



Thread Connects

PPP Forgiveness Application - May 29, 2020 -

#forabetterworkplace

AGENDA

1. Congress Working on Changes
2. Covered Period / Alternative Covered Period
3. Reduction in Wages Calculation
4. Reduction in FTE calculation
5. Forgiveness Application Example

Disclaimer

- This is based on current guidance from SBA and Treasury and is subject to change
- Based on our interpretation and not meant to replace legal or financial consultation

Change is Coming

**Change
Is
Inevitable***

*except from a
vending machine

- The House has passed a bill to change PPP loan forgiveness
 - From 8 weeks to 24 weeks
 - From 75% used for payroll to 60% to give flexibility
 - FTE safe harbor to December 31
 - Longer loan payback from 2 to 5 years
- Waiting to see what Senate does in the next week but there will most likely be change ahead
- The rest of this is based on CURRENT guidance!
- Town Hall next week will hopefully center around changes

CP / ACP

- **Covered Period - Starts with loan funding date through 56 days**
 - Example - loan funded on 4/20/2020
 - Covered period is 4/20/2020 - 6/14/2020
- **Alternative Covered Period - For administrative convenience and for borrowers with bi-weekly or more frequent payroll.**
 - Starts on first day of pay period after loan funding date
 - 56 days from that date, therefore, can extend past the 8 weeks for the days covered in the 56 days

4 Sections

- PPP Loan Forgiveness Application Form
- PPP Schedule A
- PPP Schedule A Worksheet (This is the first one to focus on)
- PPP Borrower Demographic Form (Optional)

Worksheet

- Table 1 - List employees employed during CP or ACP making less than or equal to \$100k annualized (at any period) in 2019 or not employed in 2019 (new for 2020)
- Table 2 - Same as above but for employees making over \$100k annualized. Do not include owner employees in either table. They will be listed later
- FTE Reduction Safe Harbor - This will determine if you dropped headcount but were able to restore FTE by 6/30/2020



Paycheck Protection Program
Loan Forgiveness Application

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Schedule A Worksheet

Table 1: 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 less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

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.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Totals:		Box 4	Box 5

Attach additional tables if additional rows are needed.

FTE Reduction Safe Harbor:

- Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: _____.
- Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: _____.
- Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, the FTE Reduction Safe Harbor is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
- Step 4. Enter the borrower's total FTE as of June 30, 2020: _____.
- Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor has been satisfied. Otherwise, the FTE Reduction Safe Harbor does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

We will do an
example later

Salary / Hourly Wage Reduction Calculations

Employee	Method of Pay	Covered Period	Quarter 1 2020	Change in Rate of Pay
Chris	Salary	\$67,600/year*	\$95,000/year	(28.84%)
Dawn	Salary	\$52,000/year	\$70,000/year	(25.71%)
Rose	Salary	\$45,500/year	\$50,000/year	(9%)
Charles	Hourly	\$17.50/hour	\$27.50/hour	(36.36%)
Kendra	Hourly	\$22.00/hour	\$25.00/hour	(12%)
Olivia	Hourly	\$23.00/hour	\$23.00/hour	0%
Theresa	Salary (over \$100k)	Over \$100k	Over \$100k	N/A

*Chris was paid \$10,400 during covered period = \$10,400 divided by 8 weeks multiplied by 52 = \$67,600

	Chris	Dawn	Charles
(a) Average rate of pay for prior quarter	\$95,000	\$70,000	\$27.50
(b) 75% of Prior Calendar Qtr Rate of Pay	\$71,250	\$52,500	\$20.63
(c) Average rate of pay for the Covered Period	\$67,600	\$52,000	\$17.50
(d) Row (b) less row (c)	\$3650	\$500	\$3.13
(e) For salaried workers, multiply the result in row (d) by 8 and divide the result by 52	\$561.54	\$76.92	
(f) Average hours worked per week in the Prior Calendar Quarter			40
(g) Multiply the amount on row (f) by the amount on row (d)			\$125
(h) multiply the amount on row (g) by 8			\$1,000

For this example the total reduction in wages is $\$561.54 + \$76.92 + \$1,000 = \$1,638.46$

Table 1 (EE <= \$100k)

Employee	EE ID	Cash Compensation	Avg FTE	Salary/Hourly Wage Reduction
Chris	xxxx	\$10,400		\$561.54
Dawn	xxxx	\$8,000		\$76.92
Rose	xxxx	\$7,000		\$0
Charles	xxxx	\$5,600		\$1,000
Kendra	xxxx	\$4,400		\$0
Olivia	xxxx	\$2,645		\$0
FTE Reduction Exceptions				
Totals		Box 1 \$38,045	Box 2	Box 3 \$1,638.46

Table 2 (EE > \$100k)

Employee	EE ID	Cash Compensation	Avg FTE
Theresa	xxxx	\$15,385	
Totals		Box 4 \$15,385	Box 5

Salary / Wage Reduction Safe Harbor

Step 2. Determine if the Salary/Hourly Wage Reduction Safe Harbor is met.

a. Enter the annual salary or hourly wage as of February 15, 2020: _____.

b. Enter the average annual salary or hourly wage between February 15, 2020 and April 26, 2020: _____.

If 2.b. is equal to or greater than 2.a., skip to Step 3. Otherwise, proceed to 2.c.

c. Enter the average annual salary or hourly wage as of June 30, 2020: _____. If 2.c. is equal to or greater than 2.a., the Salary/Hourly Wage Reduction Safe Harbor has been met – enter zero in the column above box 3 for that employee. Otherwise proceed to Step 3.

Step 3. Determine the Salary/Hourly Wage Reduction.

a. Multiply the amount entered in 1.b. by 0.75: _____.

b. Subtract the amount entered in 1.a. from 3.a.: _____.

Salary / Hourly Wage Reduction Safe Harbor

Employee	Method of Pay	Wage/Rate as of Feb. 15,2020	Wage/Rate Feb. 15 - Apr 26 2020	Wage/Rate as of June 30, 2020
Chris	Salary	\$95,000/year	\$67,600/year	\$70,000/year
Dawn	Salary	\$70,000/year	\$52,000/year	\$55,000/year
Charles	Hourly	\$27.50/hour	\$17.50/hour	\$17.50/hour

Step 2. Determine if the Salary/Hourly Wage Reduction Safe Harbor is met.

a. Enter the annual salary or hourly wage as of February 15, 2020: _____.

b. Enter the average annual salary or hourly wage between February 15, 2020 and April 26, 2020: _____. If 2.b. is equal to or greater than 2.a., skip to Step 3. Otherwise, proceed to 2.c.

c. Enter the average annual salary or hourly wage as of June 30, 2020: _____.

If 2.c. is equal to or greater than 2.a., the Salary/Hourly Wage Reduction Safe Harbor has been met – enter zero in the column above box 3 for that employee. Otherwise proceed to Step 3.

In this case we did not restore wages by 6/30 so we still have a reduction in forgiveness

The background is a grayscale photograph of a workspace. It shows a person's hands typing on a laptop keyboard. To the left of the laptop is a pair of white over-ear headphones and a small potted plant with green leaves. To the right is a stack of books. The entire scene is set on a wooden desk.

FTE Calculations

Employee	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Average hours worked per week	Average FTEs over Covered Period
Chris	40	40	40	40	40	40	40	40	40	1.0
Dawn	40	40	40	40	40	40	40	40	40	1.0
Rose	40	40	40	40	40	40	40	40	40	1.0
Charles	40	40	40	40	40	40	40	40	40	1.0
Kendra	25	25	25	25	25	25	25	25	25	0.6
Olivia	12	15	10	14	17	20	12	15	14.38	0.4
Theresa	40	40	40	40	40	40	40	40	40	1.0
Totals	237.00	240.00	235.00	239.00	242.00	245.00	237.00	240.00	239.39	6.0

You can use a simplified FTE calculation of 1.0 and 0.5 to see which is better. Just stay consistent!

Table 1 (EE <= \$100k)

Employee	EE ID	Cash Compensation	Avg FTE	Salary/Hourly Wage Reduction
Chris	xxxx	\$10,400	1.0	\$561.54
Dawn	xxxx	\$8,000	1.0	\$76.92
Rose	xxxx	\$7,000	1.0	\$0
Charles	xxxx	\$5,600	1.0	\$1,000
Kendra	xxxx	\$4,400	0.6	\$0
Olivia	xxxx	\$2,645	0.4	\$0
FTE Reduction Exceptions				
Totals		Box 1 \$38,045	Box 2 5.0	Box 3 \$1,638.46

Table 2 (EE > \$100k)

Employee	EE ID	Cash Compensation	Avg FTE
Theresa	xxxx	\$15,385	1.0
Totals		Box 4 \$15,385	Box 5 1.0


FTE Calcs

Full Time Equivalent Reduction Relief

1. Where an employer makes a good-faith, written offer to rehire an employee during the Covered Period and the employee declines;
2. Where an employee is terminated for cause;
3. Where an employee voluntarily resigns (presumably this includes retirement); and
4. Where an employee voluntarily requests and receives a reduction in hours.

The nature of the relief is that you are permitted to include these employees in your FTE headcount for the Covered Period. However, if you replace an employee described in items 1 through 4, you are not allowed to include them in this FTE adjustment (because this would mean the position represented by the otherwise excepted employee would be double-counted).

Table 1 (EE <= \$100k)

Employee	EE ID	Cash Compensation	Avg FTE	Salary/Hourly Wage Reduction
Chris	xxxx	\$10,400	1.0	\$561.54
Dawn	xxxx	\$8,000	1.0	\$76.92
Rose	xxxx	\$7,000	1.0	\$0
Charles	xxxx	\$5,600	1.0	\$1,000
Kendra	xxxx	\$4,400	0.6	\$0
Olivia	xxxx	\$2,645	0.4	\$0
FTE Reduction Exceptions			0 	
Totals		Box 1 \$38,045	Box 2 5.0	Box 3 \$1,638.46

FTE Calcs

You will need to compute FTEs for at least five periods:

- 1. The Covered Period or, if elected, the Alternative Payroll Covered Period;**
- 2. The reference period you select;**
- 3. The payroll period that includes February 15, 2020;**
- 4. The period February 15, 2020 through April 26, 2020; and**
- 5. June 30, 2020.**

Your payroll service provider should be able to perform these computations for you

FTE Calcs

FTE Safe Harbor

To calculate your eligibility for the FTE Reduction Safe Harbor, complete the following steps:

Step 1. Calculate FTE headcount for the payroll period that included February 15, 2020.

Step 2. Calculate FTE headcount for the period February 15, 2020 through April 26, 2020.

Step 3. If FTE in Step 1 is greater than FTE in Step 2, then you reduced your FTE headcount and you must demonstrate that you restored your FTE headcount to avoid a reduction in loan forgiveness. Therefore, proceed to Step 4.

Step 4. Compute your FTE headcount at June 30, 2020.

Step 5. If your FTE headcount at June 30, 2020 is greater than or equal to your FTE headcount in Step 1, then you are eligible for the FTE Reduction Safe Harbor and your loan forgiveness amount will not be reduced. Enter 1 in line 13. If not, divide line 12 by line 11 and enter in line 13.

Employee	Avg FTE inclusive of 2/15/2020	Avg FTE 2/15/2020 - 4/26/2020	Avg FTE As of 6/30/2020
Chris	1.0	1.0	1.0
Dawn	1.0	1.0	1.0
Rose	1.0	1.0	1.0
Charles	1.0	1.0	1.0
Kendra	1.0	0.6	0.6
Olivia	1.0	0.4	0.4
Theresa	1.0	1.0	1.0
Totals	7.0	6.0	6.0

FTE during 2/15/2020 > period 2/15/2020-4/26/2020 so must look at FTE as of 6/30/2020.
In this example, FTE was not restored so must apply FTERQ for line 13

FTE Calcs

Full Time Equivalent Reduction Quotient (FTERQ)

1. Choose which reference period to use based on which gives most forgiveness
 - a. 2/15/2019 - 6/30/2019 Or
 - b. 1/1/2020 - 2/29/2020 Or
 - c. Seasonal only 5/1/2019 - 9/15/2019
2. Example :
 - a. During covered period - 6.0
 - b. 2/15/2019 - 6/30/2019 - 6.2 $\text{FTERQ} = 6.0/6.2 = .97$
 - c. 1/1/2020 - 2/29/2020 - 7 $\text{FTERQ} = 6.0/7.0 = .86$

Use reference period in (b) because you will have a smaller reduction in forgiveness due to drop in FTE



**Paycheck Protection Program
Loan Forgiveness Application**

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

\$38,045

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

5.0

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP
Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll
Covered Period was at least 75% of such employee's average annual salary or hourly
wage between January 1, 2020 and March 31, 2020, check here ☐ and enter 0 on line
3.

\$1,638.46

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

\$15,385

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:

1.0

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance:

\$5,600

Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans:

\$2,000

Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee
compensation:

\$150

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is
more than one individual included, attach a separate table that lists the names of and
payments to each.

\$15,385

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):

\$76,565

Full-Time Equivalency (FTE) Reduction Calculation

If you have not reduced the number of employees or the average paid hours of your employees between
January 1, 2020 and the end of the Covered Period, check here ☐, skip lines 11 and 12 and enter 1.0 on line 13.

Line 11. Average FTE during the Borrower's chosen reference period:

6.2

Line 12. Total Average FTE (add lines 2 and 5):

6.0

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met:

.97

Table 1 (EE <= \$100k)

Employee	EE ID	Cash Compensation	Avg FTE	Salary/Hourly Wage Reduction
Chris	xxxx	\$10,400	1.0	\$561.54
Dawn	xxxx	\$8,000	1.0	\$76.92
Rose	xxxx	\$7,000	1.0	\$0
Charles	xxxx	\$5,600	1.0	\$1,000
Kendra	xxxx	\$4,400	0.6	\$0
Olivia	xxxx	\$2,645	0.4	\$0
FTE Reduction Exceptions				
Totals		Box 1 \$38,045	Box 2 5.0	Box 3 \$1,638.46

Table 2 (EE > \$100k)

Employee	EE ID	Cash Compensation	Avg FTE
Theresa	xxxx	\$15,385	1.0
Totals		Box 4 \$15,385	Box 5 1.0



Paycheck Protection Program
Loan Forgiveness Application

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
ABC Company		
Business Address	Business TIN (EIN, SSN)	Business Phone
1234 Peachtree St. Atlanta, GA 31232		() -
	Primary Contact	E-mail Address

SBA PPP Loan Number: 12-2345678 Lender PPP Loan Number: _____
PPP Loan Amount: \$110,000 PPP Loan Disbursement Date: 4/20/2020
Employees at Time of Loan Application: 6
Employees at Time of Forgiveness Application: 6
EIDL Advance Amount: 0.00 EIDL Application Number: _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ Weekly ☐ Biweekly (every other week) ☒ Twice a month ☐ Monthly ☐ Other _____

Covered Period: 4/20/2020 to 6/14/2020

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): \$76,565
Line 2. Business Mortgage Interest Payments: \$0.00
Line 3. Business Rent or Lease Payments: \$12,000
Line 4. Business Utility Payments: \$3,500
Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions
Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3): \$1,638.46
Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: \$90,426.54
Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): .97

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7): \$87,713.72
Line 9. PPP Loan Amount: \$110,000
Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75): \$102,086.67

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): \$87,713.72



**THANK
YOU**

An illustration of two hands holding a bright orange banner with the words 'THANK YOU' in white, bold, sans-serif capital letters. The hands are wearing black suit sleeves with white cuffs. The background is a solid light blue. The entire illustration is centered on a larger background that shows a blurred image of a person's face and shoulders in a light gray tone.