



Capital Region  
**Family Business Center**  
Helping Family Businesses Grow and Prosper



**River City Bank**

PRESENTS

**The CARES Act  
Paycheck Protection Program**

**The Forgiveness Application**

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Riley Gardner – River City Bank

May 22, 2020

# “The Forgiveness Application”

The CARES Act  
Paycheck Protection Program



**River City Bank**

**B|F|B|A**

Beyond Accounting



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[capfamilybus.org](http://capfamilybus.org)

April 29, 2020

# Disclaimer

This webinar presentation is for educational purposes only and is not intended to be advice. Please consult your own business advisors for information specific to your business.

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# How the Process Works

## Use of Funds and Loan Forgiveness



# Loan Forgiveness - Approved Uses

## Payroll Costs

- Employee salaries, commissions, or similar compensation
- Health care, retirement, and other benefits
- State and local payroll taxes

## Rent

- Rent obligated under a leasing agreement in force before Feb. 15, 2020

## Utilities

- Electricity, gas, water, transportation, telephone, or internet access, for service which began before Feb. 15, 2020

## Interest

- Payments of interest on any "indebtedness or debt instrument incurred in the ordinary course of business that (A) is a liability to the borrower; (B) is a mortgage on real or personal property; (C) was incurred before Feb. 15, 2020."
- Does not include payment or prepayment of principal

The loan is potentially 100% forgivable, provided (i) the funds are used on these approved uses during the 8 week period immediately after origination of the loan, (ii) applicable employee and salary retention requirements are met, and (iii) at least 75% of funds are used on payroll costs.



# Significant but Incomplete Guidance

## Guidance to date:

- **The CARES Act (3/27)**
- **Original loan application (4/3)**
- **Affiliation Rules (4/3)**
- **PPP Borrower Information Sheet (4/3)**
- **Maximum Loan Amount By Business Type (4/24)**
- **12 different SBA Interim Final Rules (various dates from 4/3 – 5/16)**
- **1 Department of Treasury Interim Final Rule (4/28)**
- **2 different FAQs with 56 different Questions and Answers (updated 5/19)**
- **Loan Forgiveness Application and Instructions (5/16)**

**Lots of information, but still many unanswered questions**



## Significant Unanswered Questions Last Time:

- Interpretation of “economic uncertainty” and “necessity of loan”
- Interpretation of “costs incurred and payments made”
- Interpretation of Full-Time Equivalent (FTE)



## Economic Uncertainty and Necessity of Loan

- “Current economic uncertainty makes this loan necessary to support the ongoing operation of the Applicant.”
  - Safe harbor for loans under \$2 million
  - 33,878 loans over \$2 million (as of 5/8), all “subject to review by SBA” for compliance with program requirements
  - Prepare to demonstrate “necessity of loan”
  - Capped downside risk to repayment



# Costs Incurred and Payments Made

Payroll Costs – Costs incurred OR paid during period

- “paid” on the day paychecks are distributed or funds deposited to employee account.
- “incurred” on the day the pay is earned.

Non-payroll Costs – Paid during the period OR incurred during the period and paid on/before next billing cycle.

- Costs incurred but not paid should be pro-rated based on days or other reasonable methodology

No double counting of costs.

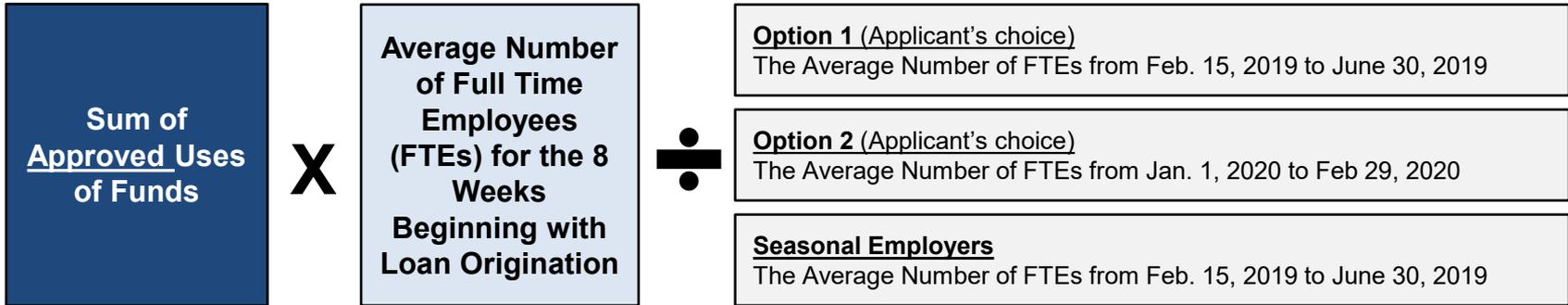
## Full-Time Equivalents (FTE)

- FTEs defined as an employee working 40 hrs/week, rounded to nearest tenth
- Simplified method using 1.0 for employees working 40 or more hours week, and 0.5 for employees working less than 40hrs/week.
- Use the same methodology for both the Base Period and the Covered Period.

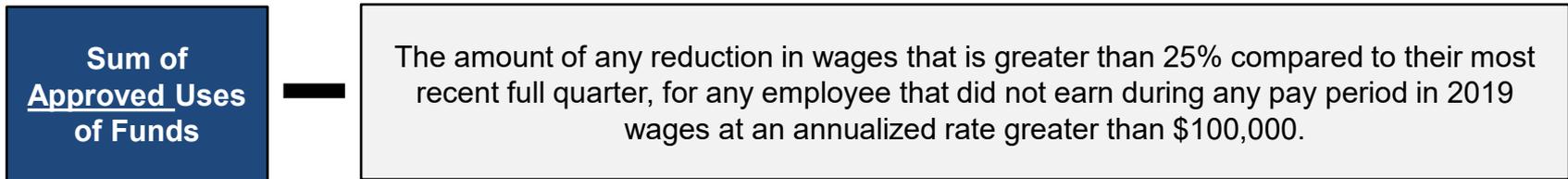


# Loan Forgiveness – Reduction Calculation Method

## Reduction in forgivable amount based on reduction in number of employees:



## Reduction in forgivable amount based on reduction in salaries:



Note: Reductions in employment or wages that occur during the period between Feb. 15 and April 26, 2020, shall not reduce the amount of loan forgiveness IF the Borrower eliminates the reduction in employees or reduction in wages by June 30, 2020.

## FTE Reduction Exceptions

- Laid-off employees that are offered re-hire are excluded from reduction calculation
  - Good-faith written offer at same wage and hours
  - Rejection of offer must be documented by borrower
- Also not penalized for:
  - Employees fired for cause
  - Employees that voluntarily resigned
  - Voluntarily requested and received a reduction of hours



## FTE Reduction Safe Harbor

- Must have reduced FTE between Feb 15 and April 26
- By June 30, must restore FTE levels to the same number of FTEs during the pay period that included Feb 15, 2020.

**Still appears to be a binary choice**



# Salary Reduction Calculation

- Only compute for employees whose salary or wages were reduced by 25% or more compared to Q1 2020
  - No adjustment for reduced hours



# Additional Information Included in Application

- Clarification of the “Covered Period”
  - 56 day period beginning on the day funding received
  - Monday, April 20 through Sunday, June 14
- Creation of “Alternative Payroll Covered Period”
  - Biweekly or more frequent payroll only (not semimonthly)
  - Allows deferral of the start of 8-week period to the first day of the first pay period following PPP disbursement date.
  - For Payroll and Benefits only – not eligible for rent/utilities/interest
  - Must use consistently



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# Q&A

## Other Common Questions

- Status of Income Tax implications
- Required documentation to submit
- 401k plan contributions
- Union retirement contributions
- Workers comp insurance
- Possibility of extension of 8 week period
- Possibility of change in 75%/25% ratio
- Bonuses/Raises
- Housing/Gas/Hotel costs



# Thank you Riley Gardner and Ben Brown!

For more information  
about the Family  
Business  
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<https://capfamilybus.org/>



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**Getting Back to Business: Building Your Net to Minimize Your Risk! A Panel Discussion on June 3, 2020; 2-3pm**  
Anthony Poston, ARM, AIM, ESM INSITE  
Sherry Smiley, Assemi Group  
Katina Raption, Mel Raption Honda  
Lizbeth V. West, Esq. , AWI-CH, Weintraub Tobin  
Moderated by Kim Silvers, Silvers HR

