



# **PPP Loan Forgiveness: Final Frontier?**

**Presented by Boyum Barenscheer's  
Covid-19 Team  
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## Stacy Shaw

*CPA, MBA*

### Business Advisory/Client Accounting Services Partner

#### Education

- B.A., Accounting – University of MN-Carlson School of Management
- MBA, Accounting – Metropolitan State University

#### Accreditation

- Certified Public Accountant

#### Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- MN Society of Certified Public Accountants (MNCPA)
- Association of Women Contractors (AWC)
- Minnesota Chamber of Commerce

Stacy Shaw joined Boyum Barenscheer directly from college and has continually grown within the firm. As a catalyst in BB's Business Advisory Services and Client Accounting Services areas, she works with clients in all aspects of their businesses. She enjoys the direct client contact as she is involved in consulting and planning. Within the firm, Stacy is an ardent leader in training and mentoring fellow accountants. Her favorite part about working at BB is the people, and this is evident as she is all about sharing her knowledge and experience.

Stacy is currently serving on the finance committee of the Association of Women Contractors, an active member of the MN Society of CPAs, a volunteer at her daughters' school and works on various committees at her church. Stacy lives in Lakeville, Minnesota with her husband, Nathan and daughters, Cora and Ivy. Her leisure time is spent with family and friends drag racing (yes, she does race herself), camping, hiking, biking, and skiing.

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# Christopher Wittich

*CPA, MBT*

Chris Wittich came to Boyum Barenscheer in 2007 and quickly made his mark in the firm's tax department. He works with individuals, businesses, trusts, estates, and expats providing tax planning and tax compliance services. Chris enjoys challenging research projects and training others in all things tax.

His passion for educating others is evident as he is the firm's top website blogger. He has been a tax season volunteer with Prepare Prosper every year since 2001 when he was in 10<sup>th</sup> grade.

Chris is a proud AICPA Leadership Academy graduate and MNCPA Tax Conference chair. He has spoken at the AICPA Engage Conference and MNCPA Tax Conferences. In 2019, he began serving on the AICPA's Tax Practice Management Committee and on the AICPA's task force to revise the Statements on Standards for Tax Services.

Chris grew up in Eden Prairie, Minnesota but now lives in Eagan with his wife Brittany and cat Cornelius. In his spare time, Chris is busy playing golf or Ultimate Frisbee. His nickname, Ravenous Tiger, dates back to his days in drumline from high school.

## Tax Partner

### Education

- Bachelor of Accounting, University of MN – Carlson School of Management
- Masters of Business Taxation, University of MN – Carlson School of Management

### Accreditation

- Certified Public Accountant

### Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
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## Randy Feld

*CPA, ABV*

Randy joined Boyum Barenscheer in 1991. He works with clients on maximizing their business value, valuation, succession, forecasting, business planning and auditing. His passion is working with business owners and management teams to leverage the use of their financial statements to help them gain insights into their business to ultimately become more profitable, reduce income taxes, create more value inside and outside their business and to help plan for the future. Randy's primary focuses are on serving contractors and manufacturers.

Randy enjoys assisting with all aspects of his clients' organizations by teaching and helping them to grow. He prides himself in understanding our clients' business and having a deep understanding of their industries. He values the great client relationships he has developed over the years and is a lifelong learner.

Randy and his wife, Karen, live in Eagan. They have two adult children that live in Minnesota.

## Audit Partner

### Education

- B.A., Concordia University – St. Paul

### Accreditation

- Certified Public Accountant
- Accredited in Business Valuation

### Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- MN Society of Certified Public Accountants (MNCPA)
- Construction Industry CPAs/Consultants Assoc (CICPAC)
- Association of General Contractors (AGC)
- Manufacturers Alliance

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## Barb Sawdy

*CPA, CGMA*

Barb Sawdy came to Boyum Barenscheer over 10 years ago with 15+ years of business, controller, and accounting experience. She has evolved into the firm's leader in complex sales tax, payroll, and accounting software issues. She also plays a vital role in the firm's Business Advisory Services department with training and assisting our accountants as they begin their careers. She likes being part of the widely-varied, experienced BB team working with clients and the diversity of businesses they represent. She said working at BB feels like family.

Barb is a member of the Burnsville Chapter of Women of Today, a non-profit women's organization. She previously held the Board's Treasurer position.

When not quilting or reading, Barb is spending her extra time with family activities. She loves to travel and while she is an experienced traveler, she hopes to someday take a more extensive European vacation.

Barb and her husband, Bob are the parents of two children and live in Burnsville, Minnesota.

## Business Advisory Services Partner

### Education

- Bachelor of Business Administration, University of WI – Oshkosh

### Accreditation

- Certified Public Accountant
- Chartered Global Management Accountant

### Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- MN Society of Certified Public Accountants (MNCPA)
- Treasurer, Women of Today – Burnsville Chapter

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# Tiffany Shermak

CPA



## Audit Senior Manager

### Education

- B.S., Accounting, Arizona State University – Tempe, Arizona

### Accreditation

- Certified Public Accountant
- AICPA Intermediate Single Audit Certificate

### Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- MN Society of Certified Public Accountants (MNCPA)
- Minnesota Multi Housing Association (MMHA)

Tiffany Shermak joined Boyum Barenscheer in 2014. Her background includes public accounting at a Big Four global firm, local firms and accounting and controller roles in industry. It is through her varied background that Tiffany enjoys and is able to meet her clients' needs. Tiffany's primary focus is servicing affordable housing and nonprofit clients, particularly in the regulatory environments, including HUD and Rural Development.

As a volunteer, Tiffany serves the Bloomington School District in a variety of roles, one of which is serving on the District's Community Financial Advisory Committee.

She is also a Board member of the Education Foundation of Bloomington, has served as Treasurer for the Bloomington Fastpitch Association and is involved with her church.

When not at the office or volunteering, Tiffany enjoys traveling with her family and spending time at her children's activities. There also might be a time or two that she ventures onto the volleyball court, hits the trails for a run or dives into the pool for some laps to stay active!

Tiffany and her husband Bill live in Bloomington with their three children.

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# Larry Davidson

CPA

## Audit Senior Manager

### Education

- Bachelor of Science/Accounting, Northern Illinois University, DeKalb, IL

### Accreditation

- Certified Public Accountant

### Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- MN Society of Certified Public Accountants (MNCPA)
- Construction Financial Management Association (CFMA)
- Minnesota Multi Housing Association (MMHA)

Larry Davidson joined Boyum Barendscheer in January 2017, bringing with him over 20 years of experience in public accounting. Larry's audit experience has a concentration in HUD and other affordable housing projects with clients. He also has several years' experience as a Controller for a large construction company in St. Paul, which provides him unique insight into his HUD, real estate and other construction audit clients.

Outside the office Larry volunteers his time with his children's St. Paul schools and loves traveling and spending time with his family. A native of the Chicagoland area, he plans many trips to Chicago annually to visit with close family and friends.

Larry and his wife Siiri live in St. Paul with their two children.

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## Nick Swedberg

*CPA, QuickBooks Advanced ProAdvisor*

### Business Advisory Services Partner Specializing in Restaurants & Breweries

#### Education

- Bachelor of Science/Accounting, Minnesota State University, Moorhead

#### • Accreditation

- Certified Public Accountant
- Certified Advanced QuickBooks ProAdvisor

#### Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- MN Society of Certified Public Accountants (MNCPA)

In the time since Nick Swedberg joined Boyum Barenscheer in 2008, he has become a firm leader in our Business Advisory Services area. His tax planning and preparation work along with CFO services for clients led him to this role. Being a sought-after Certified Advanced QuickBooks ProAdvisor brings added value to the services he provides when working with small businesses to streamline their accounting processes. Clients reach out to Nick for his patient assistance and support when needed. A significant portion of Nick's client service work is in the [restaurant and brewery industries](#).

Nick enjoys downhill skiing, camping, tennis and improving his status as an amateur handyman. He loves to cook and says he would have been a chef if the hours weren't so tough – we may still see him on "Chopped" one day! A beer aficionado, Nick is proud of his growing growler collection. Thirty-six and counting. Nick and his wife, Stephanie, live in Burnsville with their twin boys and daughter.

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# Agenda

- Housekeeping Items
- PPP Flexibility Act of 2020
- EZ Loan Forgiveness Application
- Long Loan Forgiveness Application
- Covered Period
- Payroll and Non-Payroll Costs
- Wage Reduction Limitation
- FTE Reduction Limitation
- 60% Payroll Cost Limitation
- Documentation Required
- Closing Thoughts with Q&A

# PPP Flexibility Act of 2020

- Maturity goes from 2 years to 5 years (loans after June 5, unless agreed with lender)
- Extension of PPP loan origination period from June 30 to December 31, 2020
- Covered period is 24 weeks beginning on the loan disbursement date, or
- Allows for election to use 8-week covered period for loans originated before June 5, 2020
- Use of payroll costs goes from 75% to 60%
- Safe harbor period extended to December 31, 2020 and expanded
- Payroll tax deferral restrictions removed

# PPP Forgiveness Application Overview

- Must Submit Application to your Lender
  - Apply within 10 months after the covered period ends
- Loan Forgiveness Calculation Form
- PPP Schedule A
  - Schedule A worksheet (Table 1 & Table 2)
- Representations & Certifications Page
- Optional PPP Borrower Demographic Info
- Two different and updated loan forgiveness applications now available
  - Form 3508EZ and Form 3508

# PPP Application Overview

- Data to include on the application:
  - Business legal name, EIN/SSN, address, phone, primary contact and E-mail address
  - SBA and Lender PPP loan numbers
  - PPP loan amount and loan disbursement date
  - Employees at time of loan application and at time of forgiveness application
  - EIDL advance amount and application number
  - Payroll schedule
  - Covered or alternative covered period
  - Check the box if received in excess of \$2 Million



# Form 3508EZ Checklist

## Who qualifies?

### Checklist for Using SBA Form 3508EZ

You (the Borrower) can apply for forgiveness of your Paycheck Protection Program (PPP) loan using this SBA Form 3508EZ if you can check at least one of the three boxes below. Do not submit this Checklist with your SBA Form 3508EZ.

- ☐ The Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483).

- ☐ The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

**AND**

The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period. (Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee’s hours that the Borrower offered to restore and the employee refused. See [85 FR 33004](#), 33007 (June 1, 2020) for more details.

- ☐ The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

**AND**

The Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

If you can check at least one of the three boxes above, complete this SBA Form 3508EZ in accordance with the instructions below, and **submit it to your Lender** (or the Lender that is servicing your loan). Borrowers may also complete this application electronically through their Lender. If you are unable to check one of the boxes above, you cannot use SBA Form 3508EZ and instead you must apply for forgiveness of your PPP loan using SBA Form 3508.

# Form 3508EZ

Who qualifies to use the Form 3508EZ? Check one of these boxes:

1. Borrower is Sch C with no employees
2. Borrower did not reduce wages more than 25% during CP AND borrower did not reduce FTE
3. Borrower did not reduce wages more than 25% during CP AND borrower did not return to normal business activity due to CDC guidelines which was the reason for the FTE reduction

Basically if you are **NOT** subject to the wage reduction or the FTE reduction affecting your loan forgiveness then you can use the Form 3508EZ

# PPP Loan Forgiveness Calculation Form Form 3508EZ

- <https://home.treasury.gov/system/files/136/PPP-Forgiveness-Application-3508EZ.pdf>



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 \_\_\_\_\_

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

## 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): \_\_\_\_\_



# Form 3508EZ

This is actually simple!

- Page 1 is data entry and calculation of forgiveness
  - 1 line of payroll costs
  - 3 lines of nonpayroll costs
  - Calculation of the 60% payroll requirement
  - Calculation of the forgiveness
- Page 2 includes the certifications
- Page 3 is optional demographic information
- No entry for wage reduction limitation
- No entry for FTE reduction limitation

# Form 3508

<https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>

Longer form to get the PPP Loan Forgiveness (shorter than original version)

- Page 1 is data entry and calculation of forgiveness
- Page 2 includes the certifications
- Page 3 Schedule A – used to calculate the data entry for page 1
- Page 4 Schedule A worksheet – used to calculate date entry for Schedule A
  - Table 1 – employees who made less than \$100k and subject to the wage reduction limitation. Same as Table 1 originally.
  - Table 2 – employees who made more than \$100k, same as Table 2 originally.
  - FTE Reduction Safe Harbor calculation
- Page 5 optional demographic information



# Form 3508

Who is going to need to use the full Form 3508?

1. Anyone not eligible to use Form 3508EZ
2. Generally speaking, any borrower subject to limitations for the wage reduction limitation
3. Generally speaking, any borrower subject to limitations for the FTE reduction limitation

# 24-Week Covered Period

- Original rule was 8 weeks
- New rule is 24 weeks
- Alternative Payroll Covered Period for those who pay bi-weekly or more often can be used to align the 24-week period with your payroll date
- With the new rule being 24 weeks, the alternative payroll covered period is probably less likely, although it is still permitted

# Eligible Payroll Costs

- Based on Interim Ruling, costs included:
  - Compensation to employees (who reside in the United States) as salary, wages, bonuses, commissions or similar compensation (tips or equivalent)
  - Payment for vacation, parental, family, medical or sick leave
  - Allowance for separation or dismissal
  - Payment for employee benefits of group health care costs and retirement
  - Payment of state and local taxes – this is the state unemployment or state disability charged to the employer, not the income taxes withheld by the employee

# Eligible Payroll Costs

- Costs paid OR incurred during the 8 or 24-week covered period (CP)
  - Considered paid on the day paychecks are distributed or origination of ACH
  - Considered incurred on the day the employee's pay is earned
- If incurred and not paid by end of CP, eligible if paid on or before the next regular payroll date.
- Each employee's eligible compensation may not exceed an annual salary of \$100K
  - Maximum amount during CP per employee of \$46,153 for the 24-week period
- Count payroll costs both paid and incurred only one time
- For owner-employee: CANNOT exceed 2.5 months of 2019 compensation or \$20,833 whichever is lower, further restrictions on health and retirement contributions on the next slide
- Self-employed: get 2.5 months of 2019 net profit on Schedule C and nothing for retirement or health insurance, maximum of \$20,833
- General partners: 2019 SE earnings multiplied by 0.9235 (limited to \$20,833)

# Ineligible Payroll Costs

- EXCLUDED Payroll Costs
  - Compensation of employees who live outside of the United States
  - Compensation to an individual employee in excess of an annual salary of \$100K, that means the maximum you can enter is \$46,153 per employee for 24 weeks or \$15,385 for 8 weeks
  - Qualified sick and family leave wages you received a credit for under the Families First Act
  - No forgiveness for health insurance for Schedule C, S Corporation owners or Partners
  - No forgiveness for retirement plans for Schedule C or Partners



# Payroll Costs

PPP Schedule A used to calculate total payroll costs (Lines 1 – 5 uses Tables 1 & 2 to calculate costs)

Table 1 – Employees who made less than \$100k annualized for all pay periods in 2019

- Employee's name (do not include owners, independent contractors, self-employed individuals or partners)
- Employee's last four digits of SSN or ITIN
- Cash compensation
- FTE count for that person – value between .1 and 1.0
- Salary/Hourly Wage reduction - this is very complex but it should rarely apply and employers can avoid it by paying the same rate as they did in Q1, one goal of every employer should be to not have this limitation apply, it's within the employer's control to pay enough to avoid this
- There are reduction exceptions and safe harbor

# Payroll Costs

PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:  
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee’s average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here ☐ and enter 0 on line 3.

Schedule A

- 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

Sch A Worksheet Table 1

# Payroll Costs

## PPP Schedule A

Table 2 – employees who made more than \$100k annualized for any one pay period in 2019

- Employee's name (do not include owners, independent contractors, self-employed individuals or partners)
- Employee's last four digits of SSN or ITIN
- Cash compensation
- FTE count for that person – value between .1 and 1.0
- Note that the wage reduction does not apply at all on Table 2
- There are reduction exceptions and safe harbor

# Payroll Costs

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:

Schedule A

**Table 2:** 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 more than \$100,000 for any pay period in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Totals:		Box 4	Box 5

Sch A Worksheet Table 2

Attach additional tables if additional rows are needed.

# Payroll Costs

## PPP Schedule A Lines 6 – 9

- Line 6 – Employer contributions for group health insurance, excluding any pre-tax or after-tax contributions by employees
- Line 7 – Employer contributions to retirement plans, excluding any pre-tax or after-tax contributions by employees
- Line 8 – Employer paid state and local taxes (state unemployment insurance, not fees)
  - Do NOT include any taxes withheld from employees
- Line 9 – Enter amounts paid to owners (owner-employee, self-employed, general partners).
  - Capped at \$20,833 or the 2.5-month equivalent of their applicable compensation in 2019, whichever is lower.
  - No health insurance and no retirement plan contributions for Schedule C or Partners
  - No health insurance for S Corporation owners



# Payroll Costs - FTE

FTE definition:

1. Full time is deemed to be 40 hours per week
2. Take hours and divide by 40 to get the FTE, rounded to the nearest 10<sup>th</sup>
  - a) 8 hours per week would be .2 FTE
  - b) 60 hours per week would be just 1.0 FTE
3. Simplified method is permitted which allows 1.0 FTE for all individuals 40+ hours per week and .5 FTE for everyone not full time
  - a) 8 hours per week would be .5 FTE
  - b) 60 hours per week would be just 1.0 FTE
  - c) 32 hours per week also .5 FTE
4. Consistent method of hours to the nearest tenth or the simplified method must be used across all the measurement periods
5. Safe harbor is still in place – reaching 100% by time of submitting the loan forgiveness application, not maintaining 100% until year end or for the 24-week period

# Non-Payroll Costs

Original rule – payroll costs must be 75% of the loan proceeds

New rule – payroll costs must be 60% of the loan proceeds, there is no cliff effect, anything short of 60% will reduce the forgiveness pro rata

Line 2 – Mortgage interest payment during CP if obligation was incurred before February 15, 2020

Line 3 – Business rent or lease payments for real or personal property during the CP if a lease agreement was in place before February 15, 2020

Line 4 – Business utility payments for electricity, gas, water, transportation, telephone or internet access during the CP if service began before February 15, 2020

Note – you are not required to report payments you do not want included in the forgiveness amount. This is key to make sure you stay within the 60%/40% rule. With 24 weeks to count payroll costs, it should be easy to exceed the 60% payroll requirement.

# Wage Reduction Limitation

Line 5 of application and Line 3 on Schedule A Worksheet Table 1

- Complete if loan forgiveness must be reduced because of a reduction in employee salary and wages
- Compare employees pay from January 1, 2020 – March 31, 2020 and during the CP
- If the wages are restored to full by December 31, that employee can be removed from the limitation calculation.
- The worksheet must be completed to determine if you need to reduce the loan forgiveness amount only for employees who had a reduction of more than 25%.
- Be SURE to avoid this.
- Note: If an employee made more than a pro rated \$100k in any one pay period of 2019, that employee is not considered for this limitation.
  - Employee paid bi-weekly \$2k per two weeks and then receives a \$2k bonus at year end \$54k of total compensation for the employee, but since one pay period was \$4k and it exceeded \$3,846, they are not considered for this limitation, meaning they could in theory have their 2020 salary reduced during the covered period.

# FTE Reduction Limitation

On the application – disclosing employees at the time of the loan application and at time of forgiveness application. Presumably use the new FTE calculation for this disclosure.

Line 7 on Application and lines 11-13 on PPP Schedule A Worksheet.

FTE Reduction Safe Harbor and Exceptions:

## Exceptions from FTE reduction

1. Written offer to rehire employee was rejected by employee
2. Fired for cause, voluntarily resigned, or voluntarily requested & got hours reduction

## Safe Harbor 1 – CDC Guidelines

- Unable to return to same level of business activity due to Health and Human Services, OSHA or CDC guidelines

## Safe Harbor 2 - Restoration of FTE

Both conditions must be met:

- Reduced FTE count from February 15, 2020 to April 26, 2020
- Restore FTE by no later than December 31, 2020

# FTE Reduction Limitation

**FTE Reduction Safe Harbor 1:** If you were unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19, check here ☐.

**FTE Reduction Safe Harbor 2:** If you satisfy FTE Reduction Safe Harbor 2 (see PPP Schedule A Worksheet), check here ☐.

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

Line 12. Total Average FTE (add lines 2 and 5): **This is the average FTE during the CP**

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if any of the above criteria are met:

# FTE Reduction Limitation

## **FTE Reduction Safe Harbor 2:**

- Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: .
- Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: .
- Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, FTE Reduction Safe Harbor 2 is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
- Step 4. Enter the borrower's total FTE as of the earlier of December 31, 2020, and the date this application is submitted: .
- Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor 2 has been satisfied. Otherwise, FTE Reduction Safe Harbor 2 does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

# 60% Payroll Cost Limitation

Line 10 of the Loan Forgiveness Application

- From the amount of the loan proceeds :
  - Make sure 60% or more is spent on payroll costs
  - If you got \$100k PPP loan your line 1 payroll costs need to be at least \$60k to be eligible for full forgiveness
    - With 24 weeks to spend the money on payroll it'll be pretty easy to make sure that at least 60% of your original loan is used on payroll costs



# Documentation Required to Submit

- PPP Loan Forgiveness Calculation Form
- PPP Schedule A
- Payroll
  - Bank account statements or third-party payroll service provider reports documenting cash compensation paid to employees.
  - Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the CP.
    - Payroll tax filings reported (or will be reported) to the IRS, typically Form 941 and
    - State quarterly business and individual employee payroll wage reporting and unemployment insurance tax filings reported (or will be reported) to the state.
  - Payment receipts, cancelled checks, or account statements showing employer contributions to employer health insurance and retirement plans included in the forgiveness amount.

# Documentation Required to Submit

- FTE documentation (election period of the Borrower):
  - Average number of FTE employees on payroll per month between February 15, 2019 and June 20, 2019 or
  - Average number of FTE employees on payroll per month between January 1, 2020 and February 29, 2020 or
  - For seasonal employers, the average number of FTE employees on payroll per month employed between February 15, 2019 and June 20, 2019, January 1, 2020 and February 29, 2020 or any consecutive 12-week period between May 1, 2019 and September 15, 2019.
- The selected time period must be the same period used for completing PPP Schedule A, line 11.
- Documents may include:
  - Payroll tax filings reported (or that will be reported) to the IRS (typically Form 941) and state quarterly business and individual wage reporting and unemployment tax filings reported (or that will be reported) to the state.

# Documentation Required to Submit

- Non-payroll costs
  - Documentation verifying existence of obligation/services prior to February 15, 2020
  - Business mortgage interest payments
    - Copy of lender amortization schedule and receipts of cancelled checks verifying eligible payments made during CP or a lender account statement from February 2020 and the months of the CP through one month after the CP verifying the amounts of interest paid.
  - Business rent or lease payments
    - Copy of current lease agreement and receipts of canceled checks verifying the payments during the CP
- Business utility payments
  - Copy of invoices from February 2020 and those paid during the CP and receipts, cancelled checks, or account statements verifying the eligible payments.

# Documentation Not Required to be Submitted but to be Maintained

- PPP Schedule Worksheet A or its equivalent along with documentation supporting:
  - The listing of each individual employee in Table 1, including the "salary/wage reduction" calculation, if necessary
  - The listing of each individual employee in Table 2, specifically supporting they received more than an annualized \$100K in 2019
  - Any employee job offers and refusals, firings for cause, voluntary resignations, and written requests from employees on reductions in their work schedule
  - The FTE Reduction Safe Harbor
- All other records relating to the PPP loan application, certifications, eligibility, loan forgiveness and compliance with the PPP requirements.
- Retain ALL documentation for SIX years after the date the loan is forgiven or repaid.
- Permit authorized SBA representatives and representatives of the Office of the Inspector General to access these files on request.

# Closing Thoughts

Quick review of the rule changes:

1. Form 3508EZ now available
2. Form 3508 updated
3. Payroll costs are now required to exceed 60% of the costs to count towards loan forgiveness. You can use 100% of the funds for payroll costs.
4. FTE and wage reduction restoration by December 31 or date you submit your application.
5. FTE not reduced for employees who decline the position, fired for cause, resigned voluntarily, or reduced hours voluntarily or you are unable to fill the positions or business activity is limited due to CDC guidelines
6. Owner compensation cannot exceed \$20,833
7. Health insurance and retirement plan contributions do not count for most owners

# Closing Thoughts

## PPP Loan Balance

- What do I do with the amount not forgiven?
  - It becomes a loan, or you can pay it back with no prepayment penalty
  - EIDL Advance will result in an amount not forgiven
  - Can be paid back immediately
  - 1% interest and amortized over 2 - 5 years
  - Payments deferred until you submit the loan forgiveness application or 10 months after covered period whichever is earlier
  - Realistically, with 24-weeks to use the funds, up to 40% being allowed for nonpayroll costs and a tax deduction likely for all the costs that go towards the forgiveness, every business has a huge incentive and now a great opportunity to spend 100% of the money and have 100% forgiven

# Closing Thoughts

## PPP, EIDL Advance and EIDL Loan

- Many wonder, what do I do now? I got one, two or all three:
  - EIDL Advance is stated in the application: SBA will reduce the loan forgiveness amount by the advance
  - If you got the PPP and EIDL Loan, you need to use them for different purposes during the 24-week period
  - If you did not already apply for the EIDL, they have reopened applications, unclear if there will be money left, but you can apply once again
  - If you did apply for an EIDL and still have not heard:
    - 800-659-2955 or [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov)

**Line 11:** Enter the smallest of lines 8, 9, or 10. Note: If applicable, SBA will deduct EIDL Advance Amounts from the forgiveness amount remitted to the Lender.



# Closing Thoughts

Lots of guidance still needed on questions like these:

1. When can you submit the loan forgiveness application?
2. What is the definition of owner-employee?
3. Can the relatives of owners have increased payroll?
4. Clarity for Sch C business - does the owner need to take a distribution of cash to be paid the payroll costs? (conflicting guidance on this)
5. What if Sch C applied with their 2018 Sch C, issue with the consistency certification?
6. How is the wage reduction limitation calculated for Q1 if the business was shut down for a couple weeks in Q1 and payroll was zero?

# Closing Thoughts

- Entities can still apply for a PPP loan through June 30th or until the funds run out
- Proposals now in House/Senate for a second round of PPP that would be through Dec 31st. A business could apply for a second PPP Loan if they have less than 100 employees. Certainly, something worth monitoring going forward, it's still in the early stages of being discussed, but something for the small businesses could happen.
- Congress looking to give business a tax deduction for the costs incurred and then forgiven, this is expected to pass later in the year, it should be ok to plan on getting that tax deduction

# Strategies

1. When to file the forgiveness application?
  - Later is maybe better
2. 8-week CP vs 24-week CP
  - Most to use 24 weeks, but 8 in some circumstances
3. Which expenses to put on the forgiveness application
  - All payroll or the 60/40 split of payroll / rent
4. Consider QBI wages / R&D wages if deductions
5. Documenting the FTE reduction reasoning now

We Are Here  
To Help

## PPP Loan Forgiveness and Consulting Services

- Forgiveness application - you complete the application and submit the documents; we provide advice and recommendations to help you obtain maximum PPP loan forgiveness.
- Application preparation and document submission services - we help complete the application and documentation to submit; we provide recommendations and strategy; and we provide an assessment of documents borrowers must maintain but not submit.
- Consulting services for loans over \$1 million - expanded services related to eligibility, documents submitted, FTE calculations and SBA audit verification.

# Q&A with the COVID-19 Boyum Team

This presentation has been recorded and will be posted on our website within 24 hours under our covid-19 tab.

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