

Paycheck Protection Program Updates



Disclaimers

- Information continues to be clarified and subject to change
- We are not providing legal advice
- We offer general ideas & considerations, but each organization's situation is different

PPP News and Stats

- Deadline for applying extended to August 8
 - Must pass House and be signed by the President, but this is likely
- Over \$130 billion remains unspent
- 4,856,647 loans approved with an average loan size of \$107,199
- Expect to see information released on any borrower who received a loan in excess of \$150,000, potentially by this Thursday
 - Exact loan amount will not be disclosed,

PPP Flexibility Act changes

Area	Before the Act...	Now with the Act...
When You Can Use the Loan Proceeds Through	Officially June 30 although there were implications you could go further	December 31, 2020
Forgiveness (aka “Covered”) Period	8 weeks	8 or 24 weeks (can stay with 8 if you already received a loan). Must end by Dec. 31, 2020
Deadline to Submit Forgiveness App. to Lender	Unknown	Effectively, up to 10 months from the end of your Covered Period
Spending Ratio	Had to spend at least 75% on payroll	Have to spend at least 60% on payroll, so can spend up to 40% on non-payroll costs
Avoiding Penalties	Had until June 30 th to rehire employees and restore salaries back to their Feb 15 th levels to avoid a penalty	Have until December 31st to rehire employees and restore salaries back to their Feb 15 th levels to avoid a penalty. There are some other new reduction exceptions as well.
Loan Term	2 years from loan disbursement	5 years from loan disbursement on new loans; for loans already disbursed, can mutually agree with your lender on this change
Access to Payroll Taxes Deferral	Could not have deferrals once granted forgiveness	Can still have deferrals even when granted forgiveness

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.

PPP Loan Forgiveness Applications

- Standard form still includes Schedule A and Schedule A Worksheet
 - Calculate FTEs and annual salary/hourly wage reductions
- New 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



Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

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: _____

Standard form

Includes Schedule A and
 Schedule A Worksheet



Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ

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

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: _____

EZ form

Requires specific
 documentation if utilizing
 exception related to
 operations

When can I apply for forgiveness?



- **When all funds have been used**
 - Determine forgiveness amount earlier
 - No reduction in wages greater than 25% during covered period
 - All loan proceeds used for eligible expenses with at least 60% used for payroll costs
 - Lose December 31st safe harbor to re-hire and/or re-instate wages
 - **At the end of the covered period**
 - December 31st safe harbor to re-hire and/or re-instate wages remains intact
 - More time to utilize funds
 - If any portion is not forgiven, more time to delay first payment
- Must apply for forgiveness within 10 months after the last day of the 24 week period (8 week period if opted in)***



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!

PPP and Government Grants

- OMB Memo 20-26 states:
 - *“payroll costs paid with the Paycheck Protection Program (PPP) loans or any other Federal CARES Act programs must not be also charged to current Federal awards as it would result in the Federal government paying for the same expenditures twice.”*
 - *“Recipients and subrecipients must separately identify the COVID-19 Emergency Acts expenditures on the Schedules of Expenditures of Federal Awards and audit report findings”*

GAAP Reporting

- 12/31 year-ends will include subsequent event note.
- Record as liability when loan proceeds are received in 2020.
- Fiscal year-ends may either
 - Leave as a loan and not record income until loan is forgiven
 - Treat as a conditional grant and record grant income as forgivable expenses are incurred

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

Melodi Bunting, CPA, CMA, CGMA
Melodi.bunting@wegnercpas.com

www.wegnercpas.com



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