

What you Need to Know about the PPP Loan Forgiveness

August 20, 2020

Today's Webinar

- Approved for 1 Hour for CE – Academy of Professional Funeral Service Practice. More information will follow at the end of the webinar
- Use “Q&A” button at the bottom of your screen
- Use “Chat” button for comments
- You will receive a link to a recording of this presentation shortly after the webinar along with instructions

Questions You Might Have?

- My initial application for the PPP loan covered an 8-week period but congress has since offered a 24-week covered period – am I eligible for the extended period?
- If I opt for the 24-week covered period do I have to wait the whole 24 weeks before applying for forgiveness?
- What are the updated loan forgiveness terms/requirements?
- Which forgiveness application form should I use – Form 3508 or Form 3508EZ?
- What type of documentation is required when filing for forgiveness?

Paycheck Protection Program Updates

- 8-week (56 days) covered period has been extended to a 24-week (168 days) covered period – you may choose either period
- You can file forgiveness as soon as the funds have been exhausted
- Requirement to use 75% of funds for payroll expense lowered to 60%
- Congress debating a new round of PPP loans
- Some talk of automatic forgiveness for loans under a certain amount
- Still no decision as to tax treatment, i.e. if expenses covered will be deductible

Use of Loan Proceeds

- 60% of funds must be used for cash compensation and benefits paid by the employer such as health insurance and retirement plans
- Eligible cash compensation is limited to \$100,000 per employee:
 1. Maximum for the 8-week covered period is \$15,385 ($\$100,000/52*8$)
 2. Maximum for the 24-week covered period is \$46,154 ($\$100,000/52*24$)
- Owners are limited to:
 1. \$15,385 for the 8-week covered period ($\$100,000/52*8$)
 2. \$20,833 for the 24-week covered period ($\$100,000/12*2.5$)
- Remaining 40% can be used for:
 1. Business mortgage interest, on loans in force before 2/15/20;
 2. Business rent, under lease agreements in force before 2/15/20;and
 3. Business utilities, for which service began before 2/15/20

Completing Form 3508

- Borrowers may download the form and instructions from the SBA website and submit to your lender
- Borrowers may also complete electronically through their lender
- Check for EZ Form eligibility
- You will need to provide a list of employees including the last 4 digits of their social security number:

Table 1 – under \$100,000

Employee's Name	SS No.	Cash Compensation	Average FTE	Salary/Hourly Wage Reductions
Minnie Mouse	1213	\$27,500.00	1.00	\$0.00
Daffey Duck	1415	\$18,235.37	.70	\$5,468.87
Betty Boop	1617	\$29,333.34	1.00	\$0.00
Fred Flintstone	1819	\$33,666.66	1.00	\$0.00
FTE Reduction Exceptions:			0	
Totals:		Box 1 \$108,735.37	Box 2 3.7	Box 3 \$5,468.87

Completing Form 3508 - continued

Table 2 - \$100,000 or more

Employees Name	SS No.	Cash Compensation	Average FTE
Bugs Bunny	1234	\$35,164.84	0.9
Donald Duck	5678	\$35,164.84	0.9
Mickey Mouse	9101	\$35,164.84	0.9
Charlie Brown	2021	\$35,164.84	0.9
Totals:		Box 4 \$140,659.40	Box 5 3.6

- To determine if your **salaries/wages** were reduced by more than 25% you will need to provide **wages paid**:
 1. During the covered period
 2. From 1/1/20 to 3/31/20
 3. From 2/15/20 to 4/26/20
 4. Average annual wages as of 2/15/20
 5. Average annual salary/hourly wages as of the earlier of forgiveness application date or 12/31/20

Completing Form 3508 - continued

- To determine if your **hours** were reduced by more than 25% you will need to provide **hours paid**:
 1. During the covered period
 2. From 1/1/20 to 3/31/20
 3. From 2/15/20 to 4/26/20
 4. From 5/15/19 to 6/30/19
 5. From 1/1/20 to 2/29/20
- Employer contributions for health insurance
- Employer contributions for retirement plans
- Employer paid state and local taxes on employee compensation
- Business mortgage interest payments
- Business rent or lease payments
- Business utility payments

Completing Form 3508EZ

The Borrower can apply using Form 3508 EZ if they can check at least 1 of the 3 boxes below:

- The Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the average monthly payroll in the application
- The Borrower did not reduce annual salary or hourly wages of employees by more than 25% during the covered period or the alternative covered period compared to the period between 1/1/20 and 3/31/20, and the Borrower did not reduce the number of employees or average paid hours between 1/1/20 and the end of the covered period
- The Borrower did not reduce annual salary or hourly wages of employees by more than 25% during the covered period or the alternative covered period compared to the period between 1/1/20 and 3/31/20, and the Borrower was unable to operate during the covered period at the same level of activity as before 2/15/2020

Completing Form 3508EZ - continued

- You will need to provide cash compensation paid during the covered period
- Employer contributions for health insurance
- Employer contributions for retirement plans
- Employer paid state and local taxes on employee compensation
- Business mortgage interest payments
- Business rent or lease payments
- Business utility payments

Documents The Borrower Must Submit with its Forgiveness Application

Payroll:

- Bank account statements or third-party payroll provider reports documenting cash compensation and non-cash benefits paid
- Tax forms or equivalent third-party reports, i.e. Form 941; State wage reports; and State unemployment reports
- Payment receipts, cancelled checks or account statements documenting employer contributions to health insurance and retirement plans

Documents The Borrower Must Submit with its Forgiveness Application - continued

Full-time Equivalent (FTE) Calculation (**not required for Form 3508EZ**):

- Average number of FTE employees per week between 2/15/19 and 6/30/19 calculated according to hours paid
- Average number of FTE employees per week between 1/1/20 and 2/29/20 calculated according to hours paid

Nonpayroll:

- Mortgage interest - copy of lender amortization schedule and proof of payment
- Rent – copy of lease agreement and proof of payment
- Utilities – copy of invoices and proof of payment



Documents Each Borrower Must Maintain but is Not Required to Submit for Form 3508

- Documentation supporting the listing of each employee represented in Schedule A Worksheet Table 1 (under \$100,000)
- Documentation supporting the listing of each employee represented in Schedule A Worksheet Table 2 (over \$100,000)
- Documentation regarding job offers and refusals, refusals to accept restoration of reduction in hours, firings for cause, voluntary resignations, written requests for reduced work schedule
- Documentation supporting the certification that the borrower was unable to operate between 2/15/20 and the end of the covered period at the same level of business activity before 2/15/20 due to compliance with HHS, CDC, OSHA or state and local government mandates
- Documentation supporting your FTE calculations

Documents Each Borrower Must Maintain but is Not Required to Submit for Form 3508 EZ

- Documentation supporting that annual salaries were not reduced by more than 25% - payroll records separately listing each employee and amounts paid during the covered period and from 1/1/20 to 3/31/20
- Documentation regarding job offers and refusals, refusals to accept restoration of reduction in hours, firings for cause, voluntary resignations, written requests for reduced work schedule
- Documentation supporting the certification that the borrower did not reduce number of employees or the average hours of employees between 1/1/20 and the end of the covered period - payroll records separately listing each employee and amounts paid from 1/1/20 to the end of the covered period
- Documentation supporting the certification that the borrower was unable to operate between 2/15/20 and the end of the covered period at the same level of business activity before 2/15/20 due to compliance with HHS, CDC, OSHA or state and local government mandates
- All records related to the Borrower's PPP loan, including documentation submitted with the original application, documents supporting the necessity of the loan, documentation necessary to support the forgiveness application, and documents demonstrating material compliance with the PPP requirements. All these documents must be retained for 6 years



Loan Forgiveness Rules

- The SBA has 90 days to make the decision on your forgiveness application, so the more complete the application the better
- If you received an Economic Injury Disaster Loan, the amount forgiven on the PPP could be reduced by the amount granted by the Emergency Economic Injury Grant (up to \$10,000)

Frequently Asked Questions about PPP

- If the borrower submits a timely loan forgiveness application, does the borrower have to make any payments on its loan prior to SBA remitting the forgiveness amount, if any?
 - As long as the borrower submits the forgiveness application within 10 months of completion of the covered period, the borrower is not required to make any payments until the forgiveness amount is remitted to the lender by the SBA
- Are payroll costs that were incurred during the covered/alternative period but paid after the covered/alternative period eligible for loan forgiveness?
 - Yes, if the payroll costs are paid on or before the next regular payroll after the covered/alternative period
- Are payroll costs that were incurred before the covered/alternative period but paid during the covered/alternative period eligible for forgiveness?
 - Yes.

Frequently Asked Questions about PPP - continued

- Are borrowers required to calculate payroll costs for partial pay periods?
 - If the borrower uses a biweekly or more frequent payroll cycle, the borrower may elect to calculate eligible payroll costs using the 8-week or 24-week period that begins on the first day of the first payroll cycle following the PPP loan disbursement date.
 - If the borrower pays twice a month or less frequently, it will need to calculate payroll costs for partial pay periods.
- For purposes of calculating cash compensation, should borrowers use the gross amount before deductions for taxes, employee benefit payments, and similar payments, or net amount paid to employees?
 - The gross amount should be used when calculating cash compensation.

Frequently Asked Questions about PPP - continued

- Are only salaries or wages covered by loan forgiveness, or can a borrower pay lost tips, lost commissions, bonuses, or other forms of incentive pay and have such qualify for loan forgiveness?
 - Payroll costs include all forms of cash compensation paid to employees, including tips, commissions, bonuses, and hazard pay limited to \$100,000 on an annual basis
- Are non-payroll costs that were incurred during the covered/alternative period but paid after the covered/alternative period eligible for loan forgiveness?
 - Yes.
- Are non-payroll costs that were incurred before the covered/alternative period but paid during the covered/alternative period eligible for forgiveness?
 - Yes, as long as they are paid on or before the next regular billing date.

Resources

- **Frequently Asked Questions on PPP Loan Forgiveness:**
 - <https://www.sba.gov/document/support-frequently-asked-questions-ppp-loan-forgiveness>
- **Loan Forgiveness Application and Instructions:**
 - <https://www.sba.gov/document/sba-form-paycheck-protection-program-loan-forgiveness-application>
 - <https://www.sba.gov/document/sba-form-paycheck-protection-program-loan-forgiveness-application-instructions-borrowers>



QUESTIONS??



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- Today, after the webinar, you will receive an email with a link to a survey. You must complete the survey **within 5 business days** to receive a certificate of completion. **Your certificate will be emailed to you in 7-10 business days.**
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