



PPP FORGIVENESS – UPDATES 5/20/2020
HOW TO INTERPRET LOAN FORGIVENESS
APPLICATION INSTRUCTIONS & CALCULATIONS

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Legislation and further guidance for many of the items are still unclear and pending

AGENDA



UPDATES



STEPS
TO TAKE



WHAT IF YOU
DON'T QUALIFY?

HOUSEKEEPING

- Save your questions to the end! Many will be answered in the presentation
- Use Q&A to Ask Questions
- You can also raise your hand to speak and we will unmute you
- YES, slides, replay and additional content will be available
- Join the BridalVision Facebook Group for updates

WARNING



THIS MATERIAL IS NOT INTENDED
TO BE LEGAL ADVICE AND SHOULD
NOT BE RELIED UPON AS SUCH



AFTER THIS SEMINAR, SHOULD YOU HAVE
QUESTIONS SPECIFIC TO YOUR BUSINESS,
PLEASE CONTACT YOUR ACCOUNTING
PROFESSIONAL

PPP LOAN & FORGIVENESS - AN EDUCATED OPINION

- There is a BIG difference between a \$100,000 loan and a \$100,000 grant
- Which you receive depends on how well you plan and document your spending over the 8-week period
- Assume your banker is not interested in forgiving your loan – the burden of proof is on YOU
- Your lender may *change*

LOAN FORGIVENESS RULES

- Borrowers are eligible for loan forgiveness equal to the amount the borrower spent during the eight-week period, beginning on the date the loan originated
- Not more than 25% of the forgiven amount may be for non-payroll costs
- The following items qualify for loan forgiveness:
 - Payroll costs, including benefits
 - Interest on mortgage obligations incurred before 2/15/20
 - Rent under lease agreements in force before 2/15/20
 - Utility costs – including electricity, gas, water, transportation, telephone & internet

Legislation and further guidance for many of the items are still unclear and pending

DOCUMENTATION REQUIREMENTS

PPP Application Just Released!

1. PPP Loan Forgiveness Calculation Form
2. PPP Schedule A
3. PPP Schedule A Worksheet
4. Optional PPP Borrower Demographic Information

REQUIRED
Submit
To
Lender

DOCUMENTATION BE AUDIT-PROOF

Docs you must “maintain but not required to submit”

- Payroll documentation and calculations pertaining to
 - Payroll costs
 - Salary/wages
 - FTE calcs
- Documentation regarding employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule
- Documentation supporting the PPP Schedule A Worksheet “FTE Reduction Safe Harbor”

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BE AUDIT-PROOF

Docs you must “maintain but not required to submit”

The borrower must retain all such documentation in its files for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request.

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BE AUDIT-PROOF

Docs you must “maintain but not required to submit”

Create a PPP file

COVERED PERIOD VS. ALTERNATIVE PAYROLL COVERED PERIOD

If you pay your employees on a biweekly or more frequent schedule, you may choose to begin the period **on the first day of the first pay period following disbursement of the loan** (“Alternative Payroll Covered Period”) for qualifying payroll costs only.

PAYROLL COSTS

ELIGIBLE PAYROLL COSTS

- Payroll **costs paid & payroll costs incurred** during covered period (or Alternative Covered Period)

Legislation and further guidance for many of the items are still unclear and pending

THREE REQUIREMENTS

- Cash Compensation
- Average FTE
- Salary/Hourly Wage Reduction

PAYROLL COSTS DEFINED

- For Employers
 - Salary, wage, commission or similar compensation
 - Payment of cash tip or equivalent
 - Payment for vacation, parental, family, medical or sick leave
 - Allowance for dismissal or separation
 - Employer portion of payments made for group health care
 - Employer contribution to retirement plan
 - Payment of state or local tax assessed on the compensation of the employee (state unemployment tax, state FML, etc)

EXCLUDED PAYROLL COSTS

- Compensation of an individual employee in excess of an annual salary of \$100,000
 - NOTE – employer contributions to health care and retirement benefits are not part of amount deemed in excess of \$100,000 annual salary) •
- Employer portion of payroll taxes (except the state taxes)
 - Employer Social Security & Medicare
 - Employer Federal Unemployment
- Any compensation of an employee whose principal place of residence is outside of the United States
 - Qualified sick leave for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act, or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act.

PAYROLL COSTS

ELIGIBLE PAYROLL COSTS

- Payroll costs paid & payroll costs incurred during covered period (or Alternative Covered Period)

Payroll costs incurred but not paid during the Borrower's last pay period of the Covered Period (or Alternative Payroll Covered Period) are eligible for forgiveness **if paid on or before the next regular payroll date**. Otherwise, payroll costs must be paid during the Covered Period (or Alternative Payroll Covered Period)....**Count payroll costs that were both paid and incurred only once.**

PAYROLL COSTS FTE REQUIREMENT

- Are you using the covered period or alternative covered period?
- Determine *AVERAGE* number of hours per week/per employee
 - Find in your payroll journal or similar report
 - (Total number for the period/8)
 - Divide by 40
- Alternatively (your choice)
 - Assign 1 for employees who work 40 hours or more per week
 - Assign 0.5 for employees who work fewer hours

PAYROLL COSTS FTE REQUIREMENT

- SAFE HARBOR
 - If you replace FTEs by 6/30, you are safe
 - **Comparison period** must be the same time period used for completing PPP Schedule A Worksheet.
 - 02/15/2019-06/30/2019
 - 01/01-2/29/2020
 - OR SEASONAL EMPLOYERS ONLY a consecutive 12 week period between May 1 2019-September 15 2019

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PAYROLL COSTS

SALARY/HOURLY WAGE REDUCTION

- Determined for each employee
- Based on average salary or hourly wage during covered period or alternative covered period
- Comparison period is January 1st-March 31st 2020

PAYROLL COSTS

SALARY/HOURLY WAGE REDUCTION

- SAFE HARBOR
 - If you increase average salary or hourly wage by 6/30, you are safe
 - You must use the same **comparison period** as for FTEs on Schedule A Worksheet
 - 02/15/2019-06/30/2019
 - 01/01-2/29/2020
 - OR SEASONAL EMPLOYERS ONLY a consecutive 12 week period between May 1 2019-September 15 209

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EIDL REDUCTION

- If applicable, SBA will deduct EIDL Advance Amounts from the forgiveness amount remitted to the Lender.

STEPS TO TAKE NOW

- Plan out your 8-week period right now
- 8-week period starts the exact day you receive the funding
- Determine what 75% of that loan amount is that must go towards payroll costs
- Set up a separate bank account

STEPS TO TAKE NOW

- Determine how many employees you will re-hire, their wages and the hours they will work
- Project out over 8-week period to see if payroll costs will meet at least 75% of your loan amount
- Project out over 8-week period to see if your employee count and hours anticipated will equal your chosen look back period for FTE count
- Determine the amount of other costs you have to cover the remaining 25% and forecast out the expenses over the 8-week period
- Notify any furloughed employees that they will be returning to work and taken off unemployment

STEPS TO TAKE NOW CONT

- Determine how many check dates you will have during 8-week period
- If you have forecasted your payroll costs for the 8-week period and you are under the minimum 75%, what will your plan of action be?
- For employees that earn a salary over \$100,000 calculate their payroll cost over the \$100,000 to determine the amount to exclude from the forgiveness calculation
- Don't forget that employer contribution on retirement plans, health insurance and state taxes assessed on wages all count towards payroll costs

STEPS TO TAKE NOW CONT

- Review additional **allowable costs** and ensure those are paid during the 8 week period – remember “cash basis”
- More than 75% of loan proceeds can be used towards **payroll** costs. Up to 100%
- Set up **new classes or accounts** in the chart of accounts in your accounting system to track expenses separately
- Documentation
 - Save of statements invoices, copied checks, etc. for all costs used towards forgiveness.
 - Be prepared to provide digital copies documents with specific expenses indicated
- If you received an **EIDL advance**, it will reduce the forgivable amount of the PPP Loan

FORGIVENESS REDUCTIONS

- **FTE** -Your eligible forgiveness amount is subject to reduction based on a reduction in number of full-time employees (FTE) and/or reduction in amount of salary or wages for those employees by more than 25%
- **Reduction of salary/wages:** cannot exceed 25% of the total salary or wages of the employee during the most recent full quarter during which the employee was employed before the eight-week period
 - Calculation issues: a quarter is 12-13 weeks, not 8 weeks
- **EIDL Grant/Advance received:** the forgiveness will be reduced by the amounts you received

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- Loan payments start in the 7th month after the date of the note
 - Example Loan payments
 - \$85,000 PPP loan – loan payment amount around is \$4200/month
 - \$35,000 PPP loan –loan payment amount is around \$2000/month
 - \$150,000 PPP Loan – loan payment amount is around \$8500/month
 - Do you have the cash flow for these types of loan payments if you do not receive forgiveness?

Legislation and further guidance for many of the items are still unclear and pending

ALTERNATIVE OPTION

- Employer Tax Credit!!!

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EIDL???

- PPP vs EIDL...

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BRIDALVISION COVID CASH TOOL

App.bridal.vision

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WE'RE HERE TO HELP

- Free Resources
 - Updates on [BridalVision Facebook Group](#) as we know more
 - bridal.vision/covid-response
 - BridalVision App Free through 7/31 app.bridal.vision
 - **NEW – COVID CASH TOOL**
 - **NEW – RESILIENCY ASSESSMENT**
 - Coming Soon – Inventory, Cash Flow, Profit & Growth Dashboards
- If you are a client
 - Reach out as you need help to advisory@bridal.vision
- If you want to learn about how to work with BridalVision
 - Go to [Bridal.Vision](https://bridal.vision)
 - AND/OR [book a 15 min discovery call](#)





QUESTIONS?

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To reserve a space on our roster