Our Presenters

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Webinar Details

• Webinar will be recorded
• All attendees will be placed on mute
• Questions may be input into the Questions Box within GOTOWEBINAR
• Survey will be provided at the conclusion.
Legal disclaimer

The information presented today is provided for educational purposes and should not be considered legal advice.
1. Payroll Network Reminders
   • PPP Loan Forgiveness Report

2. Reviewing Loan Forgiveness
   • Application Detail
   • Reporting Requirements
   • Pending Legislation

3. Q&A
Payroll Network Updates
Reporting Opportunities

• Cares Payroll Protection Report
• ACA Large Client Compliance Report
• FFCRA Average Hours and Wage Report
• FFCRA Business Credits
• Employee Retention Tax Credit Report
• Payroll Summary / Payroll Register
• FTE by Hours Paid

• Available upon request:
  - Payroll Protection Forgiveness Report
The 2nd draft is based on initial guidance received and we anticipate that changes will need to be made to this report as we receive further guidance on how the loan forgiveness will be calculated.

3rd draft release today

### Table 2: List employees who:
- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of more than $100,000 for any pay period in 2019.

<table>
<thead>
<tr>
<th>Employee’s Name</th>
<th>Employee Identifier</th>
<th>Cash Compensation</th>
<th>Average FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Totals:</strong></td>
<td></td>
<td><strong>Box 4</strong></td>
<td><strong>Box 5</strong></td>
</tr>
<tr>
<td></td>
<td></td>
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</table>

FTE Reduction Exceptions:

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<tr>
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<th></th>
<th><strong>Box 1</strong></th>
<th><strong>Box 2</strong></th>
<th><strong>Box 3</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Totals:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Maximizing the Forgiveness Application and Reporting
Highlights

• Incurred vs. Paid language
• Alternative Payroll Covered Period
• Payroll Costs
• Non-Payroll Costs
• Forgiveness Qualifications
• FTE Equivalents
• Payroll Reduction (Salary / Hourly Rate)
• Loan Reduction Safe Harbor(s)
• Documentation Retention
Eligible Costs—Incurred vs. Paid

• Payroll Costs (paid versus incurred)
  • Borrowers are generally eligible for payroll costs paid and incurred during the appropriate period
  • $15,385 cap for an individual still in place for those annualized at $100,000 or more

• Non-Payroll Costs (paid versus incurred)
  • Not quite as clear as the payroll costs language but likely treated the same
  • Eligible non-payroll costs must be paid during the covered period or incurred during the covered period
Caution – Costs

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.

Payroll and Non-Payroll costs that are both incurred and paid can only be counted once.
Covered Period

• Enter the eight-week (56-day) Covered Period of your PPP loan. The first day of the Covered Period must be the same as the PPP Loan Disbursement Date.

• For example, if the Borrower received its PPP loan proceeds on Monday, April 20, the first day of the Covered Period is April 20 and the last day of the Covered Period is Sunday, June 14.

Reminder – if using the PPP Loan Forgiveness Report – you will need to provide Payroll Network your Loan Disbursement date.
Alternative Covered Period

- Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the eight-week (56-day) period that begins on the first day of their first pay period following their PPP Loan Disbursement Date (the “Alternative Payroll Covered Period”).

<table>
<thead>
<tr>
<th></th>
<th>Covered Period</th>
<th>Alternative Covered Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursement Date</td>
<td>April 20\textsuperscript{th}</td>
<td>April 20\textsuperscript{th}</td>
</tr>
<tr>
<td>Pay Period Start</td>
<td></td>
<td>April 26\textsuperscript{th}</td>
</tr>
<tr>
<td>Covered Period End Date</td>
<td>June 14\textsuperscript{th}</td>
<td>June 20\textsuperscript{th}</td>
</tr>
</tbody>
</table>
How are “Payroll Costs” defined?
Forgiveness Qualifications

- Payroll
- Mortgage Interest
- Rent
- Utilities

Funds
Payroll Costs

- Compensation (salary, wages, commissions (including bonuses), severance, tips) - up to $100,000 prorated amount of $15,385
- Paid leave: Vacation, parental, family, medical, or sick leave* (*Not including leave covered by Families First Coronavirus Response Act)
- Costs related to continuation of group health care benefits during periods of paid sick, medical or family leave, and insurance premiums
- Payment of state and local taxes assessed on compensation of employees
- Retirement benefits (employer’s share)

75%
Not Included as Payroll Costs

- Salary and wages in excess of $100K prorated
- Owner-employees, self-employed and general partners must not exceed 8 weeks of 2019 compensation (or $15,385)
- Employer portion of FICA, MEDICARE and FUTA
- Amounts claimed for the FFCRA – Emergency Sick or Family leave and EFMLA.
- Health insurance premiums and retirement benefits for sole proprietors and independent contractors
- Employee compensation where place of residence is outside the United States
Non-Payroll Costs

• Current Legislation – 25%
  • Mortgage Interest
  • Rent
  • Utilities

• Eligible *non-payroll* costs must be paid or incurred during the eight-week coverage period.

• Pending Legislation % change
• 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.

• The SBA has reiterated that no advance payments of interest on mortgages will be eligible for loan forgiveness, but it hasn't specifically addressed whether the prepayment of payroll costs, rent, and utilities are forgivable.
Defined: The application uses a 40-hour work week as the standard FTE and rounds nearest tenth.

Average FTE: This calculates the average full-time equivalency (FTE) during the Covered Period or the Alternative Payroll Covered Period. For each employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth. The maximum for each employee is capped at 1.0. A simplified method that assigns a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours may be used at the election of the Borrower.
What is the amount of Employees?

• Application uses the FTE of 40 hours (different than the ACA rules)

\[
\text{Avg. FTE Employees during 8-week period} = \frac{\text{Ratio of Employees Retained} \times \text{Avg. FTE Employees pre-pandemic}}{}
\]

*You then multiply this calculated ratio by the amount of eligible forgiveness to calculate the final amount eligible for forgiveness.
FTE Exceptions

• In Table A: You will document the sum the following exception*
  • Fired for Cause
  • Voluntarily Resigned
  • Voluntarily Requested Reduction of Hours

* If you do not fill their position you will want to document this information. Important: Include good faith written offer and their response to you.
Salary/Hourly Wage Reduction

- This is only a factor if you reduced your salaries or hourly wages.

- Document in Table 1 (A) any salary or hourly wage reductions

- If reduction was greater than 25% when compared to period of 1/1/20 through 3/31/20, the loan Forgiveness amount will be reduced
# Loan Reduction Safe Harbor(s)

<table>
<thead>
<tr>
<th>Forgiveness Category</th>
<th>Restore by</th>
<th>Look Back</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTE Counts</td>
<td>June 30</td>
<td>2/15/2020 – 4/26/2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Termination due to cause</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Employees refusing to come back</td>
</tr>
<tr>
<td>Salary/Hourly Wage Reduction</td>
<td>June 30</td>
<td>1/1/2020 – 3/31/2020</td>
</tr>
</tbody>
</table>

Please note—these safe harbors here are different than the initial Safe Harbor to return any PPP loan funds back to lenders in May.
SBA announced that it can review PPP loans of any size at any time

Important- keep any/all documents for at least 6 years from the date loan is forgiven or paid in full
Summary Pending Legislation

• Extending 8 weeks to 24 weeks after loan receipt
• Lowering 75% on payroll costs to 60%
• Safe Harbor for Rehires – 12/31
• Extension of Loan Repayment – 5 years
• Ability to defer Payroll taxes
For More Information, Please Contact:

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Stay Tuned For More Updates Soon

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