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PPP Resources

Top 15 PPP FAQs

AFTER EACH OF OUR WEBINARS, WE ANSWERED PARTICIPANTS' QUESTIONS. THE RESPONSES ARE SPECIFIC, HELPFUL, AND DETAILED ... AND ARE BEING MADE AVAILABLE FOR FREE.

	QUESTION	RESPONSE
1	With regard to the Salary and Wage Reduction Safe Harbor, when comparing wages during the covered period to those existing on February 15, 2020, do I take average wages during the period, or compare them to a specific date during the covered period?	To determine if the Salary and Wage Reduction Safe Harbor has been met, the borrower compares the average annual salary or hourly wage as of the earlier of December 31, 2020 and the date the application is submitted to the annual salary and wage as of February 15, 2020. Note that to be eligible for the salary and wage reduction safe harbor the reduction must have occurred between February 15, 2020 and April 26, 2020.
2	We have a part time employee that worked 10.5 hours in the reference period but only worked 4 hours in the covered period because he wants to retire soon. Will we get a reduction in hours penalty?	There is an exemption to a reduction in hours if, during the covered period, an employee requested and received a reduction in hours. If this is the case, the FTE reduction will not impact the borrowers loan forgiveness. A borrower should maintain written documentation of any request made by an employee for a reduction in hours. We also recommend that borrowers analyze both methods for calculating FTEs, as the simplified method counts all employees with less than 40 hours per week as 0.5 FTE.

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	QUESTION	RESPONSE
3	If you apply for forgiveness and the P4 passes, can you go back for an additional loan?	While the Prioritized Paycheck Protection Program (P4) has not been finalized, the proposed legislation states that a borrower would have to exhaust PPP loan funds, have fewer than 100 or 300 employees (being negotiated) and be able to demonstrate a 35% or 50% loss in revenue due to the COVID-19 pandemic (being negotiated). We have not seen any language stating that a borrower who has already submitted an application for forgiveness would be precluded. P4 is pending legislation so there may be changes or it may not pass the legislature or get signed into law by the President.
4	In terms of strategy, if you have exhausted your PPP loan at say 12 weeks, can you apply for forgiveness based on those 12 weeks and later have a layoff say in week 20 and not have the FTE reduction in week 20 impact the forgiveness?	Based on current guidance, including the modified loan forgiveness application, EZ application, and revised interim final rules, a borrower may submit a loan forgiveness application once the borrower has exhausted PPP loan proceeds. To date, we have not seen any guidance suggesting that events occurring after the submission of a loan forgiveness application would impact forgiveness.
5	If you apply with the EZ application, but three weeks later cut salaries 30% and you are still within the 24 weeks covered period, is that allowed?	Based on current guidance, including the modified loan forgiveness application, EZ application, and revised interim final rules a borrower may submit a loan forgiveness application once the borrower has exhausted PPP loan proceeds. To date, we have not seen any guidance suggesting that events occurring after the submission of a loan forgiveness application would impact forgiveness.
6	Do monthly salaries get prorated for 56 days (if you choose the 8-week period)?	SBA rules cap individual employee wages at $15,385 for an 8-week covered period and $46,124 for a 24-week covered period. Both of these amounts represent an annualized $100,000 salary prorated for the respective covered periods. In general, payroll costs are eligible for forgiveness if they are paid or incurred during the covered period. Therefore, if the monthly salary is paid during the covered period, the full amount is eligible for forgiveness. However, if the monthly salary is paid after the covered period ends, only the portion of the salary incurred during the covered period is eligible. Therefore, a proration of that amount will be required.

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7	A client told me this week that they went to make their forgiveness application, and the lender told them they were not yet prepared to receive forgiveness applications. Have you encountered this? Any comments on lenders' state of readiness? According to the forgiveness application, you can check a box if your business was unable to return to previous levels at any time during 2020 — it does not have to be the full period until December 31. In other words, if business recovers in September, October, November, etc., you can still check the box and claim the safe harbor. Do you disagree?	We have encountered some banks who are not yet ready to accept forgiveness applications. The modified interim final rule addresses the time period that lenders have to review the application, 60 days, but not readiness associated with accepting applications. The SBA opened its portal to banks on August 10th; however, many lenders may wait to see the outcome of pending legislation before accepting applications for forgiveness. Per the modified loan forgiveness application, a borrower is exempt from the reduction in loan forgiveness based on a reduction in FTEs "if both of the following conditions are met: (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."
8	If an employee resigned, does that employee reduction impact our businesses' loan forgiveness or preclude our ability to use the EZ loan forgiveness application?	Per the modified loan forgiveness application, EZ application, and revised interim final rules, there is an exemption to a reduction in loan forgiveness resulting from a reduction in FTEs if the reduction in FTEs is the result of an employee voluntarily resigning. A reduction in FTEs resulting from an employee voluntarily resigning does not preclude a borrower from using the EZ loan forgiveness application. The borrower should keep written documentation supporting the voluntary resignation.
9	Do you anticipate the SBA review period to take the entire 90 days? Not knowing for sure the approved forgiveness could cause obstacles crossing into 2021, specifically as an S corp.	Currently we cannot provide any guidance as to whether the SBA review process will take the full 90 days. Per the Revisions to the SBA Loan Review Procedures Interim Final Rule issued on June 23, 2020, lenders have 60 days to review the loan forgiveness application and the SBA has 90 days from receipt of the application from the lender to review, resulting in a total allowable review period of 120 days. As of the end of June 4, 2020, 798,187 PPP loans had been approved, so we would recommend planning on the review process taking most if not all of the 120 days allowed.

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10	Can you confirm there is no MAXIMUM percentage of PPP funds which can be used toward payroll costs (i.e., 0% non-payroll costs)?	There is no maximum amount of PPP funds that can be used for payroll costs. A borrower can use 100% of the proceeds for payroll and receive full forgiveness.
11	If we chose to use the 24-week covered period, when exactly are we required to fill out the loan forgiveness application with our bank?	Per the PPP Flexibility Act of 2020 and the Revised Interim Final Rule issued by the US Treasury, borrowers have 10 months from the end of their 24-week period to complete and submit the forgiveness application to the lender.
12	If we lay off one full-time employee and hire two part-time employees in their place, will this negatively impact forgiveness when we perform our FTE calculation?	No, the FTE calculation is agnostic when it comes to actual employees in the FTE calculation. Under the simplified method for the FTE calculation, an employee working less than 40 hours counts as 0.5 FTE and an employee working 40 or more hours counts as 1.0 FTE. Under the regular method for FTE calculation, two part-time employees working more than 20 hours would count as more than 1.0 FTE as actual hours worked are divide by 40 and rounded to the nearest tenth to determine FTE.
13	Our office lease is coming up for renewal. We are contemplating moving to a larger space in the same facility at a higher cost. Will we be able to include the higher lease expense in our forgiveness calculation?	In order for rent expense to be an allowable cost, the lease agreement had to have been executed prior to February 15, 2020. However, SBA guidance makes an exception for the renewal of a lease, providing the original lease existed prior to February 15, 2020. Rent from the renewal can be used to increase forgiveness. If an entirely new lease agreement is executed after February 15, 2020 then the associated rent is not an allowable cost.

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QUESTION	RESPONSE
14 Can a borrower pay interest on a loan secured by the assets of the borrower (i.e. a line of credit)? The CARES Act uses the word "mortgage" which is traditionally thought of as applying to real property, but the loan forgiveness section says that a covered mortgage obligation is for real and personal property.	Only interest for loans with a mortgage interest in real or personal property are eligible for forgiveness. In other words, for the interest on a loan to be eligible for forgiveness, it must be secured by a specific real or personal asset.
15 When we filled out our loan application our bank rounded our employee head count to a whole number. When we fill out the loan forgiveness application, will we be able to use the true FTE count with .5 for a FTE for loan forgiveness instead? For example, we had 25 FTE and 1 PTE for a total of 25.5 employees not 26 employees.	The loan forgiveness application does not compare FTEs to what was on the PPP loan application. For the forgiveness application, FTEs are calculated for the covered period and the reference period. The covered period is then compared to the reference period to determine if there as a reduction in forgiveness due to a reduction in FTEs. During the covered period and reference period, FTEs are to be calculated using the same methodology for both periods: the regular method or the simplified method.

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