

Payroll Protection Program Loan Forgiveness



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Agenda

- PPP Loan Application
- Payroll Protection Flexibility Act of 2020
- PPP Loan Forgiveness Application
- Q&A

PPP Loan Application

- What did the PPP Loan Application Require?
 - 2019 Average Monthly Payroll Costs
 - Payroll Costs included:
 - Gross Wages (Net employee check, adding back income tax withholding and employee's portion of Social Security and Medicare)
 - Employer paid retirement and health insurance benefits
 - Employer paid state and local tax assessed on employee compensation
 - 2019 Employee Headcount
 - Certification that loan request necessary to support ongoing operations due to current economic uncertainty.

Key Terms

- **Covered Period** – The period that starts on the date that the PPP loan funds were received.
- **FTE Test Comparison Period** – The period that can be elected as either February 15, 2019 to June 30, 2019 or January 1, 2020 to February 29, 2020 to compare FTE's with the Covered Period (or Alternative Covered Period).
- **Wage Test Comparison Period** – The period of January 1, 2020 to March 31, 2020 to compare wages with the Covered Period (or Alternative Covered Period).

Payroll Protection Flexibility Act of 2020

- The Payroll Protection Flexibility Act (PPFA) makes amendments to the PPP loan forgiveness in the CARES Act.
- The Covered Period – extended from 8 weeks to the earlier of 24 weeks or December 31, 2020.
- No forgiveness reduction for reducing FTE's if documented:
 - Inability to rehire individuals who were employees at February 15, 2020.
 - Inability to hire similarly qualified employees for unfilled positions before December 31, 2020.
 - Inability to return to the same level of business activity as before February 15, 2020 due to compliance requirements or guidance issued by the HHS, CDC, or OSHA related to COVID-19.

Payroll Protection Flexibility Act of 2020

- Previous requirement to expend at least 75% of funds on payroll reduced to 60%.
 - Watch out for the cliff! If at least 60% of expenditures are not for payroll, then 0% forgiven.
- Option to extend loan term to 5 years from 2 years for portion not forgiven.
- Deferment of payment extended to 1 year from 6 months.
 - If forgiveness is not applied for, then only extended to 10 months.
- Deferral of payroll taxes from the CARES Act, may be taken simultaneously with forgiveness.

PPP Forgiveness Application



PPP Loan Forgiveness Calculation Form

1

- Loan Information

2

- Calculation



Paycheck Protection Program
Loan Forgiveness Application

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: _____

Employees at Time of Loan Application: _____

Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ EIDL Application Number: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

Weekly Biweekly (every other week) Twice a month Monthly Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): _____

Line 2. Business Mortgage Interest Payments: _____

Line 3. Business Rent or Lease Payments: _____

Line 4. Business Utility Payments: _____

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3): _____

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: _____

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): _____

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7): _____

Line 9. PPP Loan Amount: _____

Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75): _____

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): _____



PPP Loan Forgiveness Calculation Form

Same information as application

Found on PPP Promissory Note, except disbursement date

Head Count

Given at time of EIDL application

Covered Period will now extend 24 weeks

Do not check, if not applicable!

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: _____

Employees at Time of Loan Application: _____

Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ EIDL Application Number: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

Weekly Biweekly (every other week) Twice a month Monthly Other _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:



PPP Loan Forgiveness Calculation Form

Payroll Costs	→	<u>Payroll and Nonpayroll Costs</u> Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):	_____
Nonpayroll Costs	→	Line 2. Business Mortgage Interest Payments:	_____
	→	Line 3. Business Rent or Lease Payments:	_____
	→	Line 4. Business Utility Payments:	_____
Possible Forgiveness Reductions	→	<u>Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions</u> Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):	_____
	→	Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:	_____
Forgiveness Calculations	→	Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):	_____
	→	<u>Potential Forgiveness Amounts</u> Line 8. Modified Total (multiply line 6 by line 7):	_____
	→	Line 9. PPP Loan Amount:	_____
Forgiveness	→	Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75):	_____
	→	<u>Forgiveness Amount</u> Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):	_____

PPP Loan Forgiveness Calculation Form Items from Schedule A

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): _____

Line 2. Business Mortgage Interest Payments: _____

Line 3. Business Rent or Lease Payments: _____

Line 4. Business Utility Payments: _____

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3): _____

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: _____

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): _____

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7): _____

Line 9. PPP Loan Amount: _____

Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75): _____

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): _____

Schedule A

Under \$100k
Table 1

Over \$100k
Table 2

Owners

PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1: _____

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1: _____

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here and enter 0 on line 3. _____

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2: _____

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2: _____

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance: _____

Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans: _____

Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation: _____

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each. _____

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9): _____

Full-Time Equivalency (FTE) Reduction Calculation
If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here , skip lines 11 and 12 and enter 1.0 on line 13.

Line 11. Average FTE during the Borrower's chosen reference period: _____

Line 12. Total Average FTE (add lines 2 and 5): _____

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met: _____

Schedule A Worksheet

Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period if the employee's principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

Table 2: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period if the employee's principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of more than \$100,000 for any pay period in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Totals:		Box 4	Box 5

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
 If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here and enter 0 on line 3.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:



Schedule A

Enter Employer Paid Benefits

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance: _____

Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans: _____

Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation: _____

For entities, excluding non-profits, enter owner compensation

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners: _____
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1: _____ ①

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1: _____

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here and enter 0 on line 3. _____

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2: _____ ④

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2: _____

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance: _____ ⑥

Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans: _____ ⑦

Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation: _____ ⑧

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each. _____ ⑨

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9): _____

Schedule A

Under new Act FTE requirements will be much easier to achieve with additional exceptions.

- Will most likely be able to chose a safe harbor period ending December 31st to compare with February 15th.

2/15/2019
to
6/30/2019
or
1/1/2020
to
2/29/2020

Full-Time Equivalency (FTE) Reduction Calculation

If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here , skip lines 11 and 12 and enter 1.0 on line 13.

Line 11. Average FTE during the Borrower's chosen reference period: _____

Line 12. Total Average FTE (add lines 2 and 5): _____

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met: _____

Back to PPP Loan Forgiveness Calculation Form

Add non-payroll costs paid and incurred

Choose the least of all three. Payroll costs will now be 60%

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): _____

Line 2. Business Mortgage Interest Payments: _____

Line 3. Business Rent or Lease Payments: _____

Line 4. Business Utility Payments: _____

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3): _____

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: _____

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): _____

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7): _____

Line 9. PPP Loan Amount: _____

Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75): _____

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): _____

Remember, your forgiveness will be further reduced by the EIDL advance.

Documentation – Payroll

- Payroll
 - Bank statements or payroll reports showing cash paid to employees.
 - Tax Forms (Form 941 and state quarterly unemployment form)
 - Also used for FTE's
 - Receipts, cancelled checks, account statements documenting employer contributions to health insurance and retirement plans.

Documentation – Non Payroll

- Non-Payroll
 - Mortgage Interest - Lender amortization schedule or account statements. Receipts or Cancelled Checks.
 - Rent or Lease – Lease agreement or account statements. Receipts or Cancelled Checks.
 - Utilities – Invoices. Receipts or Cancelled Checks.
 - All non-payroll documentation must include covered period and February of 2020.

If you have any questions, please contact the Kerkering Barberio team at 941-365-4617



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Thank You!

