



PPP Loan Forgiveness Webinar – Questions & Answers!

Friday, May 1, 2020, ADKF, CPAs hosted a Live Webinar over Paycheck Protection Program (PPP) Loan Forgiveness. In an effort to consolidate related questions and answers, we grouped related questions into categories, listed the questions in the left column, and summarized the overall question on the right, with the answer below. Please note, the answers are as of May 1st, 2020. We are awaiting pending legislative guidance. *Disclaimer: ADKF is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this site is provided "as is", with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information.*

ORIGINAL QUESTIONS	SUMMARY QUESTION & ANSWER
25% Rule	
What if our business pays rent to another company owned by the same owner? Would that rent qualify?	Summary Question: How does the 25% of qualified non-payroll costs need to be spent?
I have a lease for my office- it was signed February 2, 2020 and became active April 1, 2020. can I use the new lease amount which is higher than the old lease by 4 times? can I use the new lease and be forgiven for the new lease amount? I don't own the space it is rent.	Answer: The 25% qualified non-payroll costs needs to be spent on rent, mortgage interest, and utilities. Rent includes any rents incurred and paid during the 8-week period, including any amount paid to a commonly owned entity. The lease agreement should be in place before February 15, 2020, regardless of whether or not the space was occupied at the time. At this point, mortgage interest means interest paid on the mortgage of property the business holds to conduct its business. Interest on vehicles, lines of credit, and equipment are not included as mortgage interest. However, we are awaiting further guidance on this definition. For utilities, include amounts incurred and paid for electricity, gas, water, telephone, internet, and transportation utility fees.
Mortgage Interest - what about interest on other debts such as equipment. I don't believe this has been clarified with any guidance to date.	
If my company owns numerous rental properties, is the interest paid on the loans on those properties considered mortgage interest that can qualify for 25 percent non-payroll expenses that can be forgivable.	
Can interest from an existing line of credit be used?	
Can "utilities" include anything other than electric, gas and water? I have seen some guidance that internet costs could also be included. Anything else	
Oil & Gas Operators -- Interest on Mortgaged Oil & Gas Properties?	
Oil & Gas Operators -- Oil Field Utilities?	



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75% Rule

Do I need to spend all the PPP money to meet the 75% ratio on payroll or can I just spend 50% of the money and spend 75% of the 50% on payroll and be forgiven for the %50 amount?	Summary Question: What is included for payroll costs and does it need to be 75% of the total loan taken out or of the eligible forgivable expenses?
Can we pay current taxes owed to the state out of the 25%?	Answer: Payroll costs includes gross salaries, wages, commissions, tips, vacation, parental, and leave pay. Also included in payroll costs are employer provided health care benefits (including insurance premiums), retirement benefits, and state or local payroll taxes. Self-employed health insurance premiums would also be included in payroll costs. EXCLUDED from payroll costs are payments to independent contractors, FICA, and federal taxes. A point of clarification is that FICA and federal taxes withheld should already be included in gross pay of the employee. Therefore, you cannot take FICA and federal taxes withheld in addition to gross pay of the employee. Payroll costs need to make up at least 75% of the eligible forgivable expenses paid. In other words, assuming all funds are used for qualified expenses, at least 75% need to be used towards payroll costs as defined above.
When I filled out my application- I put down 90% on payroll and 10% on rent. do I have to stick to that, or can I spend on utilities and health insurance?	
Is 75% payroll a minimum or a maximum? 75% of loan?? Or 75% of eligible forgivable expenses?	
If you are self-insured, are self-insured claim premiums included in the healthcare benefits amount?	
We indicated that we wanted the loan for payroll expenses only- so the 75%- 25% ratio isn't relevant to us, right?	
Can we use all of the funds for payroll costs?	
If I heard correctly, we cannot use any to pay payroll taxes?	
Employee benefits and retirement plans can be paid out of the 75%?	
Are we able to use this on employee and employer payroll taxes?	
If your payroll is able to take up to 90%+ of the loan, are we still subject to the 75% limitation based in your calculation?	
If I normally pay a portion of healthcare benefits, do I claim ALL the expense under PPP?	
Can we do a 401K match even though we already did one this year?	
If your interpretation is that the 75% is the forgivable portion of Wages - rather than 75% of the total amount loaned - then why would a company not manage its payroll to 75% forgiveness level (as calculated) and then return the balance of the funds to net \$0.00 in the end?	
I'm confused now, so we don't include employer and employee payroll taxes?	
If 100% of the payments are made to payroll and group insurance, aren't these all forgivable? Not just 75% of them.	
Say 75% of the funded PPP loan did not hit the payroll threshold - will the forgivable amount be prorated to the lower amount paid?	
What do you mean federal withholding is not forgiven? If my employee gets paid \$1000 gross, the amount that employee takes out of the \$1000	



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for her federal income tax is not forgiven? I understand employer portion of 941 taxes not forgiven, but it would seem all of the employees' portion of 941 would be forgiven.	
Would meals for employees count for PPP?	
Does any part of payroll liabilities fall under qualified payroll expense?	
Is there more information on paying restaurant employees in tip positions?	
We have a defined benefit plan and have not funded our 2019 plan as of yet. Can we pay 2020 estimated cash balance contribution during the 8 weeks to qualify for usage? I don't see how we could pay the 401K portion that includes profit sharing and safe harbor because we won't have those numbers until after the end of 2020 and the census numbers are figured by our TPA. Thoughts?	
How do you catch up on payroll that wasn't paid prior to receiving the PPP loan?	
We run payroll once a month. Today, May 1, we paid for the full month of April. Our PPP was loan was funded Apr 17. We do not prorate the May 1 but count the full amount?	
\$100K Rule	
For the loan amount calculation, salaries in excess of \$100,000 are capped. Are use of funds also capped at \$100,000?	Summary Question: For an employee who makes more than \$100,000 annually, how do they affect my forgiveness calculation?
So, if you have a person that makes over \$100,000 in a year, you can not include any of their salaries as a qualified expense?	Answer: For an employee who makes more than \$100,000 annually, you are allowed to include in your forgivable expenses up to \$15,385 for the covered 8-week period of GROSS WAGES. Any compensation beyond that will not be forgivable. You can contribute to healthcare and retirement benefits for this employee above the \$15,385 and it will not be limited. An employee who makes more than \$100K is excluded from the compensation reduction calculation but they are included in the FTE reduction calculation.
Are we able to use the salary up to \$100k for part of calculation? Meaning, we just cannot include the amt over 100K?	
We match up to 4% of comp for 403B. Do we reduce the amount for those who earn over \$100k?	
Just to be clear - employees compensated on salaries over \$100,000 are able to be reduced to the maximum allowed per employee at \$15,384.62 and included in forgivable expenses and not excluded correct?	
Does this mean there is no forgiveness for any portion of salary for anyone making over \$100,000.00?	
On a 100k employee is his entire amount tossed out or just the amount over 100k? if it's all tossed out should I or can I reduce his pay during this period to below 100k?	



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Bank Account

Do I need a separate bank account for the PPP money?	Summary Question: Should I set up a separate bank account for the PPP Loan Funds?
Is it necessary to have a separate bank account if we have a separate class in QuickBooks to account for the PPP expenses?	Answer: You are not required to hold the funds in a separate bank account. However, we would recommend doing so to better track the forgivable portion of the expenses that are being paid. An alternative to a separate bank account would be to set up sub accounts of expenses within your bookkeeping software. The main purpose would be to accurately track forgivable expenses for the 8-week covered period.
We opened a separate account for the loan, and we just had our payroll pulled directly from that account. You just mentioned that all debits should be pulled from our operations account. What should we do here?	
I have already deposited my check into my business account. I use ADP Payroll. So as long as I have proof that workers were paid, can I still just use my business account?	
Our bank has placed the PPP Loan money in our operating account. Each week we track the payroll amount and transfer the money to our "Payroll" account. Based on what I heard earlier, we need to open another account with our PPP money and just transfer the money from this account to the payroll account. Can you please confirm this is correct? or can we keep it in our current account and continue to make weekly transfers from the Operating account?	

Bankruptcy

In the case of bankruptcy, does 100% of the loan need to be paid back?	We are still waiting on further guidance for this.
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Bonuses

I had 3 of my employees I had to stop paying overtime and only do 40 hours a week. I heard him say we can pay bonuses. Could I just tell ADP to add \$\$\$ bonus for them working hard during this time? I don't need them to work overtime right now?	Summary Question: Am I allowed to pay bonuses during this 8-week covered period?
Can bonuses be included as an allowable part of payroll?	Answer: Based on current guidance, you can pay bonuses through payroll costs and may consider doing so, especially for employees who you will pay less than \$15,385 during this 8-week period, as all their wages will be forgivable. Bonuses will be included in payroll costs.
If we pay essential personnel a bonus in their payroll for the 8-week period, is that allowed?	
Can the paying bonuses to employees to help get us to the 75% backfire on us if the SBA changes the forgiveness rules before the 8 weeks is up?	
Can you pay a bonus that can be forgiven to an employee who earns over \$100k?	
So, I can pay an essential employee who made under 100k a bonus and that money will be forgiven if it doesn't exceed the 15k threshold?	



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Calculations	
Can we get a copy of the calculations on FTE and compensations and other calculations?	Please contact our office to assist in computations.
Cash Payments	
The cash paid vs. accrued expense treatment flip flops...when did the guidance tighten up?	Summary question: Are qualified expenses within the 8-week period for expenses incurred and paid? How does this affect my payroll payments?
We had a 2-week payroll cycle given out to our employees two days before we received the funds, but after we got approved - can we deduct that?	Answer: Please consult your tax advisor on this subject as it is awaiting further guidance. Current guidance tells us that expenses must be incurred and paid in the 8-week period. https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf
Do expenses have to be INCURRED as well as paid during the 8-week period? Therefore, allowable payroll would begin on the date of disbursement.	
What if a pay date falls outside of the 8 weeks, but the pay covers time worked during the 8-week period? Can this amount paid out count?	
If payroll is paid weekly, can a 9th payroll be paid early so that it falls within the 8-week period?	
If loan was funded on 4/18/20 and eight-week period end 6/18/20, but you have a payroll on 6/19/20, can we do that payroll 1 day earlier. We are bi-weekly. This means we would have 5 payrolls in the 8-week period.	
Can you prepay rent and/or utilities in order to spend the money?	
Compensation Reduction	
Where is it stated that compensation can be reduced by 25%? The interim rule states that employee and compensation levels must be maintained. So, a 25% reduction in salary contradicts the interim final rule.	Summary Question: How does an increase or decrease of individual compensation affect my loan forgiveness?
How is annual comp determined for hourly or commission-based employees that are not on a regular salary?	Answer: Employers are allowed to reduce gross pay to an individual up to 25% during the 8-week covered period. The covered period will be compared to the first quarter of 2020. Any reduction in excess of 25% will result in a reduction in forgiveness on an employee-by-employee basis. EXCLUDED from this reduction calculation are employees who received during any single pay period in 2019, wages or salary at an annualized rate of pay more than \$100,000.
Do we have to deduct Pastor housing allowance that is paid?	
How would Truman Burbank's allowable pay look if he received the annual comp (\$50k) over the covered period? Would the amount of \$34,615 (\$50k - \$15,385) be the effective reduction amount?	
Do you get dinged on BOTH number of employee reduction and additionally their salary which is 100% gone? Or do you get the ding on the number of employees and then disregard their salary for purposes of the 25% reduction allowed?	



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How do we account for as needed or PRN employees when we do not know what their yearly pay would/will be?

For purposes of the employee compensation comparison for forgiveness purposes, what if any employee resigns/quits during the 8-week period? Is a distinction drawn between an employee who resigns vs. an employee who is fired or furloughed?

Employees Choice

My customer claims that he has asked employees to return to work but the employee does not want to come back because he makes more on unemployment than the actual job. How does the employer handle this situation?

Summary Question:

Will a borrower's PPP loan forgiveness amount be reduced if the borrower laid off an employee, offered to rehire the same employee, but the employee declined the offer?

What about employees who have chosen to be furloughed during the 8-week measurement period but who plan to return to work eventually? Are they included in FTE count? Do they have to be included in Compensation reduction calculations (at \$0 wages)?

Answer:

No. The SBA and Treasury intend to issue an interim final rule excluding laid-off employees whom the borrower offered to rehire (for the same salary/wages and same number of hours) from the loan forgiveness reduction calculation. The interim final rule will specify that, to qualify for this exception, the borrower must have made a good faith, written offer of rehire, and the employee's rejection of that offer must be documented by the borrower. Employees and employers should be aware that employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

Will each employee be looked at individually? What if it appears that we let an employee go, but they actually resigned on their own accord?

FFCRA

One of the questions I have is this: If you received a PPP loan and will use all funds for payroll and have employees that will be off with pay due to the FFCRA - can you pay those wages from another account and take the tax credit for that portion - as long as you can show that NO funds from PPP were used for FFCRA payments?

Yes, the key is that the FFCRA payments cannot be included in the PPP forgiveness calculation. If you can meet the thresholds without including the FFCRA payments, you are still eligible for forgiveness.



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FTE	
If we had more employees/payroll last year versus this year. How does that factor into the payout %?	<p>Summary Question: How does an increase or decrease of Full Time Equivalent (FTE) employees affect my loan forgiveness?</p> <p>Answer: The FTE calculation is based on a numerator of the average FTE employees for the 8-week covered period and a denominator of (at the borrower's choice) the average FTE employees for either the period 2/15/19 - 6/30/19 or 1/1/20 - 2/29/20. A percentage decrease will be multiplied by the forgivable portion. A percentage increase (more employees now than before) will have no effect on the forgivable portion.</p>
I have only 7 employees, one files unemployment and the other 6 wait for our company to get funded. Does that matter	
I received my PPP before we were allowed to open. So, I have to pay my employee while they are furloughed on UE?	
We have one more employee this year than last year. Can we utilize the entire loan for payroll?	
FTE calculation - aggregate hours of employees who work less than 30 hours per week - is the additional FTE how many work a 40 hour week, or how many work a 30-hour week?	
How does the calculation work if I have more employees now that when the loan was advanced?	
For the "base period" FTE calculation, do we use pay dates that fall within the period? do we need to adjust it for when the pay was earned vs. when it was actually paid?	
What if you have new employees?	
Compensation reduction calculation - what about employees who worked Q1 and quit during the 8-week measurement period? What about employees who didn't work in Q1 but are added during the 8-week measurement period?	
What if 1 person is let go but another is added?	
If we laid off employee B but then hired a new employee C after receiving the funds. Can we use the new employee for the FTE and payroll expense calc?	
What about employees who were let go in March due to a closure of one branch of the company? Are there any special allowances on this?	
If we have an hourly employee that we want to pay, even though they aren't able to work yet due to closed business, do we pay them as a bonus or as hours, to best keep our FTE # up?	
If my employees have received temporary, partial unemployment payments through TWC because of reduced hours, does this count against me?	
Is the FTE forgiveness calculation based on the FTE count at the end of 8 weeks (let's assume June 30, 2020) versus one of the two borrower option periods? Or is it the "average" FTE count over 8 weeks which might be a different calculation if FTE count vacillated in the 8-week	



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period. The question stems from the provision that we can add FTE by June 30, 2020 if necessary, to not fall below a borrower's chosen FTE threshold.	
Fund Date	
Do the calculations for payroll & utility expenses begin the day you receive funding or is a set date?	Summary Question: What is the date that the 8-week period begins?
Is there a time frame in which we must expend the loan funds?	Answer: The 8-week period begins the date you receive the funding according to current guidance. There are currently no exceptions to this. Expenses must be incurred and paid during this 8-week period.
Since it is cash paid expenses calculated for forgiveness - can we move up our payroll, so it is before the end of the period, and do a double payroll amount to salaried employees before the end of the 8-week period?	
How does the 8 weeks immediately following funding work? Is that the only time frame funds can be forgiven for.	
Just to clarify- all funds from the loan have to be used within 8 weeks from loan origination.	
How soon after the 8-week period must we apply for loan forgiveness?	
How can a restaurant restore employees (FTE and compensation) when they aren't able to operate at 100% capacity, and even then, business will not return to normal during this period?	
Does the 8-week period start from the SBA approval date or the date of disbursement?	
Guidance	
Do you have any official guidance from the SBA about loan forgiveness?	<u>https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program</u>
Loan Terms	
When do we need to make our first payment or send in the first forgiveness forms if we've already received the funds?	Summary Question: What happens to the funds that are not forgiven and is loan forgiveness taxable?
When do you have to apply for the loan forgiveness?	Answer: The remaining balance that is not forgiven turns into a 2 year note with a 1 % interest rate. There is no prepayment penalty in returning these funds. Any portion that is forgiven will reduce the tax deduction of the related expense.
Whatever amount that is not used in 2 months will be converted to a loan amortized over 2 years at 1% interest rate?	
Can the unforgiven part of the loan be paid off in one payment or do you have to make payments?	
The loan amount is taxable income for the company? Or taxable income for the company owner?	



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Lookback

With the 2 options for look backs for FTE's, we didn't have our first payroll until 3/31/19. Does that mean we have to use the 1/1/20-2/29/20 look back or can we use a look back starting 3/31/19-6/30/19?

We are still awaiting guidance but will likely be limited to the 1/1/20-2/29/20 period.

Multi-entity

If we have received PPP funds for multiple legal entities that all participate in a single group health plan, is it acceptable to prove which portion of the premium payment belongs to each entity by simply providing an list of W-2 employees for each entity? Also, because the payment is pre-arranged to be drawn out of a single bank account that belongs to the largest entity, does this pose an issue?

Please consult your tax advisor on this.

Non-Profit

What if you are a nonprofit and are exempt from paying most taxes? Are you closer to getting it 100% forgiven?

Non-profit entities are subject to the same guidelines as for-profit entities

Owner Salary

If the full amount of the loan is not used, can the remainder of the funds be used towards owner salary? The owner could then inject his salary into the business.

**Summary Question:
Can I use funds to pay owner's compensation?**

How does owner's compensation get forgiven if you only take Member's Draws?

If the owners are not on the payroll and receive K1s v W2 how do the owners get paid and is it forgivable?

I am a small daycare owner. I use ADP Processing; however, I normally pay myself with company check. As long as I have copy of check and it will be on statement can I use as part of loan?

**Answer:
Yes, you can. If it is run through payroll properly. Owner's distributions or draws do not qualify as compensation. Also, keep in mind that for the 8-week period, the forgivable portion for gross pay cannot exceed 15,385.**