

Legislative Update

What We Know Now

May 4, 2020

The Road to Forgiveness

The SBA has been clear that no supporting documentation equals no loan forgiveness.

Until full official guidance is released, we recommend creating a detailed, itemized schedule of all possible expenditures that may fall within the following definition of “covered expenses.”

Good recordkeeping and bookkeeping will be critical for getting your loan forgiven—you’ll need to keep track of eligible expenses and their accompanying documentation over the eight weeks. Your lender will likely require these documents in digital format, so take the time to scan any paper documents and keep backups of your digital records.



Update on FTE's

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.



The Road to Forgiveness

Maintain a PPP loan forgiveness file that includes:

- **all correspondences with your lender**
- **employee records to verify FTEs – both of the baseline periods and the 8 week forgiveness period**
- **documentation of correspondence with any EE that does not return to your employment**
- **Bank account statements**
- **Payroll reports – which include benefit contributions**
- **Payroll tax filings (941)**
- **Income, payroll, and unemployment insurance filings from your state**
- **Cancelled checks**
- **Utility bills**
- **Payment receipts**
- **Copy of your lease**

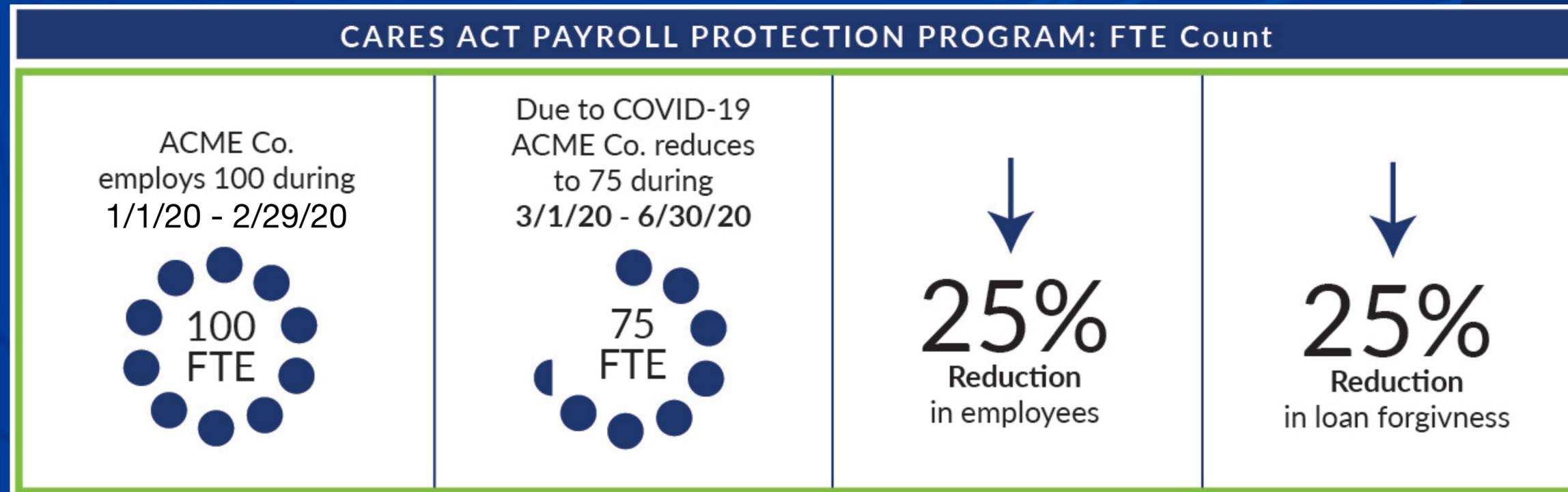


The Road to Forgiveness

An audit or investigation request may come months or years after your PPP loan is forgiven, paid, or both. With loans that close, the SBA instructs lenders to retain key records for up to ten years from payment or other disposition. Borrowers should also follow this general guideline.



Forgiveness & FTE Reductions



Forgiveness & Wage Reductions

PPP Loan Forgiveness will be reduced if you reduce an employee's wages or salary by more than 25%

Ex. You typically pay Cheryl \$1,000/week and you reduce her salary to \$700/week.

25% of Cheryl's salary = \$250.

A 30% reduction = \$300.

$\$300 - \$250 = \$50/\text{week}$ non-forgiveable reduction

$\$50 \times 8 \text{ week PPP period} = \400 loan forgiveness reduction



Patriot Pay

Senator Mitt Romney proposes bonus pay for essential workers.

- Up to \$12/hour on top of normal wages (topping out at \$90,000 in annualized wages)
- Essential Workers - TBD, but likely include workers at hospitals, grocery stores, food processors and health manufacturing
- The plan offers employers a refundable payroll tax credit for paying out the bonuses using the same paid sick leave system from the FFCRA
- Eligible period - May 1 - July 31, 2020



Main Street Lending Program

Businesses with up to 15,000 employees or up to \$5 billion in annual revenue will now be able to access loans through the Main Street Lending Program, doubling the revenue limit and raising the employee limit by 50%

The minimum loan size for Main Street was reduced to \$500,000 from \$1 million

No loan forgiveness

Cannot apply for both PPP and Main Street Lending Program



Main Street Lending Program

Eligible companies will receive loans from banks with a term of four years at an interest rate of 3% more than the LIBOR rate; loan amounts will range from \$500,000 to \$200 million.

The program will be administered directly by the Federal Reserve, not the Small Business Administration, and the loans will come from private banks.

Federal Reserve Chairman Powell noted on Wednesday that the program, which has yet to launch, is significantly different from the embattled Paycheck Protection Program: “One, these are not grants, these are loans. I don’t know that the demand will be quite as strong as it has been for the PPP. And the second thing is, we won’t run out of money. It’s not a limited pot, so there won’t be this incentive to try to get there first.”



Main Street Lending Program

The borrower must certify that it has reasonable basis to believe that, as of the date of the loan (or the upsizing of a loan in MSELF) and after giving effect to such loan (or upsizing), it has the ability to meet its financial obligations for at least the next 90 days and does not expect to file for bankruptcy during that time period

Encourages business owners to make "reasonable efforts" to maintain payroll and retain their employees during the term of the loan, but there is no hard and fast requirement to do so.

Non-profits are ineligible to apply



Main Street Lending Program

Three Options:

- The New Loan Facility has a maximum loan size of \$25 million or four times 2019 adjusted EBITDA. Lenders will retain a 5% stake in the loan. The minimum loan size is \$500,000.
- The Priority Loan Facility has a maximum loan size of \$25 million or six times 2019 adjusted EBITDA. Lenders will retain a 15% stake and the minimum loan size is \$500,000.
- The Expanded Loan Facility will lend out as much as \$200 million, 35% of a borrower's outstanding debt or six times 2019 adjusted EBITDA. Lenders will retain a 5% stake. The minimum loan size is \$10 million.



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!

