

Legislative Update

What We Know Now

April 27, 2020

PPP Loans – New FAQs

- Before submitting a PPP application, all borrowers should review carefully the required certification that “current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.”
- Borrowers must make this certification in good faith, taking into account their current business activity and their ability to access other sources of liquidity to support their ongoing operations
- Any borrower that applied for a PPP loan prior to the issuance of this guidance and repays the loan in full by May 7, 2020 will be deemed by SBA to have made the required certification in good faith



PPP Loans – New FAQs

Clarifications to Qualified Businesses

- As long as other PPP eligibility requirements are met, small agricultural cooperatives and other cooperatives may receive PPP loans.
- Agricultural producers, farmers, and ranchers are eligible for PPP loans if: (i) the business has 500 or fewer employees, or (ii) the business fits within the revenue-based sized standard, which is average annual receipts of \$1 million.

At this time, we do not see any additional non-profits included under the new funding



PPP Loan Forgiveness

• Eligibility - employees Forgiveness - FTEs

- For purposes of loan eligibility, the CARES Act defines the term employee to include “individuals employed on a full-time, part-time, or other basis.” A borrower must therefore calculate the total number of employees, including part-time employees, when determining their employee headcount for purposes of the eligibility threshold.
- By contrast, for purposes of loan forgiveness, the CARES Act uses the standard of “full-time equivalent employees” to determine the extent to which the loan forgiveness amount will be reduced in the event of workforce reductions
- <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>



PPP Loan Forgiveness

How to calculate FTEs

- Any employee who works more than 30 hours/week = 1 Full Time Employee
- Add up all part-time hours in a week $\div 30 = \#$ of Full Time Equivalents
- Example: Employer has 3 employees receiving salary based on 40 hours/week, 4 employees who work 35 hours/week, and 9 part-time employees who work a combined total of 127 hours/week.
- $127 \div 30 = 4.23$ FTE
- $4.23 + 3 + 4 = 11.23$ FTE

*The average number of FTEs shall be determined by calculating the average number of FTEs for each pay period falling within a month – SEC. 1106. LOAN FORGIVENESS



PPP Loan Forgiveness

- Workforce Requirement: You must maintain the number of employees on your payroll.

First, determine the average number of full-time equivalent employees you had for:

- The 8-week period following your initial loan disbursement, (**A**)
- February 15, 2019 to June 30, 2019, (**B1**)
- and January 1, 2020 to February 29, 2020. (**B2**)

Take **A** and divide that by **B1**. Do the same with **B2**. Take the largest number you obtain. If you're a seasonal employer, you must divide by **B1**.

- If you get a number equal to or larger than 1, you successfully maintained your headcount and meet this requirement.
- If you get a number smaller than 1, you did not maintain your headcount and your forgivable expenses will be reduced proportionately.



PPP Loan Forgiveness

Grace Period

For any employees that were laid off or furloughed between February 15, 2020 and April 26, 2020, you have until June 30, 2020 to rehire to meet the FTE workforce requirements for forgiveness.



PPP and Health Care Benefits

What is included?

Employer paid portion of:

- Healthcare Benefits (Medical, Dental and Vision)
- Retirement Plan Contributions

*** It is not known if this also includes ancillary benefits



FFCRA and Health Care Benefits

What is covered? “Qualified Health Plan Expenses”

These health plan expenses are defined as group health plans

Broad definition but includes:

- Employer Sponsored Medical, Dental and Vision Plans
- HRA Plans
- RX Plans
- Health FSAs

Does NOT include employer contributions to:

- HSA Plans



PPP Loans

It is still unclear how lenders will treat payrolls during the 8 week forgiveness period. You may be asked to pro-rate to show what costs were actually incurred

Example: PPP funds distributed 4/10 (8 weeks -> 4/10 – 6/4)

1) Payroll period 4/1 – 4/15 (11 working days - 4 working days included in 8 week forgiveness period)

$$4 \div 11 = 0.36$$

Total payroll \$10,000

$$\$10,000 \times 0.36 = \$3,636.36 \text{ for 4 working days}$$

2) Payroll period 4/16 – 4/ 30 – covered in the 8 weeks \$10,000

3) Payroll period 5/1 – 5/15 – covered in the 8 weeks \$10,000

4) Payroll period 5/16 – 5/29 – covered in the 8 weeks \$10,000

5) Payroll period 6/1 – 6/15 – 4 days covered \$3,636.36

Total \$37,272.72



PPP Loan Forgiveness Equipment

- The CARES Act defines any payments of rent under a leasing agreement in force before February 15, 2020, as a Qualified Expense.
- It is our understanding that equipment loans would qualify *as long as* they are secured by the business personal property and were incurred prior to February 15, 2020.



PPP Loan Second Round

- No changes to the eligibility requirements
- \$310 billion for the Paycheck Protection Program, including \$30 billion allocated specifically to community lenders, small banks and credit unions, and \$30 billion to medium-sized banks and credit unions
- \$60 billion for the U.S. Small Business Administration's Economic Injury Disaster Loan Program, which includes \$10 billion in emergency grants for businesses (\$50 billion will go toward loans and \$10 billion toward emergency grants)
- \$75 billion in resources for hospitals including personal protective equipment



PPP Loan Second Round

- If you've already applied for a loan via the PPP or the EIDL program—or both—contact the bank where you applied immediately
- There will be a wider range of [SBA-approved financial institutions that you can apply to.](#)
- **Additional Funding Notice:** The SBA will resume accepting Paycheck Protection Program applications from participating lenders on Monday, April 27, 2020 at 10:30am EDT.
- SBA Guidance (<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>)



We are answering your questions live on the air right now.

Please submit questions through the **Q&A function**,
not the chat option at the bottom of your screen.



Questions?

Please email:

questions@dominionpayroll.com

For resources, updates, webinar schedule, and FAQ's, please visit our

[COVID-19 Updates & Resources page](#)



As requirements change and laws are passed, we will update you as soon as possible.

Don't forget to wash your hands!

