Frequently Asked Questions – as of May 18 2020

When does the PPP loan need to be repaid?
If the entire loan has not been forgiven, it must be repaid within 2 years. The first payment is not due until 6 months after the loan funds were received. Interest will be payable at 1% and accrues from the time the loan funds were received.

How can PPP loans be used?
To qualify for loan forgiveness, PPP loan proceeds must be used for eligible payroll costs and eligible nonpayroll costs incurred or began before 02/15/20 (mortgage interest obligations, rent obligations, and utility payments).

What qualifies as payroll costs?
• Salary, wages, commissions
• Allowance provided to employees as part of compensation (housing stipend)
• Vacation, parental, family, medical or sick leave
• Group health insurance (medical, dental, vision), retirement benefits
• State and local taxes assessed on compensation of employees
• Payroll costs must be paid and incurred during the 8-week covered period or alternative payroll covered period

What is excluded from payroll cost?
• Payroll for employees residing outside of US
• The portion of wages of an individual employee in excess of an annual salary of $100k (insurance, retirement and state and local taxed still qualify)
• Employer’s share of FICA
• Qualified sick and family leave wages for which a tax credit is allowed
• Independent contractor pay (form 1099)

Can my PPP loan be forgiven in whole or in part?
Yes. The amount of the loan forgiveness can be up to the full principal amount of the loan and any accrued interest if the following conditions are met:

A. The loan proceeds are used for allowable expenses as described in #2 above.
B. At least 75% of the total PPP loan proceeds were utilized for payroll costs.
C. In comparing to wages paid from 01/01/20 to 03/31/20, there were no wage reductions in excess of 25% for employees earnings less than or equal to $100,000 annually.
D. The average weekly full time equivalents (FTE’s) during the 8-week covered period are greater than or equal to the average weekly FTE’s in the historical period (from 02/15/19 to 06/30/19 or 01/01/20 to 02/29/90, whichever is lower).

If all conditions are not met the loan forgiveness will be reduced.
When does my covered period begin?

Generally, the 8-week covered period begins on the PPP loan disbursement date. The borrower may also elect the alternative payroll covered period, which begins on the first day of their first pay period following the PPP loan disbursement date.

How do I calculate the average full-time equivalent (FTE) during the covered period or alternative covered period?

Average FTE are calculated at 40 hours per week, rounded to the nearest tenth. The maximum for each employee is 1.0.

Can I rehire employees to replenish my employee wages (#5C) and average weekly FTE (#5D)?

Yes, there are reduction safe harbors. Borrowers have until 06/30/20 to restore reductions made between 02/15/20 and 04/26/20. To qualify for the wage reduction safe harbor, employee wages must be restored to equal or exceed their annual salary as of 02/15/20. To qualify for the FTE reduction safe harbor, FTE employee levels must be restored to equal or exceed the average FTE levels in the pay period that includes 02/15/20.

In addition, there is an FTE reduction exemption if the borrower makes a good-faith, written offer to rehire an employee during the covered period but was rejected. The employee must have been either (a) fired for cause, (b) voluntarily resigned, or (c) voluntarily requests and received a reduction of their hours. FTE reductions in these cases do not reduce the borrower’s loan forgiveness.

How do I estimate loan forgiveness?

How do we record the funds within the books and records?

⇒ Record a loan when received and accrue interest on a monthly basis
⇒ Once a loan is forgiven, debt forgiveness revenue will be recognized, and the loan payable reduced by the amount forgiven