

Paycheck Protection Program Office Hours June 11, 2020

Update on Loan Forgiveness Rules



Disclaimer

- + This information does not constitute legal, financial or accounting advice. It is provided for general informational and educational purposes.
- + All organizations are urged to consult their own legal, financial or accounting advisors on whom they rely.
- + Particularly in context of the SBA PPP loan program, organizations should also consult with their lender.
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Summary of Topics Covered

- Summary of PPP Flexibility Act (HR 7010)
- Definition of Covered Period
- Use of Proceeds: Eligible Payroll Costs
- FTE Definitions
- Incurred or Paid
- Use of Proceeds: Non-Payroll Costs
- Application Process
- Repayment
- Unresolved Issues

Overview of Paycheck Protection Program Flexibility Act of 2020 (HR7010)

- Extend eligibility until 12/31
- Covered period is earlier of 24 weeks or 12/31 but option to use 8 weeks
- 75% minimum payroll costs reduced to 60%
- Rehire date extended to 12/31
- Repayment term extended to 5 years for loans issued after 6/5; at the discretion of the lender and borrower if loan was received before 6/5
- Safe harbor expanded to include businesses who cannot return to previous level of activity due to HHS/CDC/OSHA regulations or hire qualified employees
- Eligible to defer 2020 payroll taxes

Definition of Covered Period

- How do I decide whether to use the 8 week or 24 week “Covered Period”?
- What is the difference between Covered Period versus Alternative Covered Period?

Use of Proceeds: Eligible Payroll Costs

- How does the longer covered period impact the \$100,000 threshold?
 - 8 weeks of payroll for a \$100,000 employee is \$15,385
 - 24 weeks of payroll for a \$100,000 employee is \$46,154
- How can bonuses be paid using the funds? Can this be paid in lieu of pay increases?
- Is a contribution to a retirement account eligible for forgiveness?
- Can we include vacation payouts or benefits paid for staff on furlough?

FTE Definitions

- Does the new 24 week period change the period used in 2019 to determine the change in FTEs?
 - Key Dates:
 - Feb 15, 2020: Use for FTE Reduction & Salary/Hourly Wage Reduction Safe Harbor Date
 - Comparison date options for FTE:
 - a) Feb 15, 2019 – June 30, 2019
 - b) January 1, 2020 – February 29, 2020
 - June 30 (for 8 weeks) and Dec 31 (to be confirmed for 24 weeks) for rehire date
 - What happens if you have employees who quit or choose not to return to work?
 - Are there other staffing exceptions which do not cause a reduction in forgiveness?

Incurred or Paid

- When can I pay expenses which I incurred before the Covered Period began?
- What happens if my bill does not line up with my Covered Period?
- How long do I have to pay an expense incurred during the Covered Period but billed after the last day?

Use of Proceeds: Non-Payroll Costs

- What can be included in the 40% percent of the funds which may be spent on non-payroll costs?
- What happens if your non-payroll costs are billed in advance rather than arrears?

Application Process

- What is the timeframe to submit the forgiveness application?
- When does interest begin to accrue on the loan?
- When does the SBA review my forgiveness documentation?

Repayment

- When does loan repayment begin?
- How long do I have to repay the loan?

Unresolved Issues

- How long does an employer need to retain staff after the Safe Harbor Date?
- What are “transportation costs” that are included in “covered utility payments”?
- How and when is income recognized related to loan forgiveness under GAAP?

FOR MORE INFORMATION

JewishTogether.org

OR EMAIL

SBAloans@jfna.org