

# Payroll Protection Program Compliance

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## Maximizing Loan Forgiveness

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# AGENDA

Presentation

Questions

Closing Remarks



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University of Delaware  
Small Business Development Center

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Since 1953, the SBA has worked to ignite change and spark action  
so small businesses can confidently start, grow, expand, or recover.

*Created in 1953, the U.S. Small Business Administration (SBA) is the only cabinet-level federal agency fully dedicated to small business and provides counseling, capital, and contracting expertise as the nation's only go-to resource and voice for small businesses.*

## SBA Programs and Services

- Access to Capital
- Small Business Counseling & Training
- Federal Government Contracting Assistance
- Regulatory Relief
- Disaster Assistance

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Small Business  
Development  
Center

For over 35 years, the Small Business Development Center  
has helped businesses start, grow and succeed.

*The Delaware SBDC is a statewide, nationally accredited  
program that provides high quality consulting, training and  
information to help small businesses grow and succeed.*

## Small Business Development Center

- Started here in Delaware 35+ years ago
- Three locations (New Castle, Kent, Sussex)
- Funded by SBA and State of Delaware
- Hosted by University of Delaware
- Advising services are FREE and confidential

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## SBDC Programs and Services

- Business & Strategic Plans
- Market & Industry Research
- Financial Analysis & Projections
- Loan & Grant Packaging; Venture Capital
- Government Contracting (PTAC)
- Technology Commercialization
- Digital Marketing & Social Media
- E-Commerce & Cyber Security

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# PAYCHECK PROTECTION PROGRAM: OVERVIEW

*The Paycheck Protection Program provides small businesses with funds to pay up to 8 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities.*

## Fully Forgiven

Funds are provided in the form of loans that will be fully forgiven when used for payroll costs, interest on mortgages, rent, and utilities at least 75% of the forgiven amount must have been used for payroll. Any unforgiven amount will be converted to a loan.

## Basic Terms

Loan payments will be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

## Keep Employees on the Payroll—or Rehire Quickly

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

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# PAYCHECK PROTECTION PROGRAM: REGULATIONS

- The PPP loan amount was based on 2.5x average monthly payroll.
- Funds must be disbursed by the lender in 10 days.
- The money can only be used for wages *going forward* – it cannot be used to make up back wages.
- It must be used in eight (8 ) weeks. That clock starts ticking the day the funds are deposited into your account.
- The business must notify their employees in 5 days that they are back on the payroll.
- The funds are to be used for the gross payroll, which does not include the employer's share of payroll taxes.
- Payroll is reduced by any FMLA and Sick Leave credits during the 8-week period.
- Payroll costs includes all cash compensation paid to employees, subject to the \$100,000 annual compensation per employee limitation.
- If you also obtained the EIDL grant – the amount of the grant will be subtracted from the forgivable portion of the PPP.

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# PAYCHECK PROTECTION PROGRAM: BEST PRACTICES

- Review closing documents for all OFFICIAL terms and conditions related to the transaction.
- Open a new deposit account (savings or checking) to deposit the proceeds.
- Use those monies only for the intended purposes.
- Ensure you have very easy to follow paperwork showing how each withdraw of money from the account was used.
- *Note: if you are rehiring people you should notify unemployment.*
- If you can't use all of the money for the intended purpose – you can give it back at the end.
- **The unforgiven amount will convert to a 2-year term loan at 1% interest – a short repayment window.**

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# PAYCHECK PROTECTION PROGRAM: APPLYING FOR FORGIVENESS

- You will need to apply to your lender for the loan to be forgiven. You will need to prove (beyond a shadow of a doubt) that the loan proceeds were only used for the intended purposes.
- If you also obtained the EIDL grant – the amount of the grant will be subtracted from the forgivable portion of the PPP loan – so the amount of the grant will need to be paid back at the 1% over 2 years. The payments will be deferred for 6 months.
- SBA will review all loans in excess of \$2 million, in addition to other loans as appropriate, following the lender's submission of the borrower's loan forgiveness application. Additional guidance implementing this procedure will be forthcoming.

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# WHAT IS NEEDED TO APPLY FOR FORGIVENESS?

- Payroll tax filings reported to the Internal Revenue Service; AND
- State income, payroll, and unemployment insurance filings
- Documentation, including cancelled checks, payment receipts, transcripts of accounts, or other documents verifying payments on covered mortgage obligations, payments on covered lease obligations, and covered utility payments
- A certification (stating) that—
  - The documentation presented is true and correct; and
  - The amount for which forgiveness is requested was used to retain employees, make interest payments on a covered mortgage obligation, make payments on a covered rent obligation, or make covered utility payments; and
  - Any other documentation the Administrator determines necessary

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# FREQUENTLY ASKED QUESTION\*

## 40. Question:

Will a borrower's PPP loan forgiveness amount (pursuant to section 1106 of the CARES Act and SBA's implementing rules and guidance) be reduced if the borrower laid off an employee, offered to rehire the same employee, but the employee declined the offer?

## Answer:

No. As an exercise of the Administrator's and the Secretary's authority under Section 1106(d)(6) of the CARES Act to prescribe regulations granting de minimis exemptions from the Act's limits on loan forgiveness, SBA and Treasury intend to issue an interim final rule excluding laid-off employees whom the borrower offered to rehire (for the same salary/wages and same number of hours) from the CARES Act's loan forgiveness reduction calculation. The interim final rule will specify that, to qualify for this exception, the borrower must have made a good faith, written offer of rehire, and the employee's rejection of that offer must be documented by the borrower. Employees and employers should be aware that employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

\*<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

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# PAYCHECK PROTECTION PROGRAM: SUMMARY

The regulations continue to be clarified and new FAQ are being added weekly.

The following resources are available to help:

US Treasury Website

<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

US Chamber of Commerce

<https://www.uschamber.com/co/small-business-coronavirus>

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## QUESTIONS

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