



## PPP Loan Forgiveness Webinar Q & A

- 1. I am paying hazard pay for May 1-25, but paying it in a lump sum scheduled for June 8. My PPP loan is over as of June 3. Should I move that payment up to the 3rd? The 8th is not my normal payday.**  
Yes you should. The proceeds of the loan must be spent by the end of 8 weeks (56 days).
- 2. The employer contribution to our retirement plan is made annually but accrued monthly. Is this an eligible payroll cost? Do dental and vision count as healthcare expense?**  
The health care premiums must be paid or incurred during the covered period. If they are incurred, they must be paid before the next billing period. So this implies it must be actually paid not just accrued. Nothing in the guidance mentions dental or vision. It is assumed it is not eligible.
- 3. When will the Paycheck Protection Program guidelines become final? Will a new Paycheck Protection Program application need to be completed if there is a change in the guidelines/terms of the original Paycheck Protection Program application submitted?**  
We can't be sure based upon how the rest of the program has been evolving. We think the application and instructions look like they're in final form unless Congress decides to change certain aspects of this portion of the program.
- 4. Do we need to show where all the money was used? Or just at least 75% of it? To get the whole amount borrowed forgiven?**  
Yes you do. All funds spent during the 8 weeks must be accounted for or the portion that's not won't be forgiven.
- 5. I have seasonal employees. At the end of our PPP timeline- do I need to have all these employees on the payroll in order to not be penalized? Can any of them go back on unemployment?**  
Yes. There are two issues to be concerned about 1) Using 75% of the funds for payroll during the covered period and 2) Meeting the FTE Reduction Quotient test. Note the Safe Harbor Rule-bringing back furloughed employees by 6/30.
- 6. The 8 weeks after our loan includes 4 paychecks for our co. but the first quarter includes 7 paychecks(3 in Jan), so would our forgiveness be reduced because we would fail the 75% of first quarter earnings for each employee even though pay/hours are the same?**  
The calculation for Salary/Hourly Wage Reduction is based on the average annual hourly rate.
- 7. Can I issue bonuses to employees to maximize forgiveness as long as I stay under the 100k prorated threshold?**  
Yes

**8. Forgiveness on the PPP Loan for Schedule C business?**

Owner compensation replacement 8/52 of 2019 profits and then non-payroll expenses if itemized on previous schedule Cs

**9. Are bonuses considered part of the loan forgiveness?**

Yes

**10. How do I make sure that I am eligible for loan forgiveness when I am self-employed, with no employees and don't officially "pay" myself?**

This requires borrower to pay themselves 8/52 of 2019 schedule C or F net profit plus possible other non-payroll costs.

**11. The SBA form says "covered period" and at times seems to be referring to our elected timeframe for determining our payroll (Jan. 1 2020 thru Feb 29, 2020 for example). At other times it seems to be referring to the 8 week period to use the funds.**

New guidance clarifies Covered Period vs. Alternative Covered period.

**12. If an item was omitted from the initial loan, can it be added to the loan amount, assuming it is a qualifying item- i.e. health insurance premiums?**

Rules allow a borrower to amend their application to included missed items. However, you have to be careful about the 8 week time period to spend the money which is based on the original disbursement date, not the amended date.

**13. As a sole proprietor dairy farmer, am I able to "pay" myself out of the PPP loan money since my net income from 2019 was used to determine the amount of my loan? If so, how do I document this in order for my loan to be considered for forgiveness?**

This requires borrower to pay themselves 8/52 of 2019 schedule C or F net profit plus possible other non-payroll costs.

**14. What is an example of a transportation cost listed in the (c) covered utility payments under (2) Eligible non-payroll costs?**

Guidance on this issue has been almost non-existent. Without anything else to go on, we believe the intention is any type of transportation expenses that were on that line of your 2019 tax return.

**15. What is being defined as a utility expense? IT Service, internet services, fleet fuel, required alarm services- Beyond gas, telephone, electric, and water. On equipment leases are there portions of those expenses that should be included in other interest?**

Slide in presentation addresses this.

**16. What is the timing on when we would submit documentation to get the forgiveness on the loan?**

As soon as we have the online portal ready to go and your Covered or Alternative Covered Period is over you can submit your application.

**17. Is there a deadline on when we need to file the documentation to get the amount forgiven?**

No specific deadline although payments start for any unforgiven portion 6 months after note date.

**18. If you received both the EIDL and PPP, can both be forgiven? What are the qualifications for EIDL forgiveness?**

See slides on this but no any EIDL grant amount must be deducted from you PPP loan forgiveness amount.

**19. What counts towards the PPP forgiveness? I know payroll, but what about payroll taxes?**

Payroll is based on gross employee compensation. The employer portion of FICA taxes aren't eligible expenses under the program.

**20. I have an employee that has been off work since April 1st on a potential workers comp claim. We have replaced most of the wages with part time help for now. How does this affect the loan forgiveness?**

Key to this question is; what does "most" mean? If it doesn't cause you to trip the FTE reduction quotient, you should be fine.

**21. On the SBA website, they have a list of FAQs where they address what the PPP loan can be used for. It is question "r. How can PPP loans be used?" (this is verbatim directly from the SBA website)**

- i. payroll costs (as defined in the Act and in 2.f.);
- ii. costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;
- iii. Mortgage interest payments (but not mortgage prepayments or principal payments);
- iv. Rent payments;
- v. utility payments;
- vi. Interest payments on any other debt obligations that were incurred before February 15, 2020 and/or
- vii." [etc.]

**My question relates to vi. While 75% of the loan must be used for payroll, could some of the remaining 25% be used for interest payments on a business line of credit? It is a debt obligation that was incurred before February 15, 2020 and technically, it is secured by real estate as it is under a security agreement which indebts the entire business and property although it is not a mortgage. Yes, we believe it means any secured business debt originated before 2/15/2020**

**22. The program requires  $\geq 75\%$  of the funds to be used for payroll, correct? As a sole proprietor LLC, why would I not simply transfer/convert 100% to my own personal use?**

The owner compensation replacement is based on 8/52 of your 2019 net profit (15.38%) while the loan amount was based on 2.5 months (20.83%). To maximize forgiveness, you will need to spend the remaining (5.45%) on other eligible costs.

**23. Do bills qualify that are paid during the 8 week period even though they were incurred before funds received?**

No. You can pick paid or incurred during the 8 week Covered Period, but if you pick incurred you have up until the next billing cycle after the end of the covered period to pay the last installment.

**24. Are phone & Wi-Fi included?**

Yes.

**25. We have kept funds in a separate account and transferred only for approved expenses. What other proof will we need?**

Actual receipts and/or cancelled checks.

**26. Due to the COVID shutdown, we don't have work in one department for a tech to return to work. However, we added an admin position to help us get up to speed in all departments. Does this meet requirement for returning to full staff?**

The FTE Reduction Quotient gives you a little flexibility for situations like this. You need to have maintained at least 75% of the average FTEs you had from 2/15/2020-4/26/2020. But you must have enough payroll to be able to spend 75% of your loan amount during your 8 week covered (or alternative covered) period.

**27. We got forbearance on our office building and warehouse properties mortgage payments. May we still count the mortgage payment as part of the 25% portion of PPP in months we did not have to pay? Considering the payments were simply postponed.**

No. It must either be paid During the Covered Period or incurred and paid before the next billing period.

**28. Will 100% loan forgiveness be jeopardized if an employee who is typically paid over \$100,000 per year has more than a 25% decrease in their wage during the eight-week loan period?**

No. Just for those under \$100,000.

**29. In the initial receiving stages of the PPP Loan, it was stated that the loan would be forgiven and not included in income. Now it is stated that we cannot include the expenses on our tax returns where the PPP Loan was used. This is a roundabout way of saying the PPP Loan is now taxable. Why did this happen?**

This was an after the fact IRS ruling that SBA had nothing to do with. The Treasury Secretary has received a lot of flak for this and it wouldn't surprise us if this position gets reversed.

**30. Line 5 (forgiveness application): the PPP Schedule A: We did not have any salary/hourly wage reduction. We are an essential business. All workers remained fulltime. So would I enter my payroll total on line 1, the number 1 on line 2, and zero on line 3?**

Yes. If no individual employees earning less than \$100,000 annualized received a pay reduction greater than 25%, this amount on the application would be zero.

**31. I'm self-employed. No employees, other than myself. I have never tracked a payroll as all money I make is considered my income. How do I track payroll for the debt forgiveness?**

The owner compensation replacement is based on 8/52 of your 2019 net profit (15.38%) while the loan amount was based on 2.5 months (20.83%). To maximize forgiveness, you will need to spend the remaining (5.45%) on other eligible costs.

**32. If you elect to use the alternate payroll date, is that the date you use for rent and utility payments? Or do you use the date the money was deposited in your account for those payments to be forgiven?**  
No. The alternative covered period can only be used for payroll expenses.

**33. As far as payroll, do we claim the gross wage of employees or is it net with state withholding included?**  
It's gross before withholding.

**34. Being a lawn service co. is fuel used for travel site to site and operation of equipment fall under the "transportation" or "utilities" sections?**  
They're one in the same as transportations costs fall under the utilities section.

**35. Can businesses also apply for the new small business loan that the gov't said would be in place starting in June? That loan could be used toward improvements to satisfy safety measures. The last PPP did not have this as an option. Just payroll & rent.**  
We don't know of any restrictions in applying for this loan. We're not sure what you're referring to regarding the "last PPP". There's only been one Paycheck Protection Program that we're aware of.

**36. Just a clarification regarding payroll. Our usual work week goes from Friday to Thursday, with payday on the following Friday (one week delay). Any issues with that last paycheck which will be several days beyond the 8 week period of PPP?**  
That's what the new Alternative Covered period provision is designed to solve.

**37. Has the SBA clarified whether the forgiveness is based on incurred expenses, actual payments, or both?**  
It can be either, but you've got to choose one or the other.

**38. For the hotel industry, given the "shelter in place" regulations which prohibited guests from staying at the hotel April, have the timelines for rehiring been extended?**  
You now have until June 30, 2020 to bring furloughed employees back to avoid the FTE Quotient Reduction penalty. However you only have the 8 weeks after you received the funds to spend them on eligible expenses of which at least 75% must be for eligible payroll expenses. If you have no employees during that time frame, that will pose a problem. We know there have been a lot of legislators who have been recommending something be done about this dilemma, but so far there is no fix for this yet.

**39. Will Investors Community Bank have an online application for forgiveness of the PPP loans?**  
Yes.

**40. When will the application process begin?**  
We expect to have our online application portal available by early June for you to start compiling your documentation and calculations. The guidance states you need to provide statements for one month after your covered period, so we recommend waiting to submit the application until you have a complete package.

**41. Do we know how much time that we have after our eight week window has expired to submit our application?**

We haven't seen anything in the guidance that sets a deadline.

**42. Should we track the PPP Loan in another account or any tips on how to track?**

We know a lot of accountants have recommended doing that, but we're not convinced that's necessary as you will still need to provide evidence that all of the money you're requesting forgiveness on was spent on eligible expenses in the correct proportion. How you account for it in your checkbook won't really matter to us.

**43. Can you pay ahead on utility bills as the end of the 8 weeks approaches if there are still funds?**

No. We don't believe so as you'll need a bill to back up the payment.

**44. What is covered under the 25% utilities / rent part of the loan?**

It can be used for interest payments on secured business loans, rent and utilities which can include, gas, electricity, water, telephone, internet and transportation.

**45. Is dental coverage part of the benefit amount to include?**

We don't believe it is as it only mentions health insurance. No reference to dental or vision.

**46. Payroll details make sense How are utilities and other bills; cash basis or accrual?**

Expenses have to either be paid during the covered period or incurred but then paid before the next billing cycle for non-payroll expenses or by the end of the Alternative Covered Period for payroll expenses.

**47. Do we use the SUTA amount that was paid for 1st quarter or just what is being calculated for quarterly from pay periods during the 8 weeks? The funds were received before the quarterly SUTA payment was submitted. Would Bonuses paid to employees count?**

We believe it would be the amount for 1<sup>st</sup> quarter that was paid during the covered or alternative covered period. Payroll costs paid during the covered or alternative covered period (including bonuses) are eligible.

**48. I received my PPP loan on 4-17-2020 did not have payroll till 4-24-2020 I read something about an alternative date? PPP loan is to be used in 8 weeks that's not enough time with how it was calculated is something going to be done about that?**

Yes, you can either use the Covered Period (8 weeks after receipt of funds) or Alternative Covered Period which can start you 8 weeks on the day of your first payroll after receipt of the funds.

**49. Are revenues during the eight week period a factor in the program?**

No

**50. Will we need to have a Spread Sheet showing our Payroll?**

Depends on how big your payroll is. If you have a small number of employees, you'll be able to enter them into the online application one at a time. But if your payroll gets much bigger than 3 or 4 employees, you'll likely to want to use a spreadsheet or a form provided by your payroll system.

**51. When should we submit the request for forgiveness?**

We expect to have our online application portal available by early June for you to start compiling your documentation and calculations. The guidance states you need to provide statements for one month after your covered period, so we recommend waiting to submit the application until you have a complete package.

**52. Who determines loan payment forgiveness - the Government or the bank?**

The bank verifies your data for accuracy and then submits it to SBA. SBA has to approve our request on your behalf.

**Also, what is the timeline if repayment is determined necessary?**

If you have to repay some of your loan, payments will start after the 6 month deferral period and run for 18 months after that.

**53. We were told that Health Insurance is covered, but not Dental/Vision. Our benefits include Health, Dental, Vision, Life, AD&D, and the company also contributes to their HSA. The company pays 85% of Health and Dental, and 100 % of the rest.**

We agree that the only employee benefits covered under payroll costs are health insurance and retirement plan contributions.

**54. Are Bonuses covered under payroll?**

Yes

**55. What is meant by “payroll costs to retain employees”?**

We assume that means things like retention bonuses, incentives or other forms of compensation to designed to keep employees on the payroll.

**56. Is non-mortgage interest included as forgivable?**

We believe it is if the debt is secured by business assets and in place before 2/15/2020.

## **Questions Received During LIVE Webinar**

**57. Do costs associated with temp agency employees count as payroll costs?**

Yes, if they are paid W2 wages. If they are paid via 1099, they aren't eligible.

**58. Is the PPP for 2 months or 2.5 months?**

The loan amount was based on 2.5 months and the covered period for spending the loan is 8 weeks (i.e. 2 months).

**59. If my PPP loan is dated 4-10-2020, do I submit my forgiveness application on 6-10-2020?**

We haven't yet seen a deadline to submit the application. The guidance states you need to provide documentation for the months during and 1 month following the covered period. We recommend waiting until all documentation is available and submit a complete packet.

- 60. Do guaranteed payments to partners that get their family income from farm as payroll cost?**  
No. The partnership loan amount was based on the self-employment income reported on the 2019 tax form 1065 K-1. The "owner compensation replacement" is based on 8/52 of that amount and is not related to guaranteed payments.
- 61. Does the loan have a better chance of being forgiven if forgiveness is submitted as soon as period is over or if forgiveness is applied for at a later date?**  
No. Unlike the loan origination where applications needed to be submitted ASAP due to funding running out, the forgiveness process is not dependent on funding.
- 62. We have profit share we pay once a year. Can I pay 6 to 12 months now and get all of it forgiven or for only 8 weeks?**  
We believe all employer paid retirement contributions paid during the covered period would be eligible.
- 63. I received a PPP loan using independent contractor provisions to determine the loan amount that I was eligible for. Since I do not pay myself a wage, how do I seek forgiveness for lost income? Would I need to make myself an employee and pay myself?**  
The owner compensation replacement is based on 8/52 of your 2019 net profit (15.38%) while the loan amount was based on 2.5 months (20.83%). To maximize forgiveness, you will need to spend the remaining (5.45%) on other eligible costs.  
  
To track the income, you will need to show documentation (i.e. canceled checks or bank statements) showing income moving from the business to personal.
- 64. What does FTE stand for?**  
Full Time Equivalent
- 65. If we meet the 75% payroll expenses, but don't account for the entire 25% of other eligible costs, can 100% of the loan still be forgiven, or only the money spent?**  
To maximize forgiveness, 100% of the loan proceeds must be spent on eligible costs IN ADDITION to spending 75% on eligible payroll costs.
- 66. I got funded and the next day was payday. Do I count the first payroll? Also, our staff works varied hours each week. How do you count the weeks?**  
Yes, your covered period would begin the day you received the funds and would include the 8 weeks (56 days) following.
- 67. How are real estate taxes related to a NNN lease going to be handled?**  
We believe the contractually obligated amount described in a lease in place prior to 2/15/2020 will be eligible.
- 68. Do you have to wait until July to get the 941 for Q2 or are we able to submit early without it?**  
We recommend waiting until all documentation is available and submit a complete packet.
- 69. If you already have copies of our taxes, such as Sched. C, will we have to send it again?**  
You will need it to complete your application for forgiveness. We recommend submitting a complete packet to expedite the approval.

**70. Is Vehicle GAS included in the Transportation expenses?**

We are waiting for further guidance on this category of expenses.

**71. Do I have to wait until after the 2nd quarter so I can provide 941?**

We recommend waiting until all documentation is available and submit a complete packet to expedite the approval.

**72. What about the expenses that we may have incurred due to COVID such as new equipment needed due to social distancing, masks, etc. Can any of that be used for expenses?**

At this time, we don't believe so. There has been additional legislation introduced to include this, but it has not yet been passed.

**73. We are a seasonal business. We have different employees in the summer than we do during the year. Since we still cannot open, our winter/fall employees have left but we don't have anything for the summer. How do we satisfy our Full Time Employee number?**

Your FTE reduction calculation will be based on the level of FTEs during the covered period (or 6/30/2020) compared to the reference period. For a seasonal business, the reference period can be 2/15/2019 – 6/30/2019 **OR** 1/1/2020 – 2/29/2020 **OR** any consecutive 12 week period between 5/2/2019 – 9/15/2019.

**74. Does the \$15,385 debt forgiveness limit per employee include employer health insurance, employer contributions to retirement plan, etc. or can amounts paid for these benefits PLUS wages be more than \$15,385 per employee?**

The \$15,385 is based on gross cash compensation.

**75. We are a C corp. As shareholders in the corporation are we considered owners and therefore our salaries exempted from the forgiveness?**

All W2 wages up to \$15,385 during the covered period are eligible for forgiveness. For the purposes of PPP, owner compensation limitations are for General Partners, Schedule C & F filers, and independent contractors (non W2 income).

**76. Alternative covered period - just to verify - we can choose our 8 week start date? How far after the date of receiving the funds can we delay the start date?**

The alternative covered period begins with the first day of the payroll period immediately following the disbursement of the PPP funds and runs through the following 8 weeks (56 days).

**77. We are a non-profit that had grant funds that covered part of our payroll (definable by the employees that were dedicated to the grant program) during the same period as the PPP Loan. How do you advise we handle this?**

The guidance states any qualified payroll costs paid during the covered or alternative covered period are eligible for forgiveness.

**78. From the perspective of a sole proprietor: is there a downside to simply counting it all as "Payroll"? Will the forgiven amount be considered income next year?**

The owner compensation replacement is based on 8/52 of your 2019 net profit (15.38%) while the loan amount was based on 2.5 months (20.83%). To maximize forgiveness, you will need to spend the remaining 5.45% of the loan amount on eligible costs.

**79. If we don't have expenses for 100% forgiveness, do remaining funds transition to a loan?**

Yes, any remaining loan balance after the forgiveness amount is applied will be required to be repaid during the 2 year term of the loan.

**80. Does the alternative payroll dates need to be 56 days also?**

Yes, the alternative covered period begins with the first day of the payroll period immediately following the disbursement of the PPP funds and runs through the following 8 weeks (56 days).

**81. Can you repeat the dates again for payroll costs and dates for non-payroll costs?**

Payroll costs can be calculated in either the covered period or the alternative covered period. Non-Payroll costs must be calculated by the covered period only.

The covered period is 8 weeks (56 days) immediately following the disbursement of the PPP loan.

The alternative covered period begins with the first day of the payroll period immediately following the disbursement of the PPP funds and runs through the following 8 weeks (56 days).

**82. If I was behind on my rent so I paid past due rent during the covered period. Can I include this for non-payroll costs?**

We believe as long as the lease was in place prior to 2/15/2020, all payments made during the covered period would be eligible for forgiveness.

**83. Due to spring fieldwork and 1st crop of hay my payroll is going to be higher over the covered weeks than normal which I anticipate being close to matching my loan amount. Am I allowed to use the extra \$ toward loan forgiveness, not just my average?**

Yes, payroll is based on the amount paid during the covered or alternative covered period.

**84. Congress may vote this week to extend the loan forgiveness period from 8 weeks to between 12 - 16 weeks. There seems to be strong bi-partisan support for this.**

There has been much discussion on further legislation, however, we must abide by the guidance available today and do not know what or when further legislation will be passed.

**85. Based on timing, what happens if our forgivable amount exceeds the funds borrowed and we received the 10k Grant?**

If you received an EIDL grant in excess of the PPP loan, the loan is not eligible for forgiveness.