

QUESTIONS AND ANSWERS

*Please note that the following Q&A fact sheet was generated from a webcast given on **Tuesday April 28, 2020**. The laws are changing by the hour, so some of the information in this fact sheet may not be accurate as the rules for PPP may have changed in the interim. Also, we highly suggest that if you have any questions that you reach out to your trusted advisors for more guidance. It has been challenging trying to interpret the rules as they are written. The laws and rules related to PPP are very ambiguous. We have done our best to answer your questions below.*

Q. Can I increase my own pay as an owner/manager? I haven't paid myself in 5 weeks along with the business being closed.

A. It depends on what kind of entity you are. If you are taking draw/distributions as an owner, that is not considered payroll. If you are an officer in a corporation and take salary, then the answer is you can pay yourself and consider that payroll. As for an increase in pay you would have to substantiate why and document it.

Q. Can I increase rates of pay for employees such as bartenders, with no drinks to make, who are now handling phone orders etc.?

A. Yes, you must pay that person at least 75% of what they were getting paid before, including tips.

Q: My last payroll run is July 1. Will that still qualify for the June 30 deadline?

A: Payroll incurred and paid in that 8-week period is what is includable. The June 30th date is for the FTE calculation purposes.

Q. Can you have 2 applications in for PPP with 2 different lenders?

A. Not under the same entity.

Q. Have there been any solid guidelines for loan forgiveness besides 75% payroll and 25% other?

A. FTE period comparisons and salary and wage potential reductions.

Q. Approved on 4/22 but money not in account yet. What happens if company is unable to use all the money for payroll by June 30th?

A. You will have the option to send the money back or term it out into a loan for 2 years at 1% interest, 6 months deferred payments.

Q. How do we calculate the FTE for restaurant with a lot of part time employees?

A. Contact your payroll company as they should be able to provide this information for you

Q. Are CAMS and RE taxes included in rent?

A. No

Q. Do bonus monies paid in an 8-week period count toward payroll?

A. Yes, document all bonus and "hero pay" guidelines in your business. Make sure they are fair and equitable.

Q. Are people being paid out on FML included in the count during the covered period?

A. No

Q. What do you think is the likeliness that Congress will change the start of the 8-week clock to a point when restaurants can reopen and when it is safe to bring back employees?

A. No guidance on this as of now. Not likely.

Q. Can the amount forgiven be increased if we increase employees pay rates during the 8-week period?

A. You can increase pay during that period with bonuses, raises, "hero pay." Make sure what you are doing is documented, fair and equitable.

Q. What if an employee was paid a large year-end bonus in January 2020. Does that

count when determining if they were paid 75% of their normal wages? The bonus is only paid once a year and shouldn't need to be paid again in the 8-week period.

A. No guidance on this.

Q. For utilities, is the 60-day period based on when the utilities are paid or when they were incurred?

A. Both

Q. Is a water bill considered a utility?

A. Yes

Q. Should clients first register for the EIDL (Advance) before filing for the PPP?

A. No, our suggestion is to apply for PPP as it may be gone again soon.

Q. Looking for clarification on the 75% "per employee." What if you lost one employee but replaced it with another? Does this have to be the same employee?

A. Can be any employee.

Q. If you furloughed an employee and they choose not to return can you hire a replacement?

A. Yes

Q. If my PPP 8-weeks ends before June 30 and I have to now lay off the FTE I hired back as we are still not open, is the loan forgivable or is it the number of FTE on June 30th?

A. Loan is still forgivable...the amount depends on the FTE comparison.

Q. For the ERTC, I have 5 restaurants all with their own LLCs, same ownership. None of the LLCs have 100 employees on their own, but all together the 5 do. Would I be considered an employer with more than 100 FTEs or are the LLCs counted separately?

A. You would look at the 100 employees on an aggregate basis if there is more than

50% ownership.

Q. I have already received my PPP loan, my bank said I needed to apply quick because it would run out. I am now in my 8-week period. We are unlikely to be able to reopen for a few more weeks. Should I just do a full payroll for the next 8 weeks?

A. The bank loans are forgivable as long as the employer keeps their employees or rehires those laid off. Therefore, the restaurant staff should be rehired as soon as possible at the same compensation that they earned before the layoff. It is important to note that your workforce is not specific to one particular individual. Instead, as long as you maintain your overall employee count and total payroll costs, you can continue to make business decisions with respect to hiring and firing employees.

Q. Are you sure the 100-employee definition for the ERTC are FTEs and not just full-time employees? The IRS website just says full-time employees.

A. FTEs.

Q. My bank did not give me the option to defer the PPP loan, even though I asked for it! Was that an option?

A. No.

Q. If I pay rent and utilities from PPP loan but not payroll, can I opt to pay back the rest? Will the rent and utilities be forgiven?

A. No, you have to pay payroll.

Q. Is your understanding that the 25% of rent, interest, utilities is proportion of total PPP loan used? E.g., I get a loan for 400k, use 200K total (150K on payroll, 50K on rent). All 200K in theory is forgivable and I 'owe' 200K that I repay with remaining?

A. The answer to this question is yes.

Q. Can owners reimburse themselves distribution they would have received and be covered by PPP?

A. No, distributions are not payroll.

Q. We are waiting to be approved for PPP loan. Our CPA said we would have to put this

money into a separate, new, bank accountis this true?

A. Our recommendation is to segregate the money received into a separate account and then transfer money from that account to your business operating account so that you have a good trail of what was spent.

Q. I am a Family Entertainment Center. We got PPP for \$800,000.00. Correct me If i am wrong, but I would have to spend \$600,000 on payroll over the next 8 weeks? or the term of the loan?

A. The forgiveness measurement period is 8 weeks from the time you were funded.

Q. What if I have my whole staff back by June 30 but I did not meet my FTE during the 8-week period?

A. No guidance on this yet, but it may result in forgiveness

Q. Can I hire an individual as a 1099 versus an employee and still have that amount go towards forgiveness?

A. As an employer and borrower, what you pay independent contractors and 1099s does not count toward your payroll cost in calculating how much you can borrow and how much can be forgiven.

Q. Has there been any discussion about the date of June 30th being pushed back and is the term of two years possibly being increased?

A. No guidance yet on either.

Q. In selecting the base period for FTE, if you are a seasonal business and were not open in the first quarter of this year, can you still use that period as the basis for comparison of FTE's?

A. You must use the period 2/15/2019 to 6/30/2019.

Q. Is health insurance forgivable with the PPP loan?

A. The employer portion of health insurance is considered a payroll cost and may be forgiven.

Q. Do you have to pay rent and interest and utilities over the 8 weeks, or can you wait

until after the 8 weeks calculation on forgiveness?

A. Must be paid in the 8-week period.

Q. If our restaurant has employees on our Q1 2020 report that are not coming back to work, will their \$0 in wages affect forgiveness?

A. No guidance at this time

Q. If an employee worked a lot of overtime hours before COVID-19, are we required to hire him back at that level of wages (including overtime wages)?

A. Per the current guidance, the answer is yes and you need to pay them at least 75% of that, but we believe that there will be further guidance on this.

Q. During the PPP loan period, can an S-Corp owner be on unemployment?

A. No.

Q. We applied for and received PPP money quickly prior to hearing about all the terms and 'guidance' to come. Can we return all the money if we don't think we can or want to deal with this anymore?

A. Funds that are not forgiven can be returned. There are no prepayment penalties or fees.

Q. FFCRA is still only for employers with 500 employees or less correct?

A. It is 500 or less at the time the request for leave is made by the employee.

Q. Is the EIDL loan available? Is the SBA taking new applications?

A. Yes

Q. Can a partner draw a salary during this 8-week loan forgiveness period and be counted as the total payroll paid and be part of the FTE in the 8-week loan period?

A. Yes, if you are a partner in a partnership, you may not submit a separate PPP loan application for yourself as a self-employed individual. Instead, the self-employment income of general *active* partners may be reported as a payroll cost, up to \$100,000 annualized, on a PPP loan application filed by or on behalf of the partnership.