



**Suttle &
Stalnaker**

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Update as of June 4, 2020: As of last night, the Senate passed legislation to change some of the PPP requirements. Please watch for our email update. Additionally, we will have another webinar to address the changes.

PAYCHECK PROTECTION PROGRAM FORGIVENESS APPLICATION WEBINAR: Q&A*

Q. At the time of the application, we had a job that was shared by 2 PT employees. Now we have one FT person doing that job. Will that work out in the FTE?

A. Under the simplified method, each would actually equate to 1 FTE. The two part-time employees would be .5 FTE each, which would equal the 1 FTE currently.

Q. Owners and Subcontractors are to be left off from what page of the Forgiveness app?

A. Owner-employees, self-employed individuals, and general partners are not included in PPP Schedule A Worksheet, Table 1 or 2. They are separately reported on Line 9 of PPP Schedule A. Please remember, 1 FTE is currently defined as a minimum of 40 hours per week.

Q. Did you say not to use PPP for bonuses? / are bonuses allowed/forgiven?

A. PPP funds can be used for any payment of compensation. Our general thought is that bonuses to just use PPP dollars is not advisable, since it appears the 8 week time limit is going to be extended (and is scheduled to be now to 24 weeks). Separate from that, you would also need to take the \$15,385 limit be considered if a bonus is paid (limit is also scheduled to be increased based on increased weeks). That said, bonuses are not disallowed.

Q. How do you handle employees that left work for unemployment (afraid of catching COVID 19) on their own, even if you have work for them?

A. If you asked an employee to come back to work, and they refused, you should keep that documentation in writing. Then they are not included in your FTE calculation.

Q. Are your slides implying that the maximum amount eligible to be paid for payroll is 75%; therefore, if 100% of your amount was spent toward payroll you can only count 75% of payroll costs?

A. No, that is not the maximum that can be spent on payroll, that is the minimum that must be spent on payroll in order to receive full forgiveness. Note however, we feel that % may change under the pending legislation in the US Senate.

Q. SBA instructions to the lender currently say that the SBA will pay accrued interest

A. We have not seen that guidance. We would understand that the interest is deferred, but not that the SBA will pay it.

Q. I find FTE's confusing to me. So if the number of employees and wages was completely restored upon using the PPP funds, is that going to meet FTE requirement?

A. If you restore your FTEs by the safe harbor date of 6/30/2020, then you should meet the FTE requirement and not be limited under the FTE requirement. Remember, you still must spend the required amount on payroll costs.



Q. On the application, we indicated the total number of employees. The forgiveness application looks to FTE. Will the avg. FTE be compared to the number of employees indicated on the application for determining staff level?

A. Based on our understanding of the guidance, we do not believe that the number of employees reported on the application will be considered in the forgiveness calculation. The Average FTEs on the measurement dates are the calculations that are important to the forgiveness.

Q. For SUTA, do we include the full amount at our rate, or only the amount paid, because of people already being over the limit?

A. Include only the amount paid and incurred during the covered period.

Q. I have a situation in our organization where we did not have any layoffs, but we have had individuals leave the organization voluntarily, and have not returned to work even though there is a position for them. While we idled some operations, we continued to pay employees, but once we re-opened, they have chosen not to return to work.

In the Loan Forgiveness Application there is a section on Page 8 – FTE Reduction Exceptions – where we indicate those positions that have not been filled due to employee reasons. It wasn't clear to me where that's to be reported – can you indicate where on the application we note that.

A. Based on the way we interpret the form and the instructions, you would reduce the FTE calculations by those factors, and keep the documentation in the file. We do not see a specific place to include that FTE factor.

Q. On non-payroll costs like utilities, should we base our calculations based on the billing period or when we make the utility payment?

A. Based on current guidance, you would include the amounts paid during the period, and the amount paid after the end of the forgiveness period, to the extent that it was incurred during the 8 week covered period.

Q. Can rent be included in forgiveness even if it is paid to an entity in which the borrower also has an ownership interest?

A. Based on our understanding of current guidance, yes, as long as the lease agreement was in place by 2/15/2020.

Q. What 8 weeks in 2019 is the comp cap based on?

A. The cap is based on the compensation paid during the forgiveness period for non-owners. For owners, there is a cap based on their 2019 compensation. You cannot increase their compensation during the forgiveness period to exceed their 2019 compensation. To determine the limit you take the total compensation for 2019 divide by 52 and multiply by 8.

Q. Will the "other costs," such as insurance costs, etc. also include BOTH incurred AND paid during the span of the loan?

A. That is consistent with our understanding.



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Q. Can you discuss more about the timeline of when we should submit our Forgiveness Application? Specifically- our 8 week loan period ends June 18th. However, given that there may be additional changes if the House version makes it through the Senate, should we wait to submit our application? Is there a deadline for when we must submit the application?

A. Initially, you should contact the lending institution to determine when forgiveness applications will be accepted. Also, based on our current understanding, you should wait at least until 6/30/2020 so that you have that measurement period for the FTE test. We expect final guidance will be issued before then, but it would be prudent to stay aware of what is in the news, to determine if there is any pending issue.

Q. How do we treat the matching FICA dollars, are they a part of the gross payroll cost?

A. No, FICA matching is not part of gross payroll and it is not an expense that is forgivable under the PPP Loan program.

**This Q&A reflects our understanding of the guidance issued as of 6/2/2020. New information and legislation is pending. If you have questions, feel free to contact our offices.*



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