Our webinar will begin shortly

#WeGotThisWA

Webinar Series

Produced By: The Chamber
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Health Trust
Welcome!

#WeGotThisWA Series: PPP Frequently Asked Questions

April 23, 2020
Our event partners:

Business Health Trust

THE CHAMBER

seattle metropolitan chamber of commerce

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Webinar Logistics

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• Recording- will be available on event page tomorrow

• None of this presentation is intended to give legal or financial advice but to provide context, understanding, examples and help employers talk through some questions
PPP was intended to:

• Keep people paid at their normal hours and wages
• Keep people’s benefits intact
• Keep the lights on (literally)

PPP was NOT intended to:

• Pay owners or highly compensated employees more
• Pay down debt of the business

Act in good faith, make sound business decisions.
*If you are comfortable with them, its likely the bank will agree if you stay within the confines known.*

Note: Guidance is still fluctuating and being refined (until April 26th)
Question

When does the loan period start?

The first day of getting a wire transfer or check (check date) of the loan proceeds.
Is the PPP Use it or Lose it/All or Nothing?

Forgiveness is based on what is spent. It isn’t an “all or nothing”. However, more guidance is needed because the language in Section 2(r) of the Interim final rule may undermine this.
Question

What happens to unused funds?

They will need to be repaid to the bank within the 2 years 1% interest per the note, which is the best loan terms possible, especially at a time when banks are not otherwise making loans.
Question

Any thought on if companies will need to prove financial hardship as part of the loan forgiveness request?

Financial hardship is not a requirement to get a PPP loan. Instead, a business only certified as to “the uncertainty of current economic conditions.”

You can have uncertainty about suffering a financial hardship. That said, people can later question the reasonableness of the uncertainty, and have the benefit of 20-20 hindsight. The key is to be reasonable.
What counts as payroll costs?

Payroll costs for purposes of forgiveness have the same definition of payroll costs for the purposes of loan application:

- Salary, wages, commissions, or tips (capped at $100,000 on an annualized basis for each employee);
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
- State and local taxes assessed on compensation; and

For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at $100,000 on an annualized basis for each employee.
Can tips/commissions be estimated?

SBA seems to indicate that a good faith estimate of tips would be acceptable (has to be over the $15,384 8-week compensation amount) but doesn’t specifically address commissions.
Question

If benefit costs are in addition to cash compensation (not subject to the $100k cap), can employers pay out vacation balances or severance for permanent dismissals with PPP funds?

Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;

However, cash payouts for leave or severance would be subject to the $100,000 cap.
Question

Talking about paid vs. incurred expenses

We do not know without more guidance. The statute refers to “costs incurred and payments made” but then also uses the word “payment” for each forgivable cost, other than payroll costs.

With so many other aspects of the PPP loan, the interpretation can change in an instant, once guidance is released.
Question

Could things like transit passes also be estimated/pro-rated (if paid at the beginning of the year)?

This likely would qualify as a payroll cost that is subject to the $100,000 cap. Further, it may be excluded from the employees income as a fringe benefit.
Question

How would paying things like internet costs work for employees working remotely?

There isn’t guidance for implementing a benefit that wasn’t made before the pandemic.

Using receipts and real costs should always be used to support any sort of cost.
Question

Is paying rent and paying mortgage interest allowable and forgivable (with the 25% limit)?
Yes

What about other leases/ mortgages/indebtedness?
Possibly, but more guidance from SBA is needed.
What are examples of utility payments?

Electricity, gas for the building, garbage, water, internet, phones seem more easily to fit guidance.

Additional guidance is needed for things like cloud storage.
Related to FTE reductions – how do you calculate the FTEs (given that many employers also have Part-time employees)?

Absent of more guidance, choosing a reasonable approach seems to be a good starting place (using 40 hours per week as a guide)

FTE calculation considers ALL hours. If there are employees working over-time, that might overcome reductions in hours by some.
Question

Can you hire a new employee (fill a vacancy or a new position all together) and use PPP funds?

Yes and consider paying a signing bonus if you need to increase payroll costs and the employee would make less than $15,385 during the 8-week period.
Three employees are on unemployment

One employee doesn’t want to get off unemployment (making more on unemployment)

Employer offers 75% employment (reduced hours)

Is unemployment an option with the PPP also?

The employee likely would qualify for unemployment due to reduced hours. However, with this situation, there would be a reduction in hours and that would affect the FTE calculation unless additional hours are incurred by other employees or a new employee to make up for this.
Question

Do you still have to adjust for employee FICA taxes in the calculation of payroll totals for your forgiveness calculation?

No. In the PPP loan FAQs, the SBA stated that it interprets the statutory exclusion of employee FICA taxes and federal income tax withholdings as meaning these amounts are included in payroll costs.
Thoughts on Documentation

Make It Easy for the Bank

With your supporting documents, create a summary sheet showing:

- The amount of the loan
- The amount requesting forgiveness
- What portion of forgiveness is payroll (and that it is 75% or more of the total that you are requesting forgiveness on)
- What other expenses were paid (total and outline)
- Show FTE calculation, showing you didn’t reduce FTEs*
- Show Wages calculation, showing you didn’t reduce wages*

*or indicating how it reduced the requested amount
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Download our PPP Spreadsheet to calculate estimated loan forgiveness