Paycheck Protection Program (PPP) Loan Forgiveness

Impact of the PPP Flexibility Act of 2020
Disclaimer:

The information presented in these materials, and that is further provided by the presenter, should not be considered legal or accounting advice, and should not substitute for legal, accounting, or other professional advice in which the facts and circumstances may warrant. We encourage you to consult legal counsel as it pertains to your own unique situation(s) and/or with any specific legal questions you may have.
Thad Inge joined Paychex in 2016 and is based in Washington, D.C., where he serves as Senior Manager for Government Relations. As part of his portfolio, Thad works closely with Congress, the Executive Branch, trade associations, and public policy organizations to monitor and advance policies of importance to Paychex and its small business customers.
Connor Mykins is a compliance analyst at Paychex. A Certified Anti-Money Laundering Specialist, Connor has more than 10 years of experience in the financial services industry. Most recently, Connor has been dedicated to monitoring the PPP regulatory landscape, working with a cross functional team responsible for implementing tools to assist clients with the PPP loan and forgiveness applications.
Erin Lierheimer is a Rochester based Technical Product Manager of Payroll at Paychex. She is overseeing the implementation of the PPP Application and Forgiveness Estimator at Paychex. She is a customer advocate who thrives on taking complex problems and creating simple solutions for our clients. She has a Master’s of Business Administration from the University of Rochester’s Simon School.
Agenda

1. Overview: Paycheck Protection Program
2. What is loan forgiveness?
3. PPP Flexibility Act of 2020 changes the program
4. Applying for loan forgiveness
5. Loan Forgiveness Estimator
6. Documentation for SBA
7. Helpful Resources
The Paycheck Protection Program (PPP)
Background

• A provision of the CARES Act designed to provide quick access to SBA loans, generally for companies with 500 or fewer employees to assist with payroll and certain operating costs during short-term business disruption caused by the COVID-19 pandemic.

• Eligible businesses include nonprofits, veterans’ organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors

Major Benefits

• Forgiveness of eligible costs, rules apply

• A loan payment deferral period
PPP Loan Forgiveness
What is loan forgiveness?

“Payroll Costs” means compensation paid to employees that is:
• Salary, wages, commission, or similar compensation including bonuses and hazard pay
• Payment of cash tip or equivalent
• Payment for vacation, parental, family, medical or sick leave
• Allowance for dismissal or separation
• Employer payments for the provisions of group health care benefits, including insurance premiums
• Employer paid retirement contributions, or
• Employer assessed state and local taxes on the compensation of employees

…but does not include:
• Compensation of any individual employee in excess of an annual salary of $100k, prorated for the covered period
• Employer paid federal payroll taxes
• Wages paid outside of United States.
• Families First paid sick leave or family leave for COVID purposes (Note: this is paid by government via employment tax credit)

What are “covered” costs?

• Payroll costs (including group health insurance premiums), and
• Non-payroll costs
  • Interest on mortgage
  • Rent
  • Utilities
The PPP Flexibility Act of 2020
The PPP Flexibility Act of 2020

What changed about loan forgiveness?

- Extends the covered period
- Amends rule on percentages of funds that must be used on covered costs
- Extends deadline to qualify for the FTE and Salary/Hourly Wage reduction safe harbors
- Expands exemptions of FTE reduction
- Extends deferral of loan payments
The PPP Flexibility Act of 2020

Changes to Loan Forgiveness

**Covered period:** You have options, even if you secured loan before new law enacted

**75/25 rule.** It’s now 60/40 for percentages of payroll to non-payroll costs, respectively.

**FTE Salary/Hourly Wage Re-Hire safe harbors:** You now have until Dec. 31, 2020 to qualify for these safe harbors

**FTE reduction exemption for Rehires:** additional carve-out, in certain circumstances, for inability to return to pre-Covid-19 business activity
Extended Deferral of Loan Repayment of Principal, Interest, and Fees

Formerly, six months. Now – to the date when the SBA pays the forgiveness amount to lender

Additional changes

Payroll taxes: Defer payment of employer share of Social Security taxes
Applying for PPP Loan Forgiveness
Applying for PPP Loan Forgiveness

• Only the amount used on covered costs can be forgiven.

• At least 60% of the loan amount must be used for payroll costs or the loan forgiveness amount may be reduced.

• Not more than 40% of the loan forgiveness amount may be attributable to non-payroll costs.

• Reductions in Full Time Equivalents (FTEs) and wages in comparison to defined periods will reduce the amount of the loan eligible for forgiveness, but the new law does carve out safe harbors and exemptions to FTEs.

• Borrowers must show documentation on expenses/employees.
Applying for PPP Loan Forgiveness

- Keep track of expenses (payroll, mortgage interest, rent, utilities).
- Ensure loan proceeds are used for authorized expenses.
- Consider holding funds in a separate account.
- Maintain proper documentation through your chosen covered period.
Be prepared to show documentation verifying:

- Payroll costs.
- Number of full-time equivalent employees and pay rates.
- Payments on covered costs: mortgage interest and/or lease obligations, and utilities.

Borrowers may have to certify loan proceeds were used for authorized purposes.

Lenders have 60 days to determine loan forgiveness eligibility.
Applying for PPP Loan Forgiveness

The PPP Loan Forgiveness Application consists of four components:

1. PPP Loan Forgiveness Calculation Form
2. PPP Schedule A
3. PPP Schedule A Worksheet
4. PPP Demographic Information Form (optional)

Borrowers submit 1 and 2 with their application.
PPP Schedule A Worksheet

Used to help determine:

- Total cash compensation in the covered period - capped
- FTE in the covered period
- Salary/hourly wage reduction
- FTE and salary/wage reduction safe harbor for restoring by December 31, 2020
Applying for PPP Loan Forgiveness

PPP Schedule A

- Incorporates Schedule A worksheet information and calculations
- Adds in non cash compensation payroll costs
- Adds in owner compensation
- Calculate the FTE reduction quotient
Applying for PPP Loan Forgiveness

PPP Loan Forgiveness Calculation Form

- Starts with information on the loan
- EIDL advance information
- Incorporates Schedule A information
- Adds Non-payroll costs
- Calculates 60% minimum threshold for payroll costs
New Simplified form can only be used if 1 of these conditions is met:

1. Borrower self-employed with no employees
2. Borrower did not reduce wages more than 25% and did not reduce FTEs in the covered period
3. Borrower did not reduce wages more than 25% and borrower could not return to pre-Covid-19 levels
Paychex Loan Forgiveness Estimator
Paychex has developed a Loan Forgiveness Estimator

- **Enter your loan amount and when you received the loan**: These are key to estimating your forgiveness amount

- **Saves the information**: Allows you to return at different times without having to re-enter data
Paychex Loan Forgiveness Estimator

What covered period do you want to use?
The covered period begins when you receive your loan. It ends 24 weeks from that date or December 31, 2020 (the Extended Covered Period), whichever is earlier. If your loan was disbursed before June 5, 2020 you may choose to use the original 8-week covered period.

Choose your covered period, if applicable.

- 8-Week Covered Period
- Extended Covered Period

Standard Covered Period
Starts the day you received the loan.

- Start Date: Apr 1
- End Date: Sep 15

Alternative Covered Period
Starts the first day of the first pay period after you got the loan, available only to bi-weekly and weekly payroll frequencies. Non-payroll costs will still be based on the Standard Covered Period.

- Start Date: N/A
- End Date: N/A

Which covered period do you want to use for payroll costs?
If you selected the 8-week period, you may choose between the Standard or Alternative Covered Period.

- Standard Covered Period
- Alternative Covered Period

Next Choose Your Covered Period

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### Payroll data

Auto-populates and updates for each pay period. Also, employer’s state and local taxes and Paychex-administered benefits automatically populate.

#### Payroll costs

Payroll costs are the sum of compensation earned during the covered period, along with associated employer-paid benefits and employer-assessed state and local taxes. This only includes employees with principal addresses in the United States.

To learn more, click the question mark icon at the bottom right, and search for “PPP payroll.”

<table>
<thead>
<tr>
<th>Covered period date ranges</th>
<th>Incurred Costs</th>
<th>Projected Costs</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr 1 to Today</td>
<td>$114,923.66</td>
<td>$308,479.34</td>
<td>$423,403.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash compensation</th>
<th>In incurred Costs</th>
<th>Projected Costs</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Includes salary, vacation, leave (sick, parental, family, and medical), severance pay, wages, commissions or similar compensation, hazard pay, bonuses, and cash tips or the equivalent. This is capped at $100,000 annually for your covered period per employee. It doesn’t include wages paid under the Families First Coronavirus Response Act.</td>
<td>$1,176.05</td>
<td>$1,680.09</td>
<td>$2,864.14</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employer-assessed state and local taxes</th>
<th>In incurred Costs</th>
<th>Projected Costs</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employer-paid health and benefits costs</th>
<th>In incurred Costs</th>
<th>Projected Costs</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Includes employer-paid group healthcare benefits, insurance premiums, and similar employer-paid benefits. If you use Paychex Insurance Agency, you’ll see this filled in. If tracked somewhere else, enter or add these costs.</td>
<td>$542.85</td>
<td>$1,457.15</td>
<td>$2,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employer-paid retirement</th>
<th>In incurred Costs</th>
<th>Projected Costs</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Includes group retirement benefits. If tracked through Paychex Flex, you’ll see this filled in. If tracked somewhere else, enter or add these costs.</td>
<td>$542.85</td>
<td>$1,457.15</td>
<td>$2,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sum of payroll costs</th>
<th>In total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$426,267.14</td>
<td></td>
</tr>
</tbody>
</table>
Non-payroll costs:

Rent, utilities, and interest on mortgages are eligible expenses (non-payroll costs). You can use up to 40% of the loan forgiveness amount to pay these costs. This includes amounts paid during the covered period or charges for the covered period that are paid by the next regular billing date.

To learn more, click the question mark icon at the bottom right, and search for "PPP non-payroll."

### Covered period date ranges
- **Incurred**: Apr 1 to Today
- **Projected**: Today to Sep 15
- **Total**: Apr 1 to Sep 15

### Mortgage Interest
Includes interest payments on mortgages that existed before February 15, 2020. Does not include any prepayment or payment of principal.

<table>
<thead>
<tr>
<th>Incurred Costs</th>
<th>Projected Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,500.00</td>
<td>$8,500.00</td>
<td>$11,000.00</td>
</tr>
</tbody>
</table>

### Rent
Includes lease agreements that existed before February 15, 2020.

<table>
<thead>
<tr>
<th>Incurred Costs</th>
<th>Projected Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

### Utilities
Includes electricity, gas, water, transportation, telephone, and internet access, as long as service began before February 15, 2020.

<table>
<thead>
<tr>
<th>Incurred Costs</th>
<th>Projected Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,200.00</td>
<td>$3,600.00</td>
<td>$4,800.00</td>
</tr>
</tbody>
</table>

### Sum of non-payroll costs

<table>
<thead>
<tr>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15,800.00</td>
</tr>
</tbody>
</table>

Non-payroll costs: Must be provided
Paychex Loan Forgiveness Estimator

Our Loan Forgiveness Estimator also: **Programmed to calculate based on 60%**

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**Was there a reduction in any employee’s salary or hourly wages?**

Loan forgiveness may be reduced if the average wages paid to an employee during the covered period decreased by more than 25% - when compared to their average wages during the 1st quarter of 2020. This does not apply to employees who earned $100,000 or more (annualized) in any pay period in 2019.

For each eligible employee whose pay decreases by more than 25%, your loan forgiveness amount may be reduced by the amount in excess of 25%. However, you may be exempt from this reduction if you fully restore wages by December 31, 2020.

To learn more, click the question mark icon at the bottom right, and search for “PPP wages.”

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**Covered period date ranges**

<table>
<thead>
<tr>
<th>Covered period date ranges</th>
<th>Incurred</th>
<th>Projected</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr 1 to Today</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Today to Sep 15</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Wage decreases over 25%**

The sum of wage decreases over 25% for employees who made less than $100,000 (annualized) in every pay period in 2019.

View report

**Total**

Estimated reduction in loan forgiveness due to wage decreases

- **Total**: -$0.00
Our Loan Forgiveness Estimator also: **Captures and estimates your FTE count**

### Was there a reduction in headcount or hours?

The amount of loan forgiveness may be reduced if there are fewer Full-Time Equivalent (FTE) employees during the covered period, in comparison to the FTEs during the comparison period. However, you may be exempt from certain loan forgiveness reductions if you restore FTEs and wage levels no later than December 31, 2020.

To learn more, click the question mark icon at the bottom right, and search for "PPP FTE."

**View report**

**Average FTEs per month during:**

<table>
<thead>
<tr>
<th>Period</th>
<th>FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>The covered period from Apr 10 to Sep 24</td>
<td>9.5</td>
</tr>
</tbody>
</table>

**The comparison period with fewest FTEs is used**

- Period 1: Feb 15 to Jun 30, 2019
- Period 2: Jan 1 to Feb 29, 2020

<table>
<thead>
<tr>
<th>Period</th>
<th>FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period 1</td>
<td>10.5</td>
</tr>
<tr>
<td>Period 2</td>
<td>10.5</td>
</tr>
</tbody>
</table>

**Percentage of FTEs still working**

This is the percentage of FTEs during the covered period as compared to the comparison period. If you increase hours or headcount, the percentage will be 100% because increases don’t affect your loan forgiveness.

90.48%
Paychex Loan Forgiveness Estimator

Allows you to enter an **Economic Injury Disaster Loan (EIDL) Advance** to account for the potential forgiveness reduction.

**Did you get an emergency Economic Injury Disaster Loan (EIDL) Advance?**

If you received an Economic Injury Disaster Loan Advance under the CARES Act, this amount is subtracted from the forgiveness amount.

<table>
<thead>
<tr>
<th>Amount of EIDL Advance</th>
<th>Advance Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Decrease in loan forgiveness due to EIDL Advance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-$0.00</td>
</tr>
</tbody>
</table>
Our Estimator can help you track your progress throughout your Covered Period so you can adjust as needed.

### Paychex Loan Forgiveness Estimator

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount 1: PPP loan amount</td>
<td>$600,000.00</td>
</tr>
<tr>
<td>Amount 2: Maximum forgiveness amount based on payroll costs</td>
<td></td>
</tr>
<tr>
<td>Payroll costs</td>
<td></td>
</tr>
<tr>
<td>- Percent of forgiveness amount that must be used for payroll costs</td>
<td>60%</td>
</tr>
<tr>
<td>= Amount 2 Total</td>
<td>$713,778.57</td>
</tr>
<tr>
<td>Amount 3: Adjusted for any wage and FTE reductions</td>
<td></td>
</tr>
<tr>
<td>Payroll costs</td>
<td></td>
</tr>
<tr>
<td>+ Non-payroll costs</td>
<td></td>
</tr>
<tr>
<td>- Decrease due to wage reductions</td>
<td></td>
</tr>
<tr>
<td>= Amount eligible before FTE reduction</td>
<td></td>
</tr>
<tr>
<td>x Percentage of FTEs still working</td>
<td>100%</td>
</tr>
<tr>
<td>= Amount 3 Total</td>
<td>$444,067.14</td>
</tr>
<tr>
<td>Smallest of Amount 1, 2, or 3</td>
<td></td>
</tr>
<tr>
<td>- Decrease due to EIDL Advance</td>
<td>0.00</td>
</tr>
<tr>
<td>Loan principal that may be forgiven</td>
<td>$444,067.14</td>
</tr>
<tr>
<td>Loan principal that may be paid back</td>
<td>$155,932.86</td>
</tr>
</tbody>
</table>
Documentation for the SBA
### Paychex Forgiveness Report: Contains information to help fill out Schedule A Worksheet

**Documentation for the SBA**

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**Company ID** | **Company Name** | **Employees Name** | **Employee Identification** | **Cash Compensation** | **Employee Pay Type** | **Employee Full-time Status** | **Avg. Payroll Per Week Entered in Payroll** | **FTEs based on payroll hours** | **Avg. FTEs Simplified Method** | **Over 100K for any 2019 Pay Period** | **Wage Reduction** |
---|---|---|---|---|---|---|---|---|---|---|---|
TF012726 | CWSA Equipment, Production Inc. | Barnes, Lindsay | ****917 | $13,500.56 | Salary | 0.00 | 0.0 | 0.0 | Yes | | |
TF012726 | CWSA Equipment, Production Inc. | Barnes, Elizabeth | ****917 | $14,509.55 | Salary | 0.00 | 0.0 | 0.0 | Yes | | |
TF012726 | CWSA Equipment, Production Inc. | Bloom, Jerris | ****917 | $12,052.07 | Hourly | Full Time | 21.9 | 0.5 | 0.5 | No | $0.00 |
TF012726 | CWSA Equipment, Production Inc. | Buck, Rachel | ****917 | $24,827.71 | Hourly | Full Time | 21.9 | 0.5 | 0.5 | No | $0.00 |
TF012726 | CWSA Equipment, Production Inc. | Murphy, John | ****917 | $15,600.00 | Hourly | 21.9 | 0.5 | 0.5 | No | $0.00 |
TF012726 | CWSA Equipment, Production Inc. | Parham, Walter | ****917 | $10,002.61 | Salary | 0.00 | 0.0 | 0.0 | Yes | | |
TF012726 | CWSA Equipment, Production Inc. | Parham, Andrew | ****917 | $2,959.57 | Salary | Full Time | 0.00 | 0.0 | 0.0 | No | $0.00 |
TF012726 | CWSA Equipment, Production Inc. | Ross, Jennifer | ****912 | $3,334.00 | Hourly | Full Time | 21.9 | 0.5 | 0.5 | No | $0.00 |
TF012726 | CWSA Equipment, Production Inc. | Subtotal | | $110,808.79 | | | | | | | | $0.00 |
TF012726 | CWSA Equipment, Production Inc. | Total | | $110,808.79 | | | | | | | | $0.00 |

The Loan Forgiveness Estimator (Estimator) and Loan Forgiveness Report (Report) are based solely on information you provided. You are solely responsible for reviewing the Estimator, the Report, and any underlying assumptions and making any required changes in the Estimator and/or Report. You are responsible for verifying the accuracy of the Estimator or the Report and are not responsible for any errors or omissions contained in the Estimator or the Report. You are solely responsible for verifying loan forgiveness and satisfying the conditions of your loan agreement with the SBA. The information in these materials should not be considered legal, accounting, investment, or financial advice. If you require legal or investment advice or need other professional assistance, you should always consult your attorney or other professional advisor to discuss your particular facts and circumstances.
Additional reports: The SBA or the lender might require more information. Quarterly filings, employee earnings, and other data can be downloaded into report form.
Resources

Paycheck Protection Program:

www.sba.gov
www.coronavirus.gov

Paycheck Protection Program Flexibility Act of 2020:


Paychex COVID-19 Help Center:

payx.me/covid-19

PPP Loan Forgiveness Estimator
Resources

Financial Wellness Programs (Paychex)
- Sign up for FinFit and learn about employee rewards
- On demand pay

Coronavirus (COVID-19) Help Center (Paychex)
- Responding to COVID-19 at work
- Evolving legislation
- PPP loan application* [NEW reporting tool available for Paychex clients]
- PPP loan forgiveness estimator
- Payroll processing
- Financial assistance tools and resources
- Health insurance and workers’ compensation

Paychex’s State-by-State COVID-19 Resource Page
With information evolving rapidly about COVID-19, almost every state (and Washington, D.C.) has developed a resource page to address the specific FAQs of its residents, as well as unemployment insurance benefits, paid leave laws, closures, and more. Paychex has consolidated these resources into one, simple page.

Paychex.com/WORX
Provides the latest recommendations and instructions from trusted sources that could help protect your business and employees. Topics include:
- Business contingency planning;
- How to update handbook and workplace policies;
- Evolving federal, state, and local leave laws that cover sick leave, paid leave, and much more.

If you are an Oasis, SurePayroll or AdvancePartner client visit these sites:
Oasis:
Oasis COVID-19 Help Center
https://www.oasisadvantage.com/covid19/

SurePayroll:
Surepayroll Resources for Continuity and Funding
https://www.surepayroll.com/

AdvancePartners:
AdvancePartners Coronavirus Readiness
Commonly Asked Questions

• How can I get my PPP loan forgiven?
• What can you use the PPP loan for?
• What qualifies for utilities for PPP?
• What happens if you don’t use all your PPP loan?
• Can bonuses be included in PPP loan forgiveness?
Questions?
Stay Informed with FAN!

Text FAN to 52886 for more information and to stay engaged!

A Strategic Initiative of the International Franchise Association

community.franchise.org