



WHAT'S NEXT WITH PPP:

Paycheck Protection Flexibility Act

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What Have We Learned



- 8- or 24-Week Period
- Alternative Payroll Covered Period
- “Expenses Paid/Incurred” Redefined
- Percent of PPP spent on Costs
- The New FTE Formula
- FTE Safe Harbor and Exceptions
- The New Pay Rate Formula
- Owner/Self-Employed
Individuals/General Partners

Set the Stage

*A government program with **MANY** changes over the last four weeks. **Still need Guidance!***

- **May 15th** – PPP Forgiveness Application
- **May 22nd** – Interim Final Rules Updated
 - *Gave greater clarity to unanswered questions*
- **June 5th** - PPP Flexibility Act of 2020 signed by President
 - *Only added, deleted, replaced certain items of the original bill.*
 - *Increasing unanswered questions*



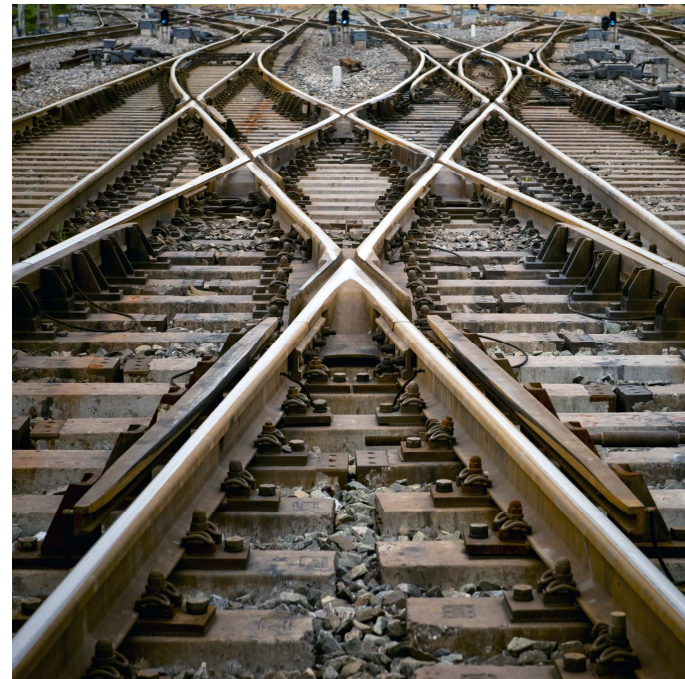
Covered Period Options

*Borrower has the flexibility to **choose** the Covered Period best for your business.*

8-Week Covered Period (*Original time frame*)

➤ Can still choose this covered period

24-Week Covered Period (*Or until December 31st*)



Alternative Covered Payroll Period

*Borrower has the flexibility to **choose** an Alternative Payroll Covered Period.*

Alternative Payroll Covered Period

- Bi-weekly or Weekly pay period
- Start on the 1st day of payroll period after loan is disbursed
- Example: (*Weekly*)
 - ✓ Loan was disbursed on Tuesday
 - ✓ Able to start the 8- or 24-week period on the following Monday.

8- or 24-week Covered Period for Non-Payroll Costs

- Stays the same for Utilities, Rent, Interest



'Expenses Paid/Incurred' Redefined

Payroll Costs

- “Payroll costs paid during this alternative payroll covered period are eligible for forgiveness.”
- “Payroll costs incurred during this alternate payroll period are eligible for forgiveness as long as they are paid on or before the first regular payroll date.”
- Kaplan Education – “Thus, for almost all borrowers, more than 8-weeks worth of payroll costs will end up in the payroll cost component of the forgiveness calculation.”
- *If choosing the 24-week period, this may no longer be such a benefit.*

'Expenses Paid/Incurred' Redefined

Other Eligible Costs

- Paid during the covered period or incurred during the period and paid on regular billing cycle.
- *Example:* (June 1st- July 26th covered period)
 - The borrower pays its May and June electricity bill during the covered period, and pays its July electricity bill on August 10, which is the next regular billing date. The borrower may seek loan forgiveness for its May and June electricity bills, because they were paid during the covered period. In addition, the borrower may seek loan forgiveness for the portion of its July electricity bill through July 26.

How much do I need to spend?

Payroll Costs

“To receive loan forgiveness, an eligible recipient shall use **AT LEAST** 60% of the covered loan amount for payroll costs.”



BEWARE: Seems to say if you don't meet 60% you will not get forgiveness

Other Eligible Costs

- “May use up to 40% of such amount for any payment of interest, rent, and utility payments”

The New FTE Formula

Average Full-Time Equivalency (FTE)

- For **EACH** employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth. The maximum for each employee is 1.0.

Simplified FTE Formula at the Election of the Borrower

- The simplified method uses 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours.
- *Need to research if method is beneficial or not.*



FTE Safe Harbor and Exceptions

FTE Safe Harbor

- Comparison of these two periods:
 - Average FTEs between **February 15, 2020** and **April 26, 2020**.
 - FTE in the Borrower's pay period **inclusive of February 15, 2020 (Saturday)**.
- If the FTE's on February 15th **are greater** than the average from 2/15/20-4/26/20 then you have the ability to restore the FTEs as of December 31st.
- **If not**, the Safe Harbor does not apply
- Because it's now June, you can ascertain if the Safe Harbor applies



Calculating FTE Safe Harbor – An Example

Step 1: Get Information

- February 15, 2020 FTE = 150
- Average 2/15/20-4/26/20 = 130



Step 2: Compare Data

- If February 15 FTE of 150 is higher than average of 130, **PROCEED TO STEP 3**
- If not, you do **NOT** qualify for Safe Harbor



Step 3: Can you beat February 15?

- If, as of December 31 OR EARLIER, you have 150 or more, **YOU ARE SAFE HARBORED. RECEIVE 100% FTEs FOR FORGIVENESS**
- If **NOT**, use regular Covered Period FTE averages

FTE Safe Harbor and Exceptions



FTE Reduction Exceptions

- Indicate the FTE during the period on February 15th and ending on December 31st:
 - ✓ Any positions for which the Borrower made a **good-faith, written offer to rehire** an employee during the Period which was rejected by the employee
 - ✓ Any employees who during the Period **(a) fired for cause, (b) voluntarily resigned, or (c) voluntarily requested and received a reduction of their hours.**
 - ✓ In these cases, include these FTEs only if the position was not filled by a new employee. **These cases do not reduce the Borrower's loan forgiveness.**

FTE Safe Harbor and Exceptions



FTE Reduction Exceptions

- Same level of business activity as such business was operating at or before February 15th due to requirements established by:
 - **Health and Human Services**
 - **Centers for Disease Control & Prevention**
 - **Occupational Safety and Health Administration**
- Related to sanitation, social distancing, or other worker or customer requirements related to COVID-19

The New Pay Rate Formula

Salary/Hourly Wage Reduction

- *Based on a per employee-by-employee basis.*
- *Salaried Employees*
 - You would need to reduce their salary by more than 25% to trigger a forgiveness reduction
- *Hourly Employees*
 - Compare the hourly wages of:
 - The Covered or Alternate Payroll Covered Period
 - January 1, 2020 to March 31, 2020
 - If the Chosen Period Hourly Wage is reduced by more than 25%, this will trigger a forgiveness reduction.

The New Pay Rate Formula

Salary/Hourly Wage Safe Harbor

- SAME DATES AS FTE SAFE HARBOR
- Compare the wages of:
 - ✓ February 15, 2020
 - ✓ Average of February 15th to April 26, 2020
- If the wages on February 15th are **greater than** the average wages from 2/15/20 -4/26/20 then you can restore the wages as of December 31st **OR EARLIER.**



Owner/Self-Employed/General Partner

- The amount is capped at \$15,384 OR **the 8-week equivalent of their applicable compensation for 2019**, whichever is lower.
- **Could change to the 24-week equivalent**
- There is a computation that needs to take place – multiply by .9235.



What To Do **Next**

1. Determine 8- or 24-week period
2. Determine your new Covered Period for payroll (*If you choose this option*)
3. Find FTE amounts for:
 - February 15th and average of February 15 – April 26
 - Get new numbers for look-back periods
4. Gather documentation and determine how many **REAL FTE Exceptions** you have. *This could be a game-changer for all FTE calculations.*
5. Review your employee list to make sure no one is making less money per hour or in salary. Put plan in place to get them back by December 31.
6. Get 2019 Self-Employment Earnings to determine how much you can have forgiven. **Then write the check.**



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