



PPP: The Forgiveness Portion

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Today's Topics

- Eligible costs
- Step by step process of calculating forgiveness – As of May 01, 2020
- Additional guidance & resources to stay current

Eligible Costs

- Payroll Costs

- Compensation to employees including salary, wages, commissions or similar compensation.
 - Cash tips or the equivalent
 - Payment for leave
 - Allowance for separation or dismissal
 - Payments for employee benefits
 - Group health care coverage
 - Insurance premiums
 - Retirement contributions
 - Payment of state and local taxes assessed on the compensation of employees.

- Mortgage interest on real or personal property - For mortgages in effect prior to 2/15/2020
- Rent under a leasing agreement - For agreements in effect prior to 2/15/2020
- Utilities
 - Includes payment for electricity, gas, water, transportation, telephone, or internet access. - Service must have been established prior to 2/15/2020. Other common utilities such as garbage collection or security monitoring may also be classified as a utility, but a business should confirm with the lending institution.

Step 1

Track total eligible costs incurred and paid during the 8-week period following the loan funding

Inputs highlighted in grey													
Number of pay periods		4.00											
							For the entire 8 week period						
							Actual	Projected	Projected	Projected			
Employee	Pay Period Amount	Additional One-time Compensation	Health Insurance	Retirement Contribution	ER State Payroll Taxes		Pay period 1	Pay period 2	Pay period 3	Pay period 4	Total Wages	Max \$100k, \$15,384.62/pp	
John Smith	2,500.00	-	250.00	75	25		2,490.00	2,500.00	2,500.00	2,500.00	9,990.00	9,990.00	
Jane Doe	2,500.00	-	250.00	75	25		2,600.00	2,500.00	2,500.00	2,500.00	10,100.00	10,100.00	
	-	-	-	-	-		-	-	-	-	-	-	
	-	-	-	-	-		-	-	-	-	-	-	
Total	5,000.00	-	500	150	50		5,090.00	5,000.00	5,000.00	5,000.00	20,090.00	20,090.00	

Step 2

Calculate payroll costs for forgiveness floor

Inputs highlighted in grey			
Loan Amount		25,000	
75% Payroll Requirement		18,750	A
Allowed for rent, utilities & mortgage interest		6,250	
Funding date	4/24/2020		
8 Weeks from Funding - Covered Period	6/19/2020		
Number of pay periods during covered period		4	
Wages + Bonuses - Max \$100k Per Person		20,090	
Self Employed Owners/Partners		-	
Health Insurance		500	
Retirement Contributions		150	
ER State Payroll Taxes		50	
Total Payroll Costs During 8 Weeks		20,790	B
Meets 75% Payroll Requirement (Green = Yes; Red = No)		2,040	C = B - A

Step 3

Calculate any % decrease in FTEs from 8-week covered period

Reduction Based on Number of FTEs	
2/15/2019 - 06/30/2019 - Option 1	2
01/01/2020 - 02/29/2020 - Option 2	3
8 Week Period	2
Unforgivable Ratio Option 1	0.00%
Unforgivable Ratio Option 2	33.33%
Amount Unforgiven - Lower of Option 1 or 2	-

Step 4

Calculate any reduction in payroll > 25% of prior quarter

- For any employee who did not receive, during any single pay period during 2019, wages/salary at an annualized rate of pay more than \$100K and also employees whose primary place of residency is outside the US.
- Was their payroll during the covered period more than 25% less than it was the previous full quarter? Reduce forgivable amount by the reduction that exceeds 25%.

Employee	Total Wages During 8-Weeks	Max \$100k, \$15,384.62/pp	Q1 2020	Q1 Max \$100K	Q1 Weekly * 8	Reduction Percentage	Amount Unforgiven
John Smith	9,990.00	9,990.00	23,000.00	23,000.00	14,153.85	-29%	625.38
Jane Doe	10,100.00	10,100.00	16,000.00	16,000.00	9,846.15	3%	-
	-	-		-	-	0%	-
	-	-		-	-	0%	-
Total	\$ 20,090.00	\$ 20,090.00	\$ 39,000.00	\$ 39,000.00	\$ 24,000.00		\$ 625.38

Step 5

Calculate any adjustment because FTEs and salary/wages were restored by June 30

- If “restore” criteria are met, steps 3 and 4 are ignored.

Step 6

- Calculate non-payroll related costs paid
 - Utilities
 - Rent
 - Mortgage Interest

Additional Points to Consider

- Independent contractors paid by the company are NOT included in payroll costs
- Many national payroll providers have developed PPP-compliant reports to track both payroll and benefits
- A separate PPP bank account may assist in tracking costs
- Self-employed individuals' compensation limited to 8/52 net profit from 2019 Form Schedule C
- Rent lease agreements and utility service agreements must be in place as of February 15, 2020
- Expenses paid with forgivable loans are not tax deductible. IRS Notice 2020-32
- Benefits for owners (e.g. health insurance) are not eligible costs for forgiveness.
- Professional Employer Organization (PEO) services are eligible payroll costs

Additional Resources

- AICPA
 - <https://www.aicpa.org/interestareas/privatecompaniespracticesection/qualityservicesdelivered/sba-paycheck-protection-program-resources-for-cpas.html>
 - <https://www.aicpa.org/news/aicpa-coronavirus-resource-center.html>
- Treasury / SBA
 - <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>
 - More guidance to come!!
 - Presentation specifically omits discussion on forgiveness as it relates to eligible borrowers.



Q & A

Thank You.



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