

Marcum LLP Loan Forgiveness Webinar Questions 6.10.2020 and 6.12.2020

The guidance is continually changing and these answers are based on the best available information as of 6.26.2020

Question

With the 24-week option, can more funding be requested?

Still struggling on 8 weeks or 24 weeks. If we got money in our account on May 6th, what period of time do we have for the forgiveness?

If you select the 24 weeks, the average FTE is calculated over the entire 24 week period and not just for the period you are submitting (i.e., if you only need 12 weeks to max out your PPP loan, the FTE is still measured over 24 weeks not the 12 weeks)?

If you received PPP funds prior to 6/3, do you have to specifically opt to 24 weeks or is it automatic?

Are new applications for PPP loans being funded based upon 24 weeks of costs vs. 8 weeks? Can a business that applied for funds based upon 8 weeks of cost reapply for additional funding based upon 24 weeks?

Answer

On the Borrower Application form, there was a line that you would have had to initial: "During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under the Paycheck Protection Program." Therefore, you are unable to ask for additional funding.

Regarding the period of time, you can choose either period. Additionally, you can wait until the end of the 24 weeks to analyze whether 8 or 24 would be better for you.

If you select the 24 weeks, the average FTE is calculated over the entire 24 weeks period.

If the average weekly number of FTE's during the covered period (or alternate period) were less than the reference period (whichever is the more beneficial of the two), you would see a reduction in the amount of loan forgiveness. However, there is an FTE reduction safe harbor that can exempt you from such a reduction.

The FTE reduction safe harbor says that, if you reduced your FTE levels between 2/15/2020-4/26/2020 AND your FTE's are greater at 2/15/2020 than for that reference period, AND you restored those levels by December 31st (formerly June 30th), your base period for FTE count becomes the pay for the week that included February 15, 2020.

Safe Harbor rule decision tree (i.e. does the safe harbor apply to you? – because it may not):

- Did the company reduced FTE levels between 2/15/2020-4/26/2020? If yes, continue.
- Were the company's FTE counts greater at the pay week that includes 2/15/2020, than for the average of period 2/15/2020-4/26/2020? If yes, continue.
- Did the company restore the number of FTE's by December 31st (formerly June 30th) to that in the pay week that includes 2/15/2020? If yes, the base period for FTE count becomes the pay week that includes 2/15/2020.

What you should know is that if you keep your FTE counts up for the covered period, then you won't need this FTE safe harbor exemption and you can just put December 31st out of sight and out of mind.

There is not a proactive election to make now. Additionally, you can wait until the end of the 24 weeks to analyze whether 8 or 24 would be better for you.

Funding is still based on 2.5 months of average salary (same as 8 weeks). The loan application metrics are different than the forgiveness application metrics which use weeks.

You can only take one PPP loan. There is a certification line on the loan application that reads:

During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under the Paycheck Protection Program.

This would have been initialed during the application process.

If you submit for forgiveness after the 8 week period because you have what you believe are qualifying expenses in excess of loan amount -- and some portion of the expenses are disallowaed, can you reapply for forgiveness using the 24 week period?

We have not seen anything in the Act or interim rules on this and would speculate no, but your lender may have more insight on this topic.

Someone would be inclined to pick 8 weeks if they have significant nonpayroll costs and can get to 60/40 split easily in that timeframe. Further, businesses may be considering tax planning relative to 199A W-2 wages.

We have clients going both ways. The people who are electing 8 weeks have significant nonpayroll expenses. They are preferring to get the PPP loan over with. The clients that are electing 24 weeks are simply unable to use the funds in a fiscally responsible way by the end of the 8 weeks.

Is it better to seek forgiveness with all payroll and no nonpayroll? It doesn't matter to a C-Corp. You'll be assembling a volume of documentation either way. However, if the business is a flow through and takes the 199A deduction, it would be better to try to get the maximum nonpayroll costs in. So it really depends on the facts and circumstances.

Why would not someone pick 24 weeks vs 8 weeks?

If you don't use the Safe Harbor, it doesn't matter what staffing is at 12/31.

If the average weekly number of FTE's during the covered period (or alternate period) were less than the reference period (whichever is the more beneficial of the two), you would see a reduction in the amount of loan forgiveness. However, there is an FTE reduction safe harbor that can exempt you from such a reduction.

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If you use the 24 week period do you have to maintain your FTE for the 24 weeks or until the end of the year?

What you should know is that if you keep your FTE counts up for the covered period, then you won't need this FTE safe harbor exemption and you can just put December 31st out of sight and out of mind.

If you received your funds before 6/3 and expend all of it between the 8th and 24th week, can you apply for forgiveness before the 24th week or do you have to wait until the end of the 24 week covered period to apply for forgiveness?

You cannot apply for forgiveness before the 24th week because you have to see how the FTE's land for the duration of the 24 weeks period. If you opt to do the 24 week period, the FTE measurements will be over 24 weeks. You can choose 8 or 24, but not something in between for measurement. If you elect 24 weeks, the business should plan on keeping up FTE counts for the duration of 24 weeks unless you are planning to use the safe harbor which measures FTE's at 12/31/20.

Can I wait until the end of the 24 week period and then see whether the 8 or 24 week option is more beneficial and select either? i.e. wait until after 24 weeks and elect the 8 week option?

Yes. You can wait until the end of the 24 weeks to analyze whether 8 or 24 would be better for you.

if you use up your loan amount after 8 weeks but before 24 can you submit for forgiveness before the 24 weeks is up?

You cannot apply for forgiveness before the 24th week because you have to see how the FTE's land for the duration of the 24 weeks period. If you opt to do the 24 week period, the FTE measurements will be over 24 weeks. You can choose 8 or 24, but not something in between for measurement. If you elect 24 weeks, the business should plan on keeping up FTE counts for the duration of 24 weeks unless you are planning to use the safe harbor which measures FTE's at 12/31/20.

If I am using the 24 weeks, but will use up all the funds before the 24 weeks. Do I have to make any payments towards the loans during this time period or are no payments due until the 24 weeks time periods is done?

No, you do not need to make payments until the covered period is over. Payment and interest are deferred.

Out of 24 weeks, do we have to use all the weeks or we can pick and choose which weeks?

The covered period (8 or 24 weeks) is contiguous. If you opt to do the 24 week period, the FTE measurements will be over 24 weeks. You can choose 8 or 24, but not something in between for measurement. If you elect 24 weeks, the business should plan on keeping up FTE counts for the duration of 24 weeks unless you are planning to use the safe harbor which measures FTE's at 12/31/20.

8 vs 24 weeks-we have kept all on payroll, worked full-time but have a little left after 8 weeks-I don't understand what it means must be 24 weeks when Loan is used up in 10 weeks?

If you opt to do the 24 week period, the FTE measurements will be over 24 weeks. You can choose 8 or 24, but not something in between for measurement. If you elect 24 weeks, the business should plan on keeping up FTE counts for the duration of 24 weeks unless you are planning to use the safe harbor which measures FTE's at 12/31/20.

Our loan will be used up in 11-13 weeks, do we still have to update a tracking spreadsheet and keep the supporting document for 24 weeks?

Yes, you should update the tracking spreadsheet and keep supporting documents for the entire 24-weeks period. You should plan on keeping your FTE counts up for the duration of 24 weeks unless you are planning to take the safe harbor.

Someone would be inclined to pick 8 weeks if they have significant nonpayroll costs and can get to 60/40 split easily in that timeframe. Further, businesses may be considering tax planning relative to 199A W-2 wages.

We have clients going both ways. The people who are electing 8 weeks have significant nonpayroll expenses. They are preferring to get the PPP loan over with. Our clients that are electing 24 weeks are simply unable to use the funds in a fiscally responsible way by the end of the 8 weeks.

Is it better to seek forgiveness with all payroll and no nonpayroll? It doesn't matter to a C-Corp. You'll be assembling a volume of documentation either way. However, if the business is a flow through and takes the 199A deduction, it would be better to try to get the maximum nonpayroll costs in.

Why would anyone select the 8 week period over the 24? Is there incentive to do so? Only if you've reached your total loan amount? To not wait additional 16 weeks to apply for forgiveness?

We have clients who are ending at 8 weeks concerned about not being able to maintain FTE's through week 24. Another one is seeking to change entity structure. So it really depends on the facts and circumstances. We wouldn't discourage you from either route without more facts.

Is the 60\40 ruling in effect for both the 8 week and 24 week forgiveness period selected?

Yes, the 60/40 ruling is in effect for both periods.

Maybe I missed the answer to my question, but if I select to stay with the 8 week forgiveness period, does the percentage of payroll forgiveness fall from 75% to 60% or do I have to go with the 24 week period to get the 60/40 ruling?

Regardless if you pick 8 or 24, the split is 60/40.

How is the 75%/25% rule effected by the new 60%/40% percentages?

The rules are the same and only the percentages have changed. The “60%/40%” substitutes the “75%/25%.”

If you do not need the safe harbor, it should not matter. You should be able to submit the application when the covered period is over. If the average weekly number of FTE’s during the covered period (or alternate period) were less than the reference period (whichever is the more beneficial of the two), you would see a reduction in the amount of loan forgiveness. However, there is an FTE reduction safe harbor that can exempt you from such a reduction.

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For people taking the 8 week option: Will changes in staff salaries or levels after June 30 impact forgiveness?

What you should know is that if you keep your FTE counts up for the covered period, then you won’t need this FTE safe harbor exemption and you can just put December 31st out of sight and out of mind.

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TE over the 8 week period. In addition, it seems that filing the application for forgiveness will be delayed if I chose the 8-week period (which for us ends June 25) yet I have to wait until after December 31 to file because I need my FTE as of that date.

What you should know is that if you keep your FTE counts up for the covered period, then you won’t need this FTE safe harbor exemption and you can just put December 31st out of sight and out of mind.

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| Where do you record the forgiveness on the balance sheet? | <p>Forgiveness will be recorded on the P&L. The way that the CARES Act was written, the PPP loan forgiven would be consider nontaxable income, like a grant. However, the IRS has issued a notice that they will disallow deduction of the expenses that the forgiveness was used for, effectively making the forgiveness taxable. While it wasn't intended to be taxable, the IRS has taken a stance contrary to Congress, to the frustration of accountants everywhere.</p> |
| We have a separate account for PPP funds, will it be frowned upon if we move fund in and out of the account? | <p>The purpose of the separate bank account is to avoid co-mingling PPP funds with general funds. You should use those funds to pay for forgivable expenses only. If you use those funds for non-forgivable costs like WC or payroll processing fees, then I would replenish the account.</p> |
| If the loan is forgiven, when should the income be recorded if the expenses are incurred prior to 6/30/20 and our fiscal year end is 6/30/20 for my nonprofit? | <p>Nonprofit entities apply the guidance about government grants from Subtopic 958-605. Revenue is recorded based on whether the conditions for forgiveness are substantially met (not on whether they are likely to be met). Therefore when the conditions are met and when you are able to determine an estimated amount of the forgiveness, the income should be recognized. Then, the amount would be confirmed by your lender/SBA and could be a subsequent event on the financial statements.</p> |
| Does Marcum have a calculator/ template for calculations? | <p>The guidance we would give a for-profit entity would be different.</p> |
| What does self insurance mean? a non group policy on solo owner? | <p>We do, but it is proprietary and for internal use only. Please contact a Marcum advisor to learn more.</p> |
| Are high dollar health claims (partially self funded plan) due during the period, but incurred prior eligible for forgiveness? | <p>In a self-insurance arrangement, a TPA that manages a company's health benefits and instead of a traditional group plan. Companies typically are exposed to a lot of risk so they get "stop-loss" insurance to cap exposure.</p> |
| Is State Unemployment Tax loan forgivable? | <p>Yes. The wording on line 6 of the LFA is "paid or incurred," not paid and incurred.</p> |
| Is life insurance eligible? | <p>If you are asking "is state unemployment tax a forgivable payment for the PPP loan?" The answer is: yes, it is forgivable.</p> |
| If an employee would otherwise be furloughed, could they be eligible for expanded family leave if they are caring for kids? | <p>No, it is not eligible.</p> |
| Is workers compensation insurance includeable for forgiveness? | <p>No. The wages that are reimbursed through the sick pay credit are not considered forgivable expenses for the PPP loan. When contemplating the sick pay credit, consider the "chicken or egg" quandary. This is what I mean: You can't take the sick pay credit because you have no work for your employees. The rationale of the new federal leave is they are available if the employee has work to do (either at the workplace or teleworking), but the employee cannot do that work because of a COVID order keeping the employee at home, school/daycare closure so have to take care of son or daughter, the employee has COVID or symptoms, or the employee is caring for another with COVID. All of the reasons for leave are employee-centered and all assume that the employee needs the leave because their employer is providing them work to do and they cannot do it. The new laws do not cover the situation when the employer cannot give employees work because of a COVID 19 order. However, it is unclear how one would prove a company was able to give each employee 40 hours of work to get the tax credit.</p> |
| Does a contribution to a SEP IRA for a self-employed person qualifies as a forgivable retirement contribution? | <p>No. Worker compensation is not a benefit to the employees.</p> |
| | <p>Looks like owners will not get the benefits included in the forgiveness (health care, retirement and state unemployment) – only compensation. See source below. However, health insurance and retirement are on top of cash compensation for employees.</p> |

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| If you are paying sick leave related to Covid-19 . Are those wages excluded for purposes of the PPP loan forgiveness? | If you are going to claim the credit for those wages, they must be excluded from the calculations for PPP loan forgiveness. You cannot double dip. However, if you are not going to claim the credit, such wages could be included. |
| Can the owner of a business take FMLA if they are caring for their child but the business is still open? | An eligible self-employed individual is defined as an individual who regularly carries on any trade or business within the meaning of section 1402 of the Code, and would be entitled to receive qualified sick leave wages or qualified family leave wages under the FFCRA if the individual were an employee of an Eligible Employer (other than himself or herself) that is subject to the requirements of the FFCRA. Eligible self-employed individuals are allowed an income tax credit to offset their federal self-employment tax for any taxable year equal to their "qualified sick leave equivalent amount" or "qualified family leave equivalent amount." |
| Are health care expenses incurred by the owner of LLC a qualified expense? What about the spouse of the LLC Owner? | Looks like the owners will not get the benefits included in the forgiveness (health care, retirement and state unemployment). See source below. However, health insurance and retirement are on top of cash compensation for employees. |
| Does gross wages cap @ 100K include health insurance and retirement? Is Employer-paid Group Term Life included in the employer payroll costs? | <p>Health insurance and retirement are on top of cash compensation for employees. Looks like the owners will not get the benefits included in the forgiveness (health care, retirement and state unemployment).</p> <p>The amount of loan forgiveness can be up to the full principal amount of the loan plus accrued interest. The actual amount of loan forgiveness will depend, in part, on the total amount spent over the 24-week period Start Printed Page 36999beginning on the date your PPP loan is disbursed[3] ("covered period") on:</p> <ul style="list-style-type: none"> i. Payroll costs including salary, wages, and tips, up to \$100,000 of annualized pay per employee (for 24 weeks, a maximum of \$46,154 per individual,[4] or for eight weeks, a maximum of \$15,385 per individual), as well as covered benefits for employees (but not owners), including health care expenses, retirement contributions, and state taxes imposed on employee payroll paid by the employer (such as unemployment insurance premiums); ii. owner compensation replacement, calculated based on 2019 net profit as described in Paragraph 1.b. above, with forgiveness of such amounts limited to eight weeks' worth (8/52) of 2019 net profit (up to \$15,385) for an eight-week covered period or 2.5 months' worth (2.5/12) of 2019 net profit (up to \$20,833) for a 24-week covered period, but excluding any qualified sick leave equivalent amount for which a credit is claimed under section 7002 of the Families First Coronavirus Response Act (FFCRA) (Pub. L. 116-127) or qualified family leave equivalent amount for which a credit is claimed under section 7004 of FFCRA; |
| | No, it is not. |

Our non-profit received both the PPP and an EIDL advance of \$9000. Will the \$9,000 EIDL advance be deducted from the forgivable amount of PPP?

Section 1110(e)(6) of the CARES Act says:

“If an applicant that receives an advance under this subsection transfers into, or is approved for, the loan program under section 7(a) of the Small Business Act (15 U.S.C. 636(a)), the advance amount shall be reduced from the loan forgiveness amount for a loan for payroll costs made under such section 7(a).”

Further, section 2 of the Interim Final Rule on 6/1 says:

“If applicable, SBA will deduct EIDL Advance Amounts from the forgiveness amount remitted to the Lender as required by section 1110(e)(6) of the CARES Act.”

If you took the advance, it’s going to reduce your forgiveness.

Can you please address the EIDL grant with no EIDL loan and the new guidelines with the PPP. is the grant still added to the unforgiven amount

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If you took the advance, and were approved for the loan, it’s going to reduce your forgiveness.

I am happy to tell you that as of 6/17 days ago, the EIDL application reopened to **all small businesses (not just agricultural businesses)**.

Do you know when the EIDL will open up for entities other than U.S. agricultural businesses?

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What's the status of the grant portion of EIDL. Does that need to repaid?

If you took the advance, it’s going to reduce your forgiveness.

If I received \$1K EIDL (EIDG), does that require me to pay back \$1K of the \$10K PPP loan I received immediately as it will not be forgiven?

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If you received a PPP loan and an EIDL loan how does the EIDL loan affect the amount forgiven?

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If you took the advance, it’s going to reduce your forgiveness.

Only the EIDL advance was a grant. There is an additional portion that could be a loan also.

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We received EIDL money in May. We got an email from SBA to apply for the EIDL loan now. If we do not apply now, the application will be withdrawn by SBA. Whether we do the loan application now or not, we need to return the money. We thought EIDL was a grant

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If you took the advance, it’s going to reduce your forgiveness.

I have PPP and EIDL. I received an EIDL advance then PPP then and EIDL loan. How is the advance treated? Loan or grant?

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If you took the advance, it’s going to reduce your forgiveness. The answer is: no, EIDL loan cannot be forgiven.

I received an EIDL loan after my PPP loan. Can any of the EIDL loan be forgiven?

We have not heard this relative to the PPP loan, however there is such a business reduction test related to the Employee Retention Tax Credit.

Is there going to be any business reduction audit that you know of where the business would need to show business slow down per gross receipts for the 8 or 24 week period?

Loans before June 5th can be modified by the borrower and bank to be 5 years, rather than 2. They are not automatically 5 year loans. It must be a mutual decision. This was from a new interim final rule on 6/19.

“Section 2(a) of the Flexibility Act provides a minimum maturity of five years for all PPP loans made on or after the date of enactment of the Flexibility Act (June 5, 2020), and permits lenders and borrowers to extend the maturity date of earlier PPP loans by mutual agreement. Therefore, Part III.1.d.v. of the Third Interim Final Rule (85 FR 21747, 21749) is revised by striking “PPP’s maturity of two years” and replacing it with “PPP’s maturity of two years for PPP loans made before June 5, 2020 unless the borrower and lender mutually agree to extend the maturity of such loans to five years, or PPP’s maturity of five years for PPP loans made on or after June 5”.”

Does the loan have to be extended formally with the lender ?

Your lender will handle the LFA. Contact them early to ask them what their process is going to be. Some of the bigger banks have announced that they will have a portal for their clients to upload docs to. Other banks may be fine with paper docs. In this whole process, the banks have been the “wild card” so what they want for the LFA is somewhat at their discretion.

Where do you send the loan forgiveness forms?

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| How do you demonstrate an inability to return to 2/15 level of operations? | This would be situation-specific and would require additional research with the facts at hand. I would start with recap of regulatory environment preventing reopen, review the issues that are coming up and then assess with my client how we can concretely document that they are "never gonna financially recover from this" (I had to include the Tiger King reference... it's too on point!). |
| Is there a new PPP loan forgiveness application since the new ruling? The only copy I can find is still reflecting the 8 week language? | Yes. The latest version was updated last week: https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf There is also new EZ application for sole proprietors and companies with no employees. The instructions specifically limit S Corp and C Corp owners to \$20,833 rather than \$46k: https://home.treasury.gov/system/files/136/PPP-Forgiveness-Application-3508EZ.pdf |
| It was stated if we can't find a qualified replacement, it doesn't count against our FTE. How do we document that? | Show the procedures you followed to hire the person and make sure you document your search. |
| Is the death of any employee an alternative FTE exception? | No, there is nothing indicating this, You would need to look for a replacement. |
| For FTE can you exclude employees with salaries greater than \$100K? | NO, all employees are included in the FTE count. |
| If you are in the restaurant industry and have high turnover, do you still need to calculate your payroll costs by individual employee and compare by individual to prior periods? | Your base period for calculating the FTE is the lower of 2/15/2019 thru June 30, 2019 or 1/1/2020 thru 2/29/2020. If you loose employees and rehire new employees the FTE averages will cover you for employees that quit and are replaced. Document the reasons for your turnovers and you will not be penalized for the turnover. |
| How does the FTE requirement work with the 24 week option? do i need to maintain my headcount at the same level during this whole time? | If you used the 24 weeks then you need to keep the average FTE's unless you follow the safe harbor rules and December 31, 2020 is a safe harbor date, if you have meet the FTE number on that date. |
| What if your employees work less than their previous hours, but you are paying them the same amount of money. Will you still violate the FTE requirement, or willl the wages qualification overide this? | These are two different test, Hourly employees are measured by keeping the hourly rate equal to at least 75% of their previous rate. If you do that, there will be no penalty for reduced wages. But if employees are working less hours overall, then you may not hit the FTE requirement in which case, you would hope to meet that requirement with the Safe Harbor dates. |
| For summer interns, can the amount of their weekly salary that an employer pays directly to the university and the university then in turn pays the interns on a weekly basis be counted toward a company's total wages paid during the covered 8-week period? | These are not your employess and would not be counted in your wages. |
| We reflected a 35-hr EE on original PPP app as "1" are we now penalized because we now have to report them as a fractional EE? As a followup, so if we had an EE that has always worked 35 hrs do we ignore the fractional EE calc when counting FTEs | You do not need to consider the FTE used in your application for the PPP. An average FTE is someone working 40 hours or more per week. If they work less than forty hours they are fractional and can be considers as .5 FTE or you can use a fraction as in this case 35/40. The periods to measure are the lower base period 2/15/2019 thru 6/30/2019 or 2/1/2020 thru 2/29/2020. You will also need to look at the safe harbor periods for FTE for the covered period. |
| If an independent contractor fills the role otherwise filled by an employee and they did not apply for PPP, can you count them as an employee? | NO |
| If you need to terminate an employee for cause, are you penalized for having reduced your headcount during the covered period? | NO |
| Our full-time salaried employees work 37.5 hours per week. Any chance that an FTE = 40 hours will get reduced? | Not at this time, the regs seem to stick with the 40 hours. |
| We have interns cycling in and out each semester - do they have to be included in the head count? | Yes, if they are included in your payroll. When you take the hours into account, they will be part time and only considers a fractional FTE depending on whether you calculate the FTE as .5 for part time employees or use the fraction Hours Worked/40 Hours. Which ever method used to calualcte the FTE, use the same method for the base period and the covered period. |

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| Lay offs are inevitable, head count changed are we required to maintain the headcount or we just submit the forgiveness application with the new headcount? | Employees leave for various reasons and some are exempt for calculating the FTE numbers. If you replacement, they will count in your FTE calculations, but you need to follow the list of exceptions that will not penalize your calculations. |
| Can I exclude part time workers and only could full time workers | No all employees are included. |
| What about an employee that works varied hours every week and may not work all 8 or 24 weeks? How is that FTE calculated? | These employees will be included in the FTE calculation based upon the fraction of hours worked divided by 40 hours or you can treat any employee working under 40 hours as a .5 FTE. |
| Can you elect to use the June 30 date for safe harbor INSTEAD of 12/31/20? | Only if you use the 8 week covered period |
| For the purposes of Safe Harbor test, does an owner count as an FTE in either period? | yes |
| You choose FTE lookback between 2 periods. When does the FTE Safe Harbor come into play ? | If you can't meet the average FTE's for the period you spent the loan proceeds, you can rehire the enough employees to meet the FTE requirement as of 2/15/20 and meet the safe harbor. |
| I have a small business, LLC. I am the only employee. My 2019 schedule C showed \$230K in profit. I received \$20800. Can I use it all for payroll? I don't have \$5K+ in utilities. | Yes you may use it all for payroll |
| Is there still a salary cap of \$15,384? | The sole proprietor cap was extended to \$20833 if you use the 24 week period |
| For a contractor - no employees, what expenses qualify. I work out of a home office. Do part of my home mortgage and part of my utilities apply per the percentages I use on my Schedule C | If the expense is part of your Schedule C, then it qualifies under the program. You'll have to check with your bank to see how they want you to document the expenses. |
| Self-employed with home office. How to pay/document utilities for PPP forgiveness? Normally just pay utilities personally, then deduct home office % on Schedule C.A79 | Check with your bank to see how they want you to document the expenses. If utilities are deducted on your Schedule C, they should be allowed for PPP purposes. |
| For the sole proprietor with no employee, for the owner replacement compensation, is it still limited to 8/52 of line 31 of Sch C or is it now 24/52 of line 31 with maximum ORC still being \$15,385? | The sole proprietor cap was extended to \$20833 if you use the 24 week period |
| If the sole proprietor with no employees is limited to 8/52, if you pay the owner replacement salary in the 1st 8 weeks, can you still pay for "other expenses" only over the 24 week period? | The sole proprietor cap was extended to \$20833 if you use the 24 week period. You may use the other proceeds for covered expenses during the 24 week period but to get loan forgiveness you must still use 60% of the proceeds for payroll costs. |
| If you elect the 24 week option and you are a sole proprietor, no employees, what formula are you recommending for the amount of weekly payroll that should be paid to owner? Consider that before this act, wky pr is being paid based on avg 2019 weekly pr. | The sole proprietor cap was extended to \$20833 if you use the 24 week period |
| If it is a sole proprietorship and they are the only employee is the FTE even an issue? | No |
| An owner of a solely owned LLC is currently receiving unemployment. Can he still count his owner's draw towards the forgiveness? | I'm not sure you should be receiving unemployment during the period you are using the PPP loan |
| Do you have insight as to what deductions can be claimed for loan forgiveness for an Single member LLC Sole Proprietor?. Draw to the owner? SE Tax? Prior or current year SEP-IRA/Leogh? SE Health Insurance Deductions? | Total loan forgiveness is capped at \$20833 for the 24 week period for sole proprietors |
| SO as a sole owner LLC, I can use 100% on owner-employee compensation? | Yes |
| I have a complicated question about staff retiring and new staff taking over during between dates of April 1-on. Can I talk to someone via email about suggestions? | You can email Jordan Kendall (jordan.kendall@marcumllp.com) and Ed Zolotarev (eduard.zolotarev@marcumllp.com) and we'll do our best to answer your questions. |
| The question was taxes AFTER I have been granted forgiveness? I can justify all costs (for forgiveness) after 8 weeks but I don't want to lose the available cash savings from the payroll tax deferral. | You may continue to defer the employer SS portion of your payroll tax deposits even after forgiveness. Up until 12/31/20 |
| Will this PPP loan forgiveness be exempt from taxation for 501(c)(3) nonprofits? | A forgiven loan should be non-taxable to a 501(c)(3). I have not seen anything stating otherwise |
| If the forgiven loan is taxable, how does the work for non profits? Would this be considered UBIT? | It is our understanding that if the loan is forgiven it is not considered UBIT income. |
| With these updates, is the payroll tax 100% credit from FFCRA still available? | Yes but you cannot use the same wages for the PPP calculation and the tax credit. |
| Can you clarify if the loan forgiveness is non-taxable then if the expenses are not deductible, then how is it a taxable? | The statement was an attempt to point out that if you lose the ability to deduct expenses related to the non-taxable debt forgiveness, by losing the deductions, the loan acts taxable. |

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| Can you use Sec 139 to pay employees in addition to what's qualified under PPP Forgiveness? | The employees paid with the PPP funds are all reportable on an employee's W-2 |
| Just want to make sure that I understand (this is for member/owner company, no ee's: Our PPP Amt. was 40,000 we planned out to use 75% for payroll 30k and 10k for Insurance, etc.. Can we now use the remaining 10K for pay? | You may always use the proceeds to pay employees |
| IF you elect to stay with the 8 week period and don't use all the funds how do you handle the remaining funds? | The remaining proceeds are a loan |
| Can you give a raise to staff from forgiveness loan? | Yes |
| For the PPP loan, the maximum that was offered was 2.5 month of payroll, do you need to pay employees 75% of monthly payroll for all 24 weeks or approx 5-6 months even when employees are not back at full time and you only received money for 2.5 months ? | 60% of the loan proceeds must be used for payroll costs (as defined in the Act). If you received the funds prior to 6/5/20, you may elect to use the funds over 8 weeks or 24 weeks. If you received it on or after 6/5/20, you must use the 24 week period. |
| Our 8 weeks is up next week and we will have excess funds left-can we just use them for the next pay period (every 2 weeks) so basically we are spreading over 10 weeks. Is there any reason or problem as assume you can use less than 24 weeks? | You may use the funds over a period of 8 weeks and request forgiveness for the 8 week period then the excess may be used as a loan. Or you can extend the usage period to 24 weeks and then ask for forgiveness of the loan at the end of 24 weeks. You currently may not use the fund over 10 weeks then request forgiveness of the loan. In all situations, whether it's a loan or you are requesting forgiveness of the loan, you must use the proceeds for the expenses noted in the Act. |