



# PPP LOAN FORGIVENESS GUIDELINES

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# PPP LOAN FORGIVENESS GUIDELINES

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- PIM  
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- PIA MidAmerica
- LB Carlson

# Presenters



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# Agenda

- Introduction/Opening Remarks
- Certification
- Forgiveness Application
  - Payroll - categories and basic information
    - salary/hourly wage reduction
    - FTE safe harbor and general testing
  - Other allowable costs
- Documentation
  - Payroll
  - Other Costs
- Closing Remarks/Questions

## Impact on Forgiveness

- Total loan forgiveness could be reduced by amount of reduction in annual salary or average wages of rank and file employee that is in excess of 75%
- For employee listed on Table 1 we need to review EACH employee



## Steps to determine if reduction may apply

1. Determine annual salary or hourly wage for each employee (Table 1) for the covered period.
2. Determine average annual salary or hourly wage for each employee (Table 1) during the period January 1, 2020 through March 31, 2020.
3. Divide Step 1 by Step 2 for each employee.
4. If Step 3 is greater than 75%, no reduction required. Do not fill out the column in Table 1 for this employee.

## Steps to determine if reduction may apply - continued

5. If Step 3 is less than 75% a reduction in forgiveness is required (but it may be reinstated). The reduction is tentatively determined by multiplying the amount determined in Step 2 by 75%, and then subtracting from that result the amount from Step 1.
  - For a salaried employee, take this result and divide the amount by 52, then multiply by 8. This is the amount of the required reduction.
  - For an hourly worker, the amount of the reduction is determined by first multiplying the average number of hours worked per week from January 1, 2020 through March 31, 2020 by the amount determined by subtracting the amount determined in Step 1 from 75% of the amount in Step 2. The result is then multiplied by 8 to arrive at the total reduction.

Lost? I think I am!





# Salary/Hour Wage Reduction

Let's try an example

## Employee A

- Paid \$75,000 in 2019
- Paid \$20,000 for the period January 1, 2020 to March 31, 2020
- Paid \$8,000 during the covered period

Step 1 – Annual pay for covered period = \$52,000 ( $\$8,000 \div 8 \times 52$ )

Step 2 – Annual pay for period March 1, 2020 through March 31, 2020 was \$80,000 ( $\$20,000 \times 4$ )

Step 3 –  $\$52,000 \div \$80,000 = 65\%$

Step 4 – N/A Less than 75% so go to Step 5

Step 5 – Forgiveness reduction	$\$80,000$ (Step 2) $\times$ 75% = $\$60,000$
	Less Step 1 Amount = <u><math>\\$52,000</math></u>
	$\$ 8,000$
	$\div 52$
	<u><math>\times 8</math></u>
	<u><math>\\$ 1,230</math></u>

**EXAMPLE**

The reduction is NOT required if Safe Harbor is met

- Step 1-Determine employee's annual salary (or hourly wage) at February 15, 2020.
- Step 2-Determine average annual salary (or hourly wage) for the period February 15, 2020 through April 26, 2020.
- Step 3-If Step 2 is greater than Step 1, Safe Harbor does not apply, compute the reduction in forgiveness. If Step 2 is less than Step 1, proceed.
- Step 4-Determine average annual salary (or hourly wage) for employee as of June 30, 2020. If that amount is equal to or greater than salary (or hourly wage) for employee for Step 1 (February 15) the Safe Harbor is met, no reduction required.

Example – Continuing previous set of facts and assume on February 15, 2020 employee was paid at an annual salary of \$75,000. Assume post COVID-19 employee's pay reduced to average of \$55,000. It was further reduced during the covered period to \$52,000 resulting in employee being paid only \$8,000 in covered period.

By June 30, 2020 employees' annual salary was increased back to \$75,000 even though employee was only returned to amount he was paid on February 15 (\$75,000) and not the amount paid in first quarter (\$80,000), the Safe Harbor is met.

## Average FTE – Defined

- Average Number of hours paid per week, divided by 40, and round to the nearest tenth (maximum for each employee is 1.0)
- Borrower may elect to use 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer than 40 hours

## Average FTE – Covered Period or Alternative Payroll Covered Period

- Needed for Tables 1 and 2 of the “PPP Schedule A Worksheet”

## Average FTE – Reference Period (Line 11 of PPP Schedule A)

- Follow the same method that was used to calculate Average FTE for Covered Period or Alternative Payroll Covered Period
- Chosen Reference Period
  - February 15, 2019 to June 30, 2019
  - January 1, 2020 to February 29, 2020

## Change in Average FTEs

- Loan Forgiveness may be reduced if the Average weekly FTE employees during Covered Period or Alternative Payroll Covered Period was less than average weekly FTEs during chosen reference period.

## FTE Reduction Exemption

- Following FTE reductions do not reduce the Loan Forgiveness
  - Any position for which the Borrower made a good-faith, written offer to rehire an employee during the Covered or Alternative Payroll Covered Period which was rejected
  - Any employees who during the Covered Period or the Alternative Payroll Covered Period
    - Were fired for cause
    - Voluntarily resigned
    - Voluntarily requested and received a reduction in their hours
- FTE adjustment *only if* the position was not filled by a new employee

## Exemptions to Forgiveness Reduction due to Decrease in Average weekly FTEs

- You have not reduced the number of employees or the average paid hour of your employees between January 1, 2020 and the end of the Covered Period (PPP Schedule A)
- FTE Reduction Safe Harbor
  - Borrower reduced its FTE employee levels in the period beginning February 15, 2020 and ending April 26, 2020; and
  - Borrower then restored its FTE employee levels by no later than June 30, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020.

PPP Loan Forgiveness  
Average Weekly FTE Calculation

**Average Number of Hours Worked**

		Employee							
		A	B	C	D	E	F	G	H
Hours Worked		45	40	32	20	10	25	39	5
FTE		1.0	1.0	0.8	0.5	0.3	0.6	1.0	0.1
Total Average FTEs		5.3							

**Borrower Elects Alternative Method**

		Employee							
		A	B	C	D	E	F	G	H
Hours Worked		45	40	32	20	10	25	39	5
FTE		1.0	1.0	0.5	0.5	0.5	0.5	0.5	0.5
Total Average FTEs		5.0							

THANK YOU and STAY SAFE!

