



Your PPP Loan

Latest Updates on Uses and Forgiveness

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Agenda

- What you *can* use the proceeds for
- What you *cannot* use the proceeds for
- Important dates
- PPP loan forgiveness application
- Documentation
- Forecast and strategies
- Additional considerations
- Questions

DO Use the Proceeds For

- Payroll costs – Gross salary, gross wages, gross tips, gross commissions, paid leave and separation pay
- Costs related to the continuation of group health care benefits during periods paid sick, medical, or family leave, and insurance premiums
- Payments to employee retirement plans
- State taxes based on employee compensation
- Interest on mortgage obligations incurred *before February 15, 2020*
- Rent under lease agreements in force *before February 15, 2020*
- Utilities for which service began *before February 15, 2020*
- Interest payments on any other debt obligations that were incurred *before February 15, 2020*

DO NOT Use the Proceeds For

- Independent contractors
- Any compensation paid to an employee whose principal place of residence is outside of the United States
- Any compensation paid to an individual employee in excess of an annual salary of \$100,000, prorated as necessary
- Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act
- Mortgage prepayments or principal payments

Important Dates

- Loan disbursement date
- February 15, 2020
 - “In service date” for lease agreements, debt, mortgage, utilities
 - FTE Reduction Safe Harbor Date
 - Salary/Hourly Wage Reduction Safe Harbor Date
- February 15, 2019 to June 30, 2019 – reference period for FTE calculation, option 1
- January 1, 2020 to February 29, 2020 - reference period for FTE calculation, option 2
- May 1, 2019 and September 15, 2019 – alternative reference period for FTE calculation for seasonal employers

Important Dates

- February 15, 2020 to April 26, 2020 - comparative period for wage reduction calculation
- January 1, 2020 to March 31, 2020 – base period for wage reduction calculation
- June 30, 2020 – safe harbor date for both FTE's and wages

PPP Loan Forgiveness Application

- Multiple Components
 - Instructions
 - PPP Loan Forgiveness Calculation Form
 - PPP Schedule A
 - PPP Schedule A Worksheet
 - Table 1
 - Table 2
 - FTE Reduction Safe Harbor
 - Borrower Demographic Information Form (optional)
 - Certification

PPP Loan Forgiveness Calculation Form

- Employees at time of application
- Employees at time of forgiveness
- Covered period
 - 56 days from loan disbursement date
- Alternate payroll covered period
 - Applies to biweekly payroll (or more frequent)
 - Delay start of covered period to first day of next pay period
 - Can delay start of covered period for payroll only
 - All other expenses must use covered period
- Check box for loans over \$2 million

Eligible Payroll Costs

- Flexibility to include payroll costs paid and payroll costs incurred during the covered period or alternate covered period
 - Paid
 - Incurred prior to the start of covered period but paid during the period
 - Date checks are distributed or borrower originates an ACH
 - Incurred
 - Day the employee's pay is earned
 - Incurred but not paid must be paid on or before the next regular payroll date

Eligible Payroll Costs

- Cash compensation – gross salary, gross wages, gross tips, gross commissions, paid leave and separation incurred during the covered period
- Noncash compensation
 - Contributions for employee health insurance
 - Contributions to employee retirement plans
 - State and local taxes on employee compensation
- Cash compensation of employees in excess of an annual salary of \$100k remains maxed at \$15,385

Eligible Non-Payroll Costs

- Must be paid or incurred during the covered period
- If only incurred, then must be paid on or before the next regular billing date
- Business mortgage interest
 - Not including any prepayment
 - Not including payment of principal
- Business rent or lease payments for real or personal property
- Business utility payments
 - Electricity, gas, water, transportation, telephone, and internet access
- Cannot exceed 25% of the forgiveness amount

FTE's and Wages (Schedule A)

- Average FTE definition
 - Average number of hours paid per week divided by 40 capped at 1.0 rounded to the nearest 0.1 hour
 - Simplified method – 1.0 for employees who work 40 hours or more and 0.5 for employees that work less than 40 hours
- Reduction to forgiveness if average FTE's is less than reference period
- FTE reduction exceptions
 - Good faith, written offer to rehire that was rejected
 - Any employee fired for cause, voluntarily resigned, or voluntarily requested and received a reduction hours

FTE's and Wages (Schedule A)

- FTE reduction safe harbor
 - Exempts borrowers from loan forgiveness reduction based on FTE employee levels if both conditions are met
 - FTE's were reduced during the period from 2/15/20 to 4/26/20
 - FTE's were restored by 6/30/20 to the level on 2/15/20
- Salary and wage reduction
 - Excludes employees with annualized compensation greater than \$100,000 for all pay periods in 2019
 - Excludes employees not employed at any point in 2019
 - Lookback period for wage reduction test is 1/1/20 to 3/31/20

FTE's and Wages (Schedule A)

- Amounts paid to owner-employees, self-employed individuals or general partners
 - Up to \$15,385 or 8-week equivalent compensation, whichever is lower
- Include employer paid amounts for (listed individually)
 - Health insurance, including self-insured and sponsored group health plans
 - Employer contributions to retirements plans
 - State and local tax on employee compensation

Required Certification

- Loan was used to pay costs that are eligible for forgiveness
 - Note: this statement also says payroll costs were to retain employees
- All applicable reductions due to decrease in employees and wage reductions are included
- Submitted required documentation verifying costs
- Tax forms submitted are consistent with those submitted to IRS, state, or workforce agency
- If funds are knowingly used for unauthorized purposes, the government may pursue civil or criminal fraud charges

Documentation Required to be Submitted - Payroll

- Payroll
 - Documentation verifying cash compensation and non-cash benefit payments for the covered period
 - Third party payroll provider reports or bank statements
 - Tax forms that overlap with covered period
 - Payment receipts or account statements documenting contributions to employee benefit plans

Documentation Required to be Submitted - Payroll

- FTE's
 - Number of FTE's on payroll per month between 2/15/20 and 6/30/20
 - Average number of FTE's on payroll per month between 1/1/20 and 2/29/20, or alternate periods for seasonal employers
 - Time period must be same as used on Schedule A
 - Documents may include:
 - Payroll tax filings
 - State quarterly business filings
 - Individual wage reporting or unemployment insurance tax filings

Documentation Required to be Submitted - Nonpayroll

- Documentation verifying existence of obligations/services prior to February 15, 2020
- Lender amortization schedule and receipts or cancelled check or lender account statements
- Copy of current lease agreements and receipts or cancelled check or lessor account statement verifying payment
- Copy of utility invoices and receipts or cancelled check or account statement verifying payment

Documentation Required to be Maintained but Not Submitted

- All records relating to the Borrower's PPP loan
- All documents relating to loan forgiveness application (specifically)
 - Salary/Hourly Wage Reduction Calculation of each individual employee
 - Employees with an annualized rate of more than \$100,000
 - FTE Reduction Safe Harbor
- Documentation regarding any employee job status/changes
- Must maintain all documents for six years after the loan is forgiven or repaid in full
- Permit authorized representatives of SBA to access all files upon request
- Documentation must be retained for 6 years

Forecast & Strategies

- Forecast expenses for the 8-week (56 days) covered period for loan forgiveness
 - Qualified for forgiveness
 - Not qualified for forgiveness
- Loan forgiveness calculations may change as more guidance is released
- Model forgiveness calculation under different the scenarios allowed
- Be prepared for timeline changes
- You may need more than one forecast
- Share your forecast with your lender
- Be prepared for a change in lender
- Develop strategy for the weeks and months following the end of your 8-week period

Additional Considerations

- Document necessity, if you have not already
 - “Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.”
- Create a list of vendors with invoice dates and due dates
 - Known allowable
 - Unknown allowable
- Save relevant documents in a PPP folder
- Track allowable expenses and payments over the 8-week period, including a running total
- Create reconciliations for items that have both allowable and non-allowable expenses
 - Payroll
 - Mortgage statements

Additional Considerations

- Monitor SBA and US Treasury Publications daily for interim rulings and additional guidance
- Work with your payroll provider
- Work with vendors
- Follow the SBA guidance *precisely* on use of funds to avoid significant penalties
- Expenses paid with amounts forgiven are not eligible for tax deductions
- **Prioritize PPP loan forgiveness forecasting, documentation and reconciliation with your finance, accounting, and HR staff**

Questions?

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Thank you!



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