



PPP Recommendations for Clients

Updated May 8, 2020

Your PPP check has arrived. This is meant to be a reminder of what is forgivable and our recommendations for best practice reporting to maximize your forgiveness:

1. Set up a separate bank account to track your PPP funding.
2. Transfer only the amount needed to pay the specific bills that are permissible under PPP to your checking when you are ready for bill pay or pay directly from that account. It will be difficult to change your payroll checking account, and we do not recommend that. Simply transfer the net as described below to cover payroll and pay utilities, rents, and other permissible bills out of this checking account.
3. Permissible bills:
 - a. Rent if the agreement was in place by 2/15/20
 - b. Utility expenses, including those under service agreements before 2/15/20
 - i. Telephone
 - ii. Cable
 - iii. Water
 - iv. Sewer
 - v. Electric
 - vi. Transportation expenses
 - c. Mortgage interest
4. Not more than 25% of the PPP loan forgiveness amount may come from these sources.
5. PPP may also be used for interest on other capital equipment.
6. Permissible payroll expenses:
 - a. Same as used in figuring the loan amount, all compensation
 - b. Healthcare insurance premiums paid (less amounts paid by employees)
 - c. Retirement benefits paid (less amounts paid by employees)
 - d. Insurance and retirement benefits are not subject to wage restrictions (\$100,000 per annum). Limit on \$100,000 is over 8 weeks not 2 months!
7. Non forgivable payroll expenses:
 - a. Employer portion of FICA is not forgivable
 - b. Form 940 taxes are not forgivable
 - c. Any qualified leave for sick and family wages for which a credit is allowed under Families First Act
 - d. Retirement benefits and health insurance paid for sole proprietors, partners. More than 2% S corp shareholders health insurance may need to be included as wages.
8. Copy your bills for these expenditures and keep in a separate file.



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Payroll expenses may not be forgivable in full even if you meet the tests related above.

There are two additional tests:

- The first test is based on FTE count. You must have the same number of FTE's as calculated during the measurement period in order to maximize forgiveness. The measurement period is normally January 1, 2020 – February 29, 2020 unless you are a seasonal employer or a new company. A proportionate discount will be applied if this standard is not met. For example, if you have 10 FTE employees during the measurement period, and you have 8 during the spend period, you will have a 20% non-forgiveness penalty applied to the spent portion. One caveat, if you rehire by June 30, you will still be eligible for forgiveness. Look for added guidance on this.
- Many clients have asked about employees who refuse to come back after an offer of rehire. Get this dialogue in writing because if true that employee will not count in your FTE count. He or she will also be ineligible for unemployment.
- The second is an employee by employee comparison of wages. You must pay each employee at least 75% of what they made during the measurement period. This is currently defined as the last full quarter before the loan was received. We expect additional guidance on this because some of the other testing parameters have changed and it is unclear what companies do in the face of normal employee turnover. Again, if you increase the employee pay by June 30, you could be eligible for full forgiveness.

Documents to save:

- Payroll tax returns 2020
- Employee payroll registers, including hours worked for Jan, Feb 2020, or Feb 15, 2019 -June 30, 2019
- Employee payroll registers for Jan-March 2020
- Employee payroll registers for 8-week PPP period
- Payroll tax returns for first and second quarters 2020
- Reconciliation of payroll
- Copies of rent invoices or contract
- Copies of utility bills paid
- Copies of health insurance bills
- Any other document utilized for transportation related expenses
- Bank statements for COVID bank account