



# COMPREHENSIVE EMPLOYMENT SOLUTION

## CES PPP Loan to Grant – Update May 27, 2020

### PPP Loan Forgiveness Application

And here we go – a lot of information to pass along this week!

Finally we got some guidance – pages and pages of it – generally released late last week and today. Where I have copied directly from the guidance it is in **BOLD** type. If it has been put into an order I think is more straightforward it isn't. This is just part one, but wanted to get at least the basics out to you on what time period options you have to calculate forgiveness. Will have a couple more posts coming out on other issues with guidance that has been given.

One critical piece of information – at least at this time is that now – your lender has up to 60 days to review your documentation and produce a Certification of Forgiveness to the SBA. The time frame for the SBA to fund WAS 15 business days. It is now 90 days to fund. It will be critical for you to make sure you get your SBA Forgiveness Application submitted to your lender as soon as possible and stay on your lender to complete their part and get your company submitted to stay ahead of your SBA 6 month deferred payments deadline.

Payroll forgiveness – Calculation times

1. **Payroll paid bi-weekly or more frequently, incurred during the 8 consecutive week (56 days) beginning on either:**
  - a. **The date of disbursement of the borrower's PPP loan proceeds from the Lender (i.e., the start of the covered period): or**
  - b. **The first day of the first payroll cycle in the covered period ( the "alternative payroll covered period").**

Payroll costs are considered paid on the day that paychecks are distributed or direct deposited to be eligible for forgiveness. Option "a" payroll costs must be paid during the covered period. If you choose the alternative – option "b" payroll covered period are eligible for forgiveness if paid on or before the next regular payroll date after your forgiveness period.

**SBA Example: A borrower has a bi-weekly payroll schedule (every other week). The borrower's eight-week covered period begins on June 1 and ends on July 26. The first day of the borrower's first payroll cycle that starts in the covered period is June 7. The borrower may elect an alternative payroll covered period for payroll cost purposes that starts on June 7 and ends 55 days later (for a total of 56 days) on August 1. Payroll costs paid during this alternative payroll covered period are eligible for forgiveness. In addition, payroll costs incurred during this alternative payroll covered period are eligible for forgiveness as long as they are paid on or before the first regular payroll date occurring after August 1. Payroll costs that were both paid and incurred during the covered period (or alternative payroll covered period) may only be counted once.**

Payroll forgiveness – Compensation allowed as eligible for loan forgiveness

1. Salary, wages, or commission payments to furloughed employees "bonuses" or hazard pay

- a. CARES Act defines the term “payroll costs” broadly to include compensation in the form of salary wages, commissions, or similar compensation.
- b. It has been determined that, if an employee’s total compensation does not exceed \$100,000 on an annualized basis, the Employee’s hazard pay and bonuses are eligible.... Because they constitute a supplement to salary or wages, and are thus a similar form of compensation.
- c. Owner-employees payroll compensation can be no more than the lesser of 8/52 of of 2019 compensation – 15.38% or \$15,385 per individual in total across all businesses.

NOTE: Providing an accurate calculation of the loan forgiveness amount is the responsibility of the borrower, and the borrower attests to the accuracy of its reported information and calculations on the Loan Forgiveness Application. Lenders are expected to perform a good-faith review, in a reasonable time, of the borrower’s calculations and supporting documents concerning amounts eligible for loan forgiveness. **For example, minimal review of calculations based on a payroll report by a recognized third-party payroll processor would be reasonable. By contrast, if payroll costs are not documented with such recognized sources, more extensive review of calculations and data would be appropriate.** The borrower shall not receive forgiveness without submitting all required documentation to the lender. For any company doing payroll In-House – please check with your lender ASAP to see if they will require additional documentation of your compensation records.

#### Nonpayroll Costs Eligible for Loan Forgiveness –

1. If it was
  - a. Paid during the covered period: or
  - b. Incurred during the covered period and paid on or before the next regular billing date, even if the billing date is after the covered period.
  - c. No more than 25% of your PPP loan can be forgiven for Nonpayroll Costs.
  - d. No principal or advance payments of interest on mortgage obligations are eligible.

**SBA Example:** A borrower’s covered period begins on June 1 and ends on July 26. The borrower pays its May and June electricity bill during the covered period and pays its July electricity bill on August 10, which is the next regular billing date. The borrower may seek loan forgiveness for its May and June electricity bills, because they were paid during the covered period. In addition, the borrower may seek loan forgiveness for the portion of its July electricity bill through July 26 (the end of the covered period), because it was incurred during the covered period and paid on the next regular billing date.

WE GOT THIS! It’s just going to take a few days to sort it out and posted. On our website, we have posted the new Final Interim Guidances issued by the SBA, a fillable pdf of the SBA Application and a workbook that is a DRAFT created by the AICPA that will calculate your SBA Application for you to fill in the numbers.

Be safe, stay well. WE GOT THIS!

**Check our COVID-19 webpage for the newest guidance and FAQ’s from the SBA and the Treasury Department.**

**CES CAN HELP YOU NAVIGATE AND OPTIMIZE THE 8 WEEK PPP CALCULATION TIME FRAME!**

**WHEN IT IS TIME TO ACT – THE TIME TO PREPARE IS PAST**

**TURN YOUR PPP \$200,000 LOAN INTO A \$200,000 GRANT.**

**[Solutions@trustces.com](mailto:Solutions@trustces.com) or Call us (707) 395-0357**