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# PAYMENT PROTECTION PROGRAM: NAVIGATING LOAN FORGIVENESS

LIVE WEBINAR

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# INTRODUCTION



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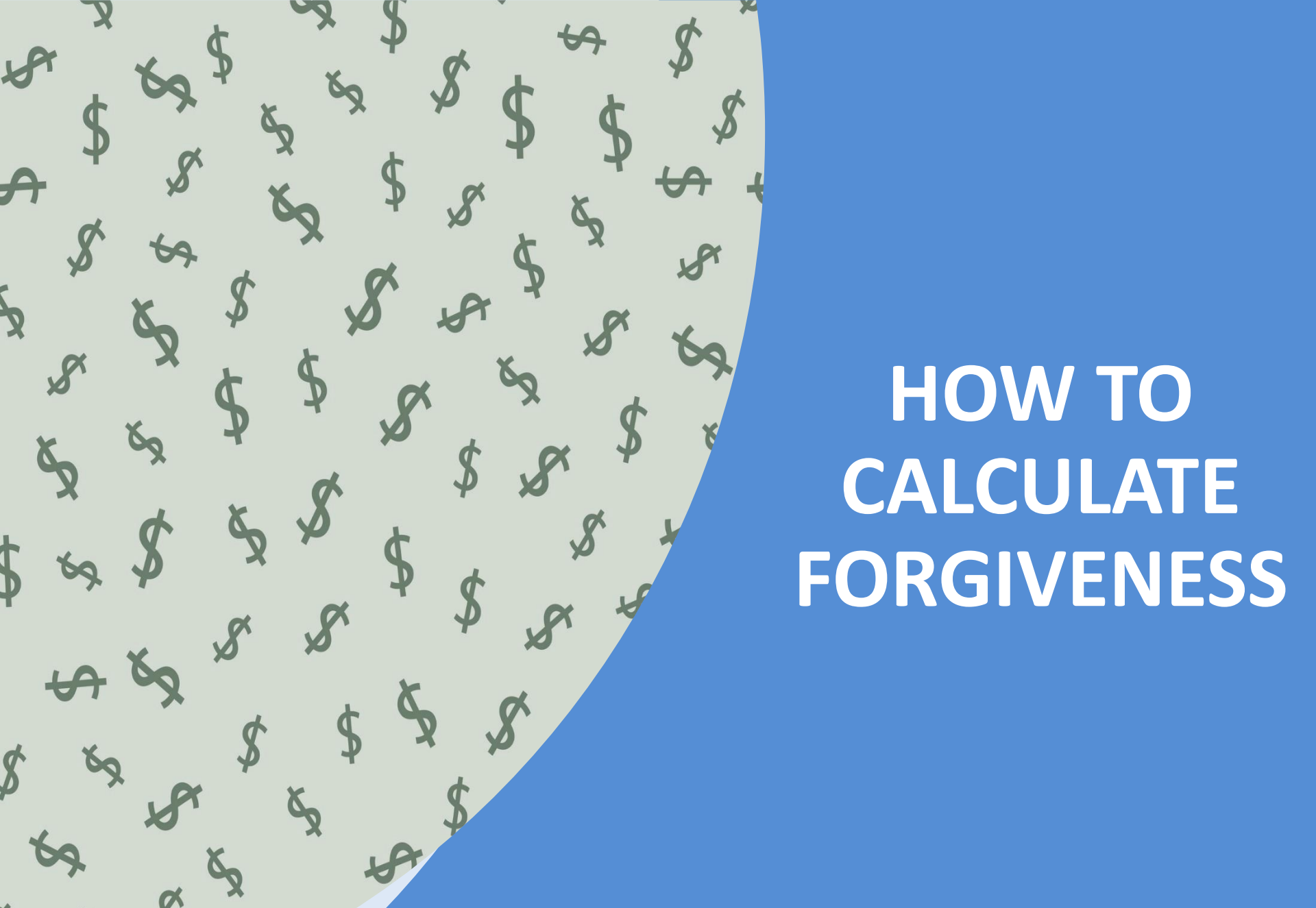


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# AGENDA

## Guidelines for Navigating Loan Forgiveness

- How to Calculate Forgiveness
- How & When to Apply for Forgiveness
- Certification of Economic Need



# HOW TO CALCULATE FORGIVENESS

# HOW TO CALCULATE FORGIVENESS

Q. What expenses can the loan be used for in order to get it forgiven?

A.

- *Payroll costs*
- *Mortgage interest*
- *Rent*
- *Utility payments*
- *Refinanced EIDL*

# HOW TO CALCULATE FORGIVENESS

Q. What are the utilities that count as qualifying expenses?

A. *Service agreements dated before February 15, 2020 for:*

- *Electricity*
- *Gas*
- *Water*
- *Transportation*
- *Internet*

# HOW TO CALCULATE FORGIVENESS

Q. When does the 8-week period begin?

A. *The date you receive funds from the bank.*

# HOW TO CALCULATE FORGIVENESS

- Q. Is the calculation of expenses based on what we actually pay or expenses we incur during the 8-week period?
- A. *Costs must be incurred and payment must be made, within the 8-week period.*



# HOW TO CALCULATE FORGIVENESS

- Q. When projecting the amount of the loan proceeds I will be using for payroll costs, I am coming out to less than 75% of the loan amount. What happens then?
- A. *The difference will not be forgiven and will continue as a loan. Some consider an increase in payroll costs by pro-ration of bonuses.*

# HOW TO CALCULATE FORGIVENESS

Q. Can I increase my expenses during the 8-week period by:

- Paying future expenses in advance or paying expenses that were deferred from prior periods?

➤ *A. Our understanding is that the expenses during the spend period are to have been incurred during that time so paying future expenses would not qualify.*

- Converting independent contractors to employees?

➤ *A. If they are truly employees then yes, but why were they not employees before?*

# HOW TO CALCULATE FORGIVENESS

Q. Can I increase my expenses during the 8-week period by:

- Paying bonuses

➤ *A. We believe if bonuses are standard practice, yes. The bonus should relate to the 8-week period not an annual bonus. It may make sense to pay weekly bonuses especially if it is to employees making less than \$100,000 annually.*

- Repaying compensation to employees who were furloughed or had compensation reduced

➤ *A. Yes but try and spread it out over more than one payroll period and to maximize the forgiveness try to not bring those that are below \$100,000 annually to now being over due to this additional money.*

# HOW TO CALCULATE FORGIVENESS

- Q. I furloughed 30% of my staff and also reduced compensation of certain employees by 30%. Can you explain how that could reduce my forgiveness?
- A. The 30% furlough will affect forgiveness because your full-time equivalent headcount during the 8 week spend period is used in a formula (comparing to either of 2 base periods, 2/15/19-6/30/19 or 1/1-2/29/20) to determine % forgiveness. For those you reduced compensation who are making \$100,000 or less annually there would be a dollar for dollar reduction of your forgiveness between the allowable 25% cut and the 30% actual cut.

# HOW TO CALCULATE FORGIVENESS

Q. If I bring back the furloughed employees and reinstate salaries on June 1, how does that impact the reduction that you just talked about?

A. *If you bring back the furloughed employees and reinstate salaries by 6/30/20 the formula and dollar for dollar reduction described previously would not impact your forgiveness amount.*

# HOW TO CALCULATE FORGIVENESS

Q. If I terminated employees and hire new employees prior to June 30, do the salaries of the new employees count toward forgiveness?

A. *Only if the employees are paid during the 8 week spend period.*

# HOW TO CALCULATE FORGIVENESS

Q. Does the reduction of the salary of those that earned greater than \$100K in 2019 by more than 25% have any effect on loan forgiveness?

A. *We believe it will not effect forgiveness.*



# APPLYING FOR FORGIVENESS



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Q. When do I apply for forgiveness?

A. *After 6/30/20 the banks will initiate the forgiveness process.*

# APPLYING FOR FORGIVENESS

Q. What information will I be required to provide?

A.

➤ *No formal guidance yet but we anticipate that it will be payroll reports, invoices for healthcare benefits, rent, utilities etc.*

# APPLYING FOR FORGIVENESS

- Q. Can they dispute the amount I put in for?
- What happens if they do?
  - Do they have to dispute it within a certain time frame?
- A. *Yes, banks have 60 days after application for forgiveness to make determination.*



# CERTIFICATION OF ELIGIBILITY

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Q. What is the standard for determining whether I was eligible for a PPP loan?

A. *Key Requirements:*

- *Act in good faith*
- *Loan request is necessary to support ongoing operations*
- *Must take into account:*
  - *current business activity*
  - *ability to access other sources of liquidity sufficient to support ongoing operations in a manner not significantly detrimental to the business.*

# CERTIFICATION OF ELIGIBILITY

Q. How do I make that determination?

A. *Conduct and document a detailed financial analysis.*

# CERTIFICATION OF ELIGIBILITY

Q. In assessing liquidity, should I:

Consider lines of credit that are available?

- **A. Yes.**

Consider the financial ability of owners to put in capital?

- **A. Maybe.**

# CERTIFICATION OF ELIGIBILITY

Q. Will applying for forgiveness impact my ability to take distributions?

A. *It depends.*



# CERTIFICATION OF ELIGIBILITY

- Q. What should I do if I already received the PPP loan but, based on the additional guidance, I now think I may not qualify?
- A. *Consider paying back the loan, even if you will miss the May 7 deadline for amnesty.*

# QUESTIONS & OPEN DISCUSSION

**Disclaimer Notice:** The information provided in this webinar is for informational purposes and does not, and is not intended to, constitute legal or financial advice. Please consult with legal counsel and accounting professionals prior to acting on the basis of information provided in this webinar.

**We are here to help you handle many of the novel challenges you are confronting in these extraordinary times.**

**We welcome your questions and encourage you to join in this important dialogue.**