

PPP Loan Forgiveness Update & Town Hall Q/A

June 3, 2020

Forgiveness Tips

- **Covered Period** – Begins with the first day of disbursement

MAY							JUNE						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	1	2	31	1	2	3	4	5	6
3	4	5	6	7	8	9	7	8	9	10	11	12	13
10	11	12	13	14	15	16	14	15	16	17	18	19	20
17	18	19	20	21	22	23	21	22	23	24	25	26	27
24	25	26	27	28	29	30	28	29	30	1	2	3	4
31	1	2	3	4	5	6	5	6	7	8	9	10	11

- **Alternative Payroll Covered Period** – Begins with the first day of the payroll cycle following the date of disbursement

MAY							JUNE							JULY						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	1	2	31	1	2	3	4	5	6	28	29	30	1	2	3	4
3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11
10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18
17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25
24	25	26	27	28	29	30	28	29	30	1	2	3	4	26	27	28	29	30	31	1
31	1	2	3	4	5	6	5	6	7	8	9	10	11	2	3	4	5	6	7	8

*only available to businesses with biweekly or weekly payroll a



Payroll Costs Paid and Payroll Costs Incurred

MAY							JUNE							JULY						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	1	2	31	1	2	3	4	5	6	28	29	30	1	2	3	4
3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11
10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18
17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25
24	25	26	27	28	29	30	28	29	30	1	2	3	4	26	27	28	29	30	31	1
31	1	2	3	4	5	6	5	6	7	8	9	10	11	2	3	4	5	6	7	8

Payrolls paid but not incurred – 5/15

Payrolls paid and incurred - 5/29, 6/12, 6/26

Payroll incurred but not paid - 7/10

All of these payrolls are eligible for forgiveness

*Payroll costs incurred, but not paid, during the borrower's last pay period of the eight-week period are eligible for forgiveness only if they're paid on or before the next regular pay period.



Non-Payroll Costs Incurred and Non-payroll Costs Paid

Eligible non-payroll costs must be paid or incurred during the eight-week coverage period. For expenses incurred but not paid during this period, they must be paid on or before the next regular billing date, even if that date is after the eight-week period.





Bonus and Hazard Pay



The CARES Act defines the term "payroll costs" broadly to include compensation in the form of salary, wages, commissions, or similar compensation. As a result, employee bonuses and hazard pay are eligible for loan forgiveness as payroll costs, as long as the employee's total compensation does not exceed \$100,000 (\$15,385 per the 56 day covered period) on an annualized basis. These payments constitute a supplement to salary or wages and, therefore, are a similar form of compensation.



Definition of an FTE

SBA defines an FTE as an employee who works 40 or more hours, on average, each week

Calculating FTE's

Determine the average number of hours an employee was paid during the 8 week covered period and divide by 40 – round to the nearest tenth

Simplified version:

- Employees working 40 or more hours per week = 1 FTE
- Employees working less than 40 hours per week = 0.5 FTE



FTE Reduction Exceptions

There are exceptions to reduction of loan forgiveness when a small business decreases the number of FTE employees during the eight-week covered period. According to the SBA, a borrower will not be penalized for FTE reductions for employees who were **fired for cause, voluntarily resigned, or requested a reduction of their hours.**

In addition, a borrower is exempt from the loan forgiveness reduction rules if they lowered FTE employee levels between February 15 and April 26, 2020, but restored the FTE employee level by June 30, 2020, to the level that existed during the pay period that included February 15, 2020.

Also, small businesses will not see a reduction in the loan amount forgiven if workers turn down their old jobs. To qualify for this exemption, 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." Within 30 days of an employee's rejection of the offer, a business seeking loan forgiveness must notify state unemployment offices of the worker's refusal to return to work.



Safe Harbor – FTE



“FTE Reduction Safe Harbor,” which provides that, “the Borrower is exempt from the reduction in loan forgiveness based on FTE employees described above if both of the following conditions are met:

(1) the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and

(2) the Borrower then restored its FTE employee levels by not later than June 30, 2020 to its FTE employee levels in the Borrower’s pay period that included February 15, 2020.”

The loan forgiveness application provides additional clarity that if the borrower’s total FTE as measured on June 30, 2020, is greater than or equal to the borrower’s total FTE for the pay period that includes February 15, 2020, then the headcount reduction that occurred between February 15, 2020 and April 26, 2020 results in no loss of forgiveness.





Safe Harbor – Salary/Wage Reduction

“Salary/Hourly Wage Reduction Safe Harbor,” which is calculated on a per-employee basis. Specifically, if the “average annual salary or hourly wage as of June 30, 2020,” is equal to or greater than the “annual salary or hourly wage as of February 15, 2020,” then the Safe Harbor is met, and no dollar for dollar reduction is applied.

Document Retention



The SBA announced that it can review PPP loans of any size at any time. Borrowers must retain their PPP documents for at least six years after the date the loan is forgiven or paid in full.



Dominion Payroll Clients

To help with PPP forgiveness reporting accuracy:

Verify Employee Status

Mark Employee Ownership

- Employee Management > Employee Maintenance > Employment > ownership %

Enter hours not just wages to ensure accurate FTE counts



Question:

Do any of the following qualify as an eligible non-payroll cost?

IT Managed Services

Specialized business software license subscription fees

Photocopier Rental

Workers Comp

Company Automobile Payment



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!

