

# Paycheck Protection Program Updates & Q&A

## PPP Stats

- Applications were accepted until August 8
- 5,212,128 loans approved for over \$525 billion
- Approximately \$124 billion remained unspent
- PPP 2 negotiations are ongoing

# Recent Updates

- Definition of owner-employee
  - Owner with 5% or more ownership that is also an employee
- Related party rent and interest
  - Related party interest is not eligible
  - Related party rent is eligible to the extent that it does not exceed the mortgage interest owed
- Change in ownership rules – SBA Procedural Notice 5000-20057

## Factors to Consider

- Has the full amount of PPP funds been spent
- Will there be additional simplified forgiveness levels
- Deductibility of expenses paid with PPP funds
  - Current rule states that expenses paid via forgiven PPP funds are NOT eligible tax deductions
- Lender instructions
- Eligible expenses to use – payroll vs nonpayroll

# Forgiveness Forms and Due Dates

- 3508S
- 3508EZ
- 3508
- Must apply for forgiveness within 10 months after the last day of your covered period
  - If you don't apply within this period, payments are due 10 months after the last day of your covered period
- If loan is not fully forgiven, loan payments will begin after the lender has received any forgiven portion of the loan from the SBA
- Bank has 60 days to approve the loan and submit to the SBA
- SBA has 90 days to approve the loan and remit the forgiven funds back to the lender



Paycheck Protection Program  
PPP Loan Forgiveness Application Form 3508S

OMB Control No. 3245-0407  
Expiration date: 10/31/2020

**A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$50,000 OR LESS.  
A Borrower that, together with its affiliates, received PPP loans totaling \$2 million or greater cannot use this form.**

Business Legal Name ("Borrower")	DBA or Tradename, if applicable

## Simplified Forgiveness

- New forgiveness application form – Form 3508S came out October 8
- Applies to borrowers that received a PPP loan of \$50,000 or less, unless part of an affiliated group that received loans of \$2 million or more
- Automatically eliminates the need to calculate any penalty for the reduction in FTEs or employee salary or wages

# Simplified Forgiveness – Form 3508S

- No automatic forgiveness, but streamlined process
- Requires certifications
- Requires documents submitted to the lender
  - Documents include substantiation of eligible expenses
- Keep documentation for six years



# PPP Loan Forgiveness Application

- 3508 EZ form is available for:
  - Self-employed, independent contractor, or sole proprietor with no employees, OR
  - No annual salary/hourly wage reductions by more than 25% AND no reduction in FTEs, OR
  - No annual salary/hourly wage reductions by more than 25% AND unable to operate during the covered period at the same level of business activity as before 2/15/20



# FTE Safe Harbors

The Borrower is exempt from the reduction in loan forgiveness based on a reduction in FTE employees if

1. the Borrower, in good faith, is able to document that it was 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.
2. (a) the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; **and** (b) the Borrower then restored its FTE employee levels by not later than December 31, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020.

# FTE Reduction Exceptions

- (1) any positions for which the Borrower made a good-faith, written offer to rehire an individual who was an employee on February 15, 2020 and the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020
- (2) any positions for which the Borrower made a good-faith, written offer to restore any reduction in hours, at the same salary or wages, during the Covered Period or the Alternative Covered Period and the employee rejected the offer
- (3) 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.



# What documents do I need?

- Submit with application
  - Payroll reports
  - Payroll tax filings (941, State Unemployment forms)
  - Receipts, cancelled checks or account statements for employer paid health insurance and retirement contributions
  - Documentation to support FTE calculations (standard for only)
  - Amortization schedules for mortgage interest
  - Receipts or cancelled checks for eligible services
  - Copy of current lease agreements
  - Copies of invoices
- Must maintain but not submit
  - Schedule A Worksheet and documentation supporting amounts
  - Written documentation regarding employee job offers and refusals
  - Documentation supporting the certification that the business was not able to operate at the same level due to compliance with health standards (EZ form)
  - Any records that support the borrower's necessity of the loan request, eligibility for the loan and request for forgiveness

***KEEP ALL DOCUMENTS FOR AT LEAST 6 YEARS!***

# Covered Period

- 8 week
  - Only available if PPP loan was received prior to June 5<sup>th</sup>
  - Documentation is only needed for 8 weeks worth of eligible expenses
  - Loan forgiveness application due within 10 months after the last day of your covered period
- 24 week
  - Default covered period for all borrowers
  - Allows you to use all funds for eligible payroll expenses, reducing documentation that you will need to submit
  - Loan forgiveness application due within 10 months after the last day of covered period

# What if it took longer than 8 weeks to use funds but less than 24 weeks?

- You can apply for forgiveness as soon as you've used all funds.
- If you apply for forgiveness before the end of your 24-week period, you will lose the FTE safe harbor re-hire date of 12/31/2020.
- If you had any wage reductions, those must be calculated based on 24-week period
- Other calculations (payroll expenses paid, FTE reductions) are calculated based on the number of weeks it took to use the funds

# Entity specifics

Owner-employee caps are for individuals in total across all businesses in which they have an ownership stake

- C-Corporation
  - 2019 employee cash compensation and employer retirement and health insurance contributions
- S-Corporation
  - 2019 employee cash compensation and employer retirement contributions
  - Do not include employer health insurance as it is included in cash compensation amount – if more than 2% ownership
  - Health insurance exclusion applies to family members of an at least 2% owner due to family attribution rules
- Schedule C and F
  - Owner compensation replacement based on 2019 net profit
  - Separate payments for health insurance, retirement, or state and local taxes are NOT eligible for additional loan forgiveness
- General partners
  - 2019 net earnings from self-employment, reduced by claimed section 179 deduction, unreimbursed partnership expenses, and depletion from oil and gas properties
  - Separate payments for health insurance, retirement, or state and local taxes are not eligible for additional loan forgiveness



# PPP Loan Forgiveness FAQ Highlights

- **When does a borrower need to begin making loan payments?**
  - Payments will be due once the SBA remits any forgivable portion of the loan to the lender.
- **Are payroll costs incurred before the Covered Period but paid during the Covered Period eligible**
  - Yes – incurred AND paid
- **What types of salaries and wages are eligible?**
  - Cash compensation includes lost tips, lost commissions, bonuses, and other forms of incentive pay
- **If a borrower elects to use the Alternative Payroll Covered Period for payroll costs, does that covered period apply to non-payroll costs?**
  - No – must use covered period that begins on disbursement date for non-payroll eligible costs



# PPP Loan Forgiveness FAQ Highlights Cont.

- **Is interest on unsecured credit eligible for loan forgiveness?**
  - No, only payments of interest on business mortgage on real or personal property are eligible for forgiveness. Interest on unsecured credit incurred before 2/15/20 is a permissible use of PPP loan proceeds, it is NOT eligible for forgiveness
- **Are payments made on a renewed lease of refinanced mortgage eligible for loan forgiveness?**
  - Yes, as long as the lease or mortgage existed prior to 2/15/20
- **What does transportation utility cover?**
  - Transportation utility fees assessed by state and local governments
- **Do FTE reductions apply to employees that make over \$100,000?**
  - Yes
- **When calculating the reduction in salaries and wages, are all forms of compensation included in the reduction calculation?**
  - For purposes of calculating the reductions in the loan forgiveness amount, the borrower should only take into account decreases in salaries or wages.

# PPP Webinars

Did you miss out on PPP funding?

Non-Profits Paycheck Protection Program Update

Business Paycheck Protection Program Update

Non-profit SBA PPP Loan Forgiveness Application Q&A

Business SBA PPP Loan Forgiveness Application Q&A

Non- Profit We Received our PPP Funding, Now What?

Business We Received our PPP Funding, Now What?

<https://www.wegnercpas.com/wegner-resources/webinars/>

# Resources

- COVID-19 Resource Center -  
<https://www.wegnercpas.com/wegner-resources/covid-19/>
- SBA  
<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>
- AICPA resources and calculator  
<https://www.aicpa.org/interestareas/privatecompaniespracticesection/qualityservicesdelivery/sba-paycheck-protection-program-resources-for-cpas.html>

# Thank You!

Wegner CPAs  
2921 Landmark Pl., Ste. 300  
Madison, WI 53713  
(608) 274-4020

Kate Serpe, CPA  
[kate.serpe@wegnercpas.com](mailto:kate.serpe@wegnercpas.com)

Melodi Bunting, CPA, CMA, CGMA  
[Melodi.bunting@wegnercpas.com](mailto:Melodi.bunting@wegnercpas.com)

[www.wegnercpas.com](http://www.wegnercpas.com)



[wegnercpas.com/blog](http://wegnercpas.com/blog)



[facebook.com/WegnerCPAs](https://facebook.com/WegnerCPAs)



[linkedin.com/company/WegnerCPAs](https://linkedin.com/company/WegnerCPAs)



[twitter.com/WegnerCPAs](https://twitter.com/WegnerCPAs)



[instagram.com/WegnerCPAs](https://instagram.com/WegnerCPAs)



[youtube.com/WegnerCPAs](https://youtube.com/WegnerCPAs)