

Navigating the Updated PPP Loan Forgiveness Process

Thursday, January 27, 2021



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Q&A Transcript

I don't have employees only contractors..can I still apply?

Yes, you may apply for only yourself. Independent contractors may apply for a PPP on their own.

You may be interested in the recording from last week's webinar that covered the PPP Loan Application - https://us02web.zoom.us/webinar/register/WN_yK8arHZ4Sjy0EA8hroEgjQ

Slides from the Webinar here: <https://files.constantcontact.com/6cae1b37101/036213e7-ffb3-4515-a97c-9a7b9f6906c7.pdf>

Q&A Transcript from the Webinar here: <https://files.constantcontact.com/6cae1b37101/0153823a-854b-4f32-b1c7-dd92cafc6dfb.pdf>

How much is the interest rate for this second round of PPP loan?

It is 1.0%; the same as the first draw loan.

Are you going to talk about what it means for the PPP loan forgiveness application that businesses are now eligible to apply for the employee retention credit retroactively for 2020 for that part of payroll which was not claimed in the PPP loan forgiveness application?

This presentation is Forgiveness directed. We have another presentation we do which includes the ERTC. Please work with your CPA on eligibility of using the PPP and ERTC programs together. The ERTC is not part of this Forgiveness presentation.

I thought it was relevant for the PPP loan forgiveness application as it seems one should make the non-payroll costs as high as possible within the 60% payroll - 40% nonpayroll framework, in order to be able to make use of the ERTC as much as possible.

I understand, but the ERTC is an IRS program and is very technical for compliance purposes. It is beyond the time capacity for us to present as part of this material. You have the option of utilizing the PPP proceeds automatically within the 60%/40% split for payroll/non-payroll uses of proceeds, respectively. CPAs who I have spoken with about the ERTC indicate it is best for a business owner to work with their CPA to make sure they are compliant with the use of the ERTC. Thank you for your feedback.

We are hosting an Eastside Recovery Hub webinar on the ERTC on 2/4 from 2-3:30-pm. A representative from the IRS in addition to a local CPA will be participating.

If we just apply for PPP loan in 2021, can we use the 2021 loan proceeds for payroll costs incurred in 2020? Or use the loan proceeds for future payroll costs?

The loan proceeds need to be used for eligible expenses incurred during your elected covered period-between 8 and 24 weeks following disbursement of your PPP loan.

Since our covered period is between 8 and 24 weeks following disbursement of our ppp loan in 2021, the reduction in FTEs in 2020 will not apply to our 2021 ppp loan. Is that correct?

Your loan forgiveness does apply to staffing levels in 2020 but not to changes in staffing in 2021.

I haven't received yet the loan forgiven application- my loan was released through Bank of America

BofA does not have a form for you to complete. They should notify you when their online portal is open and ready to receive loan forgiveness applications for processing.

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I started my business October 2019. Am I still eligible for PPP - second round?

Yes. The cut off date is Feb 15th, 2020. Have you already received an initial PPP Loan?

Every quarter in 2020 was better than my 2019 quarter (I started October 1, 2019). My worst quarter in 2020 was the second quarter.....can I compare my second quarter to any other quarter in 2020 to be eligible for second round of PPP loan ?

If it's a second draw PPP loan, you have to be able to show at least a 25% revenue reduction for any quarter in 2020 vs. the same quarter in 2019. If it's a first draw PPP, you don't have to meet that requirement.

Did last week's webinar cover the loan application process?

Yes, and we are doing a SBDC webinar tomorrow that will review it at

<https://wsbdc.ecenterdirect.com/events/99271350>

I haven't apply for any PPP loan. My business was impact by the pandemic. Where can I get information how to apply?

Please go to www.sba.gov/ppp and look at the information for a 1st Draw PPP Loan. Thank you

You may want to view the recording of last week's webinar that reviewed applying for the PPP -

https://us02web.zoom.us/webinar/register/WN_yK8arHZ4Sjy0EA8hroEgjQ

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We have had the same amount of employees this whole time (we never let anyone go). But recently we had 2 people quit (one moved, one quit), so we are short 2 staff members. We are currently advertising and trying to hire. Will this mess up our forgiveness?

You will have to document your efforts to rehire in order to meet the FTE requirement, but you are allowed to do that.

What if we paid an employee the exceeded amount (\$7692 in a 4 week period)? Do I just cap it off at the allowed amount? Or will I have to remove that employee from the calculation since we exceeded?

The max that can be covered for any single employee is \$100,000 annually. Janie will cover in the 3508 how that calculation is made in the Tables, and calculations in the instructions of that form. Even if you use the 3508S or 3508EZ you may have to use the 3508 calculations there.

Can I apply for PPP without any employees ? I do not have any employees nor I draw a salary If you file a Schedule C, you take line 31 divided by 12 and multiplied by 2.5. If you are compensated by a W-2 wage, please take your W-2 and W-3 and calculate your eligible average monthly payroll (excludes all Federal tax obligations).

I do not have a schedule C . Mine is a LLC I have only Schedule B.

Please contact the Washington Small Business Development Center for direct assistance as to your ability to apply based on your reporting. Please outreach to our SBDC Advisor mariw@oneredmond.org for assistance

I do not see a schedule C nor line item 31

Please look at your 1040 personal tax return to see if there is a Schedule C included in it.

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re: page 32, if 100% of the loan was spent on payroll, do we have to fill out amounts for rent, utilities, etc.?

No

If a small business is run from a home office, how much of the rent / utilities / expenditures should be included on the form?

That depends on how you identify the cost of your home office in the allowed home office deduction on your tax return.

If 100% of the funds were used for payroll, should we not include other expenses?

You do not need to include the other expenses. It helps you reduce the documentation needed.

If interest is already being charged on the PPP loan, is it in our best interest to include other expenses (software, rent, utilities) above and beyond the 100% used toward payroll?

You cannot get loan forgiveness for more than the original loan amount

These forms refer to the "Time of Forgiveness Application," which would be, at best, today when we have 1 FTE, vs the 3 FTE we started with and which we still had on board at the end of our first 8 week loan period (7 months ago) - is putting 3 & 1 in that form going to be a problem?

Entering the number of employees at the time of the PPP loan application and again the PPP loan forgiveness application is not how the FTE is established. It is used as a cross check between what you entered on the PPP loan application and again the PPP loan forgiveness application and what certifications you make on the safe harbors if they numbers are different.

"It is used as a cross check between what you entered on the PPP loan application and again the PPP loan forgiveness application and what certifications you make on the safe harbors if they numbers are different." Can you restate this, please - I think there's a typo or something that's throwing me

Actually - both - "and again?" They are comparing what you put into each form (the original PPP application and the loan forgiveness application) to determine if they need to look at what you are saying/certifying about the safe harbors is there is a difference in the number of employees. It is not to actually determining the FTE calculation.

i.e. Can I use 3508s, and put 3 and 1 for those, or should I put 3 and 3, or do I use another form?

Put down what the true number of employees is at the time of each application. What matter is what you certify as to "why" there is a difference. That is how you determine which form to use (in addition to the loan amount). You can connect with us directly if you need help to clarify.

... we're not claiming safe harbor or anything - I'm just concerned that putting 3 & 1 is going to impact forgiveness when we fully followed the rules at the time.

You may have to claim a safe harbor if you show an employee difference between the time of the application and the time of loan forgiveness. What number you put into those spots flags the person reviewing your loan application from that you might need to have certified a safe harbor or a reduction in loan forgiveness. Janie is covering the difference now.

ok - got it - thanks - much appreciated. Except for where you say, "why," now. *sigh* Do I have to explain that over 7 months we've gone struggled so bad that we've gone from 3 FTE to 1? so I have to claim a safe harbor ?

Probably yes.

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We lowered our FTE after April 26th - we were good up till then

Ok but you would have had to restore it by Dec 31, 2020 to avoid a reduction in loan forgiveness.

We tried filling out the forgiveness loan and it told us that the loan is not accepting applications at this time.

That is probably true. Since the forms have changes and are retro active the lenders are changing their portals which is a challenge given the new PPP loans they are processing.

I missed what she said. The disbursement date must match what?

The disbursement date is the date you get the PPP funds and that is the start of the covered period

We continued to operate with a limited work force throughout the covered period. We ran out of the PPP loan and some people had to be let go. Are we still eligible

I received a PPP in round 1 and used all the funds appropriately during the first window and all before 12/31/2020. I have not yet applied for forgiveness, but all the funds will be forgiven according to the rules. Can I use/apply my Round 2 funds to payroll expenses or other expenses that occurred in 2020 but after my round 1 funds were exhausted in 2020 when applying for round 2 forgiveness?

No, you must use the 2nd Draw proceeds during your covered period which starts on the date of loan disbursement (or the date of the loan dependent upon your lender's treatment). You may select the end of your covered period at any time between 56 days and 168 days or on the 168th date.