

Paycheck Protection Program

Created by the CARES Act, the Paycheck Protection Program (PPP) is designed to help businesses keep employees on the payroll during the COVID-19 crisis. These Small Business Administration loans must be used, calculated and documented in a specific manner. See below for answers to the major questions about PPP.

HOW DO I TRACK THE RECEIPT AND EXPENDITURE OF FUNDS?



Document how funds are spent
versus transfer of cash (similar to expense reporting)



Track expenses
for 24 weeks after funds are received
(maintain receipts)

HOW DO I ACCOUNT FOR PPP FUNDING?



- Create new general ledger accounts.
- Cash receipt: Record PPP cash and PPP loan payable.
- Loan forgiveness: Record debt forgiveness and remove loan payable.
- If loans are not forgiven, it is a 5-year loan, with a 1% interest rate.

WHAT COSTS ARE ELIGIBLE FOR FORGIVENESS?



- Payroll costs (must be 60% of loan costs)
- Interest on mortgage obligations in effect on Feb. 15, 2020
- Rent under lease agreement in effect on Feb. 15, 2020
- Utilities (electricity, gas, water, phone, internet)

HOW DO I CALCULATE LOAN FORGIVENESS?



- 1) Total all of your eligible costs incurred during the 24-week period after loan funding.
- 2) Payroll costs are capped at \$100,000 annualized per employee (\$46,154 for the 24-week period)
- 3) Calculate any percentage decrease in full-time employees paid for the period, compared to the number of employees on the PPP application.