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Questions and Answers

from the What You Need to Know About the
PPP Flexibility Act Webinar (6-10-20)

Can you send the forgiveness questions we should ask ourselves (that she just mentioned) to us via email? Thank you.

Yes, we included the PPP Need Evaluation in our webinar follow-up email, which lists factors and questions to help you assess and document your need for a PPP loan. Here's [the link to the document](#) again.

Have you seen an updated Paychex Protection Program Loan Forgiveness Application from the SBA after these June 5 updates?

As of 6/10/20 we have not seen an updated PPP loan forgiveness application. An updated application is expected in the near future.

If you already have a PPP loan from a lender, can you renegotiate the loan forgiveness period from 8 weeks to 24 weeks?

The 24-week covered period is available to all borrowers.

Kyle said line of credit interest is allowable. Is this a change? Harriet was not sure about this before.

Interest on LOC is an allowable expense but not eligible for forgiveness.

How do you determine FTE for salaried employees who were paid normal salary but due to COVID-related business impact do not actually work the full 40 hours?

In general, if they are full time and you continue to compensate them at the same rate, then they would be considered 1 FTE.

For an employee who makes greater than \$100K annually, is their payroll forgiven "up to \$99,999.99" or not forgiven at all?

Each employee pay is capped at \$15,385 for the eight-week period, and we suspect the capped amount for 24 weeks is \$46,154.



Our payroll is semi-monthly, not bi-weekly. That gives me more than the eight-week allowance. Would it be better to calculate it by the days and not by pay period?

A loan borrower has 56 days if the eight-week period is used. It may make sense to calculate those days depending on when payroll began and loan proceeds were received.

How are commissions handled in terms of "wage reduction"?

Commissions are added to base wage when determining wage/salary reduction test.

Regarding health, dental, and vision benefits, we would only include the Employer paid portion, correct? (So exclude the portion that the employee paid through payroll deduction?)

Only include the employer portion paid toward group health benefits.

Is short-term disability or life insurance benefit paid by employer, covered under group health benefit, that is covered payroll cost?

No.

We let go of people mid-February due to reduction in business non-COVID related. It is well documented. Due to COVID, while we remained open, we have seen significant decrease in business. We are able to maintain those on staff currently but unable to bring back the employees from mid-February. Will these employees be required in the FTE calculation or will we fall under an exemption?

It looks like if you use the January-February 2020 reference period, then your FTEs would be at a lower level than if you used 2019. Based on your facts, it appears that your situation will meet the exception definition.

Have to be paid only \$15,385 or is the largest amount you can put on application?

This is the cap cash compensation per employee. This does not include benefits.

Does it cover the lease payments on vehicles?

Yes, it does.

Will the allowed amount per employee, currently \$15,385 for the eight-week period, be increased to a higher amount? If so, what will be that amount?

We expect that it will increase, and the cap will be \$46,154.

For the allowable utility "transportation," do we know what that consists of?

We suspect that it relates to automobile expenses (gas, mileage).



Do they still have the \$100k salary limit for forgiveness? From the last webinar, it was just the \$15k and change for eight weeks. Does that forgiveness amount go up if its paid over 12 weeks instead of the eight weeks?

If electing the eight-week covered period, the cap per employee is \$15,385. The 24-week period is \$46,154 per employee. Each of these amounts annualized is \$100,000.

Can an employee be paid more than \$100K per year during the covered period and have just the amount up to \$100k be forgiven? Or their compensation can't be forgiven at all?

The \$100,000 annualized threshold per employee is used for forgiveness purposes only.

The slide says allowable costs will be forgiven on a tax-free basis. So are PPP expenditures now tax deductible?

As of 6/10/20 forgivable expenses are not deductible for tax purposes. Please note that the slide has been corrected.

Owner/employee health insurance covered or not?

No.

Allowable Expense: My firm uses outside consultants for bookkeeping and tax accounting. I expect an increase in this department during the covered period. Does allowable expense include increase in bookkeeping / accounting costs as a result of PPP work?

These expenses are allowable but not eligible for forgiveness.

If the forgiveness has not been granted by December 31, how are taxes affected?

We are uncertain at this time. We have heard that Congress may overrule the IRS through legislation. The AICPA has also requested additional guidance on this issue.

How do you include temporary employee wage information when they are paid to a temporary agency?

These expenses are allowable but not eligible for forgiveness.

Even if an employee makes more than the \$15,385 in the eight-week period, we can still allow that amount but not go over, correct?

The additional amount may be paid, but is not eligible for forgiveness.

Is it gross payroll minus federal withholdings and social security? If so, why?

It is gross payroll.



Lease agreement was negotiated (it took a long time to agree) and we entered into lease in March effective February 1, 2020. Is it considered allowed lease existed 2/15/2020?

If lease was effective prior to 2/15/20, it is allowable and likely eligible for forgiveness.

If we use the eight-week period, we will not be able to utilize the full amount unless we pay bonuses. If we go with the 24-week period, we will utilize all our PPP funds by about the 16th week. Are we able to go with the 24-week period?

Yes.

What happens if, during this loan forgiveness period, an applicant realizes that the calculation they did for the original loan application is not accurate (e.g. perhaps they used FICA employer taxes, which are not eligible for loan forgiveness)? Will the loan forgiveness be reduced, or should part of the loan be returned?

If loan proceeds were spent on allowable expenses such that forgiveness requirements are met, your loan should be forgiven.

Do I understand it correctly that we now have 24 weeks to cover the eight weeks of payroll we borrowed? It seems like it will be super easy to cover what we borrowed and get complete forgiveness of the entire amount.

You can elect an eight- or 24-week covered period. During the covered period you may spend the loan proceeds on the allowable and eligible expenses and apply for loan forgiveness.

Our eight-week period is coming to an end next week, but our bank isn't accepting applications for forgiveness until July. We are still experiencing business slowing and plan on laying off some of our workforce. Do we need to wait until our application is submitted to the bank or when the SBA acknowledges submission?

As long as your FTE average during the covered period is equal to that of your reference period, your forgiveness will not be reduced. Keep in mind there are some exceptions that you can reference in the webinar presentation slide deck.

If an entity meets compliance of FTE requirement after receiving the loan and prior to December 31, but on December 31 it is no longer met, what are the consequences?

If loan proceeds were used for their intended purposes, then loan forgiveness will be granted as long as you met the FTE during the covered period.



The original PPP Loan Forgiveness Application specifically called out to limit each employee to 1 FTE maximum.

That is correct. We suspect the anticipated revised application will as well.

If you choose 24 weeks, can we just rehire them on 23 weeks for FTE calculation?

Yes.

Can you please confirm that a person can still be paid more than \$100,000 annualized, but we can only USE a maximum of \$100,000 annualized towards loan forgiveness?

Correct.

Using the 24-month period, if your covered payroll less FTE reduction calculation number is still more than your loan amount, would all of your loan still be forgiven?

Total forgiveness is capped at total loan obtained.

Our loan funded 4/28, which was two days into the first PR of 5/15, so we had to adjust out the 4/26 and 4/27. Under the old plan of eight weeks, PR would include 5/15-5/29-6/12-6/26. Does the new 24 weeks mean that I can add the 7/10 PR if I have more funds to spend?

Borrower can elect use to either paid or incurred.

If we use the 24-week period, the loan will carry into 2021. What effect will that have on our 2020 income taxes?

The covered period ends on December 31, 2020. The last application date (6/30) is 24 weeks before December 31, 2020. Loan forgiveness is likely to not occur on most loans until 2021. We are awaiting guidance on if and how loan forgiveness will be recorded on your 2020 return.

If I choose 24 weeks and all my funds are used in 12 weeks, can I apply for forgiveness as soon as the funds are used?

We believe you may need to wait until the covered period ends if the 24-week covered period is selected. We are waiting for guidance from the banks to determine if they will accept applications before the end of the 24-week period. Please note that none of the banks are yet accepting loan forgiveness applications.

How would a Form 941 support when the period is different? Wouldn't payroll journals from our PEO suffice?

Payroll journals from PEO showing the payroll costs incurred during the covered period will suffice.



What is the advantage of a 24-week period? All the payroll for 24 weeks would be forgivable? Or prorated?

If the 24-week covered period is elected, the borrower will have more time to spend the PPP loan proceeds in order to obtain the required 60/40 payroll/non-payroll forgiveness ratio.

What am I missing: Why would you take the eight-week option?

There are various reasons, the most significant being the fact that you already spent all loan proceeds.

Previously as a monthly pay period firm, I was not able to choose an alternative forgiveness period. Am I able to choose this additional forgiveness period now with the new rules?

We believe that the alternative payroll period still only applies to bi-weekly or more frequent payroll. We recommend waiting for further guidance.

Will the slides be emailed out after the presentation so I can share with my boss?

Yes.

When Kyle talked about Utility Transportation, he said car and fuel expenses for self-employed or sole proprietor. But what about vehicle and fuel costs for a corporation (like salesmen autos and delivery trucks)?

We believe those are eligible as well.

Because the repayment period starts when the borrower receives notification of forgiveness, we don't need to accrue interest until we know if the loan is forgiven or not, correct?

It would be our recommendation that you accrue interest as though you didn't receive forgiveness. This is the conservative approach.

Can an owner who makes a \$250k salary be paid that amount and it be reduced on the forgiveness application to \$15,385 for the eight weeks, or do they have to actually be paid the \$15,385?

Forgiveness is capped per employee is at \$15,385 if using the eight-week period and \$46,164 if using the 24-week period. You can pay more than the forgiveness cap.



For employees receiving Social Security that have their Medicare premiums deducted and are a part of a medical employer plan, can these deductions be reimbursed and counted as a payroll cost in the payroll protection plan?

We think yes.

If we choose the 24-week period but we have spent all of our PPP proceeds prior to that, do we still need to maintain our FTEs through the full 24 weeks?

You need to reach an average FTE during the covered period comparable with that in your chosen reference period.

Is the 24 weeks automatic for PPP loans already funded?

Yes.

I have hired a couple new employees who only work eight hours a week. Will I be able to use these two as 0.5 employees, or is there a minimum of hours they need to work per week to be counted at all?

These employees would qualify as 0.5 FTE.

Last time I talked to Delap it was 30 hours and now it's 40 hours for FTE. Correct?

Initially the SBA guidelines stated the 30 hours, but the loan forgiveness application includes 40 hours in the calculation.

When calculating an FTE, is 40 hours always used or is it the number of hours the company designates for benefit qualification, such as 30 hours used?

In order to obtain forgiveness, 40 hours represents an FTE.

Is meeting the FTE as simple as hiring enough individuals immediately before December 31?

Although we believe that it may be calculated as an average during the covered period.

Can't you use a 10- or a 12-week period to use in your forgiveness application if you spent 60% of the loan funds on payroll costs in 10 or 12 weeks versus eight or 24 weeks?

Borrowers need to use either eight weeks or 24 weeks to meet your benchmarks.

How do you apply employer tax deferral? Just not paying them?

It is on the new forms 941.



Like Harriet did, I heard an SBA representative say you can catch up paying non-payroll costs in the covered period and include it. Do you think you can also catch up on payroll costs in the covered period and include them?

For now, include those costs in your documentation, but specifically label them.

Can payroll incurred prior to the 24-week period but paid in the 24-week period be included?

The borrower needs to use either paid or incurred, but likely not both. If you choose to use both you should specifically identify.

Harriet said the amount of allowable use of loan proceeds can differ from amounts potentially forgivable. The example she gave is that allowable loan proceeds can be used to pay principal and interest, but only interest is forgivable. I am not sure this is correct. The 4/15/20 Interim Final Rule III. 2 r. iii. says PPP loans can be used for "mortgage interest payments." There is no mention of principal being an allowable use of funds. What did Harriet mean when saying loan use amounts can differ from potentially forgivable amounts?

Harriet believes that you are correct and that she misspoke.

What about shareholder loans to the company? Is interest payable to shareholders allowed to be forgiven?

Not likely, unless the loan is collateralized by business assets.

Can 2019 profit sharing paid in the 24-week period be included?

If paid in the normal course of business.

Is there a percent threshold for what constitutes an owner?

No.