible
	Retirement Benefits	capped at 20.83% of 2019 contribution	capped at 20.83% of 2019 contribution	Not eligible	Not eligible
<b>NOTES:</b>					
<b>General Partners</b>	maximum forgivable compensation is limited also by 20.83% of 2019 Net Earnings. Computation uses (2019 IRS Form 1065 Sch K1 Box 14a (minus) Box 12 section 179 expense deduction (minus) unreimbursed partnership expenses deducted on IRS Form 1040 Sch SE (minus) depletion claimed on Oil and Gas Properties) multiplied by 0.9235.				
<b>LLC</b>	depending on how you file your taxes.				

## NON-Payroll Costs:

- Eligible costs incurred prior to the Covered Period and paid during the Covered Period are eligible for forgiveness.
- Eligible costs incurred during the Covered Period but paid on or before the next billing cycle are eligible for forgiveness.
- The Alternative Covered Period applies ONLY to payroll costs and not Non-Payroll costs.
- Transportation Utility expense- refers to transportation utility fees assessed by state and local governments.

## Now that you are clear on what can be included and have determined whether your Covered Period will be 8 or 24 weeks what's next?

### Lets see if you are eligible for the abbreviated forgiveness application process...

1. **Are you** self-employed, an independent contractor, or a sole proprietor who had NO employees at the time of the PPP Loan application and did NOT include employee salaries in the computation of the average monthly payroll?
2. **You** did not reduce wages by more than 25% to any employee during the Covered Period or Alternative Covered Period compared to the period between Jan 1,2020 and March 31, 2020. **AND**

**You** did not reduce the number of employees or the average hours worked between January 1, 2020 and the end of the Covered Period.

**You** may ignore FTE reductions due to an inability to rehire individuals who were employees on Feb 15,2020 if:

- unable to hire similarly qualified by December 31,2020 (Safe Harbor)
- employee was offered to be restored but refused.

3. **You** did not reduce wages by more than 25% to any employee during the Covered Period or Alternative Covered Period compared to the period between Jan 1,2020 and March 31, 2020. **AND**

**Your** business could not operate during the Covered Period at the same level of business activity as before Feb 15,2020 due to compliance with requirements by or guidance from:

- Secretary of Health and Human Services (HHS)
- Director of the Centers for Disease Control and Prevention (CDC)
- Occupational Safety and Health Administration (OSHA)

**Employees:** Here employees mean an employee who did not receive during any single period in 2019 wages in excess of \$100,000.

**Congratulations!** If you answered positively to any of these 3 questions you can use Form 3508EZ!

## What can you expect?

- Once you're ready you can go onto our website and log into the PPP Forgiveness hyperlink that we have provided.
- You will complete your application either Form 3508 or Form 3508 EZ and upload all the documentation that is required based on the Form you use.
- Once submitted, the bank will acknowledge receipt and has 60 days to process forgiveness.
- If approved, the bank will submit for payment (in whole or part) to the SBA
- The SBA then has 90 days to confirm forgiveness and submit payment of principal and interest to the bank.

# Thank you!

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We sincerely hope that you have found today's webinar useful. As your community bank we are here to provide guidance.

Expert opinions should be sought from your accountant or attorney.

WE ARE  
*Stronger*  
TOGETHER



**Veronica B. Flores**  
Chief Operating Officer



**Angel Medina**  
Executive Vice President



**Patrick Khoury**  
Senior Vice President

