

## PPP Loan Forgiveness Strategies: Manage Your Outcome

An America Outdoors webinar, with special guest Pat Tabor

### Q&A:

Question	Answer provided by Pat Tabor
<b>Payroll</b>	
I had 2 people in feb. but last year i had 20 people on PPP form. This year i might only have 15 employees. Can i adjust this number if bank allows?	So I know this was confusing and I fret I didn't make it clear. The only thing you have to worry about is one of two ways to measure your employee count. This is determined by dividing the average FTE employee headcount during the eight-week covered period by the headcount during one of the following periods, at the election of the borrower: The two periods to measure are from February 15, 2019 to June 30, 2019 <b>OR</b> from January 1, 2020 to February 29, 2020 and then ensuring that your <b>AFTER</b> during the 8-weeks exceed the <b>LOWEST</b> of those two measurements
I put in the average number of employees in calendar year 2019 which was 15. It sounds like now since I am only going to have 3-5 FTE's for the 8 week period, should I go and change it?	If you can, but if not don't worry. See answer to question 1 above for the calculation
For seasonal businesses using 2019 payroll from March 1 to June 30 as our basis, shouldn't we be comparing our payroll in the eight week period in 2020 to last year?	You have two comparative choices, see answer to question 1 above.
What happens if you didn't have payroll from Jan 1 to Feb 29th due to seasonality. Talking about employee numbers line 65 on spreadsheet?	Technically speaking you put 0 in and that period on spreadsheet and by the logic of the law, that becomes the lowest number of employees, I know it seems crazy but that is how the law is written
My memory says that on our application we listed approx 18 employees, however those 18 employees never worked at the same time period, we typically only have a max of 8 employees at a time. How will that effect the FTE situation when I bring back my EEs and I have 8 actual employees at one time as opposed to the 18 on the application?	Don't worry what the # of employees on the application says, see answer to question 1 above.
Can you back pay people that we couldn't pay prior to the start of the 8 week period and have it count towards the total payroll in the eight week period? Or do payroll advances or bonuses?	You can do advances and bonuses, as long as the amount to any single person does not exceed \$15,384.62. Giving back pay is okay unless they collected unemployment. All of this is based on the payroll you PAY while you are in the 8-week period.
If you are having trouble hitting the 75% how about increasing owner salary?	Absolutely, but be aware of the \$100,000 annual cap per person which computes to a maximum single pay during 8-weeks to any one person of \$15,384.62 (\$100k/52 weeks)
What forms of pay qualify toward the 75%? Only wage payment, not 1099?	Wages, bonuses, commissions but unfortunately the independent contractor payments got removed by SBA guidance
We are in a stay-at-home order in Cali. How do we hire people to do "off season" work? We could social distance for work, but would we potentially get in trouble with the state?	This is the fundamental flaw in the program. As crazy as it seems, in order to qualify for forgiveness, you in fact would pay people to stay at home if you can't use them. In effect the law created a secondary unemployment pool through all the employers
If I can only come up with \$30,000 in pr expenses in the 8 week period, will this be forgiven even if it does not meet the 75%	yes, if you have partial qualification, that will be forgiven, what's left over can either be returned or you can use as a 1% loan
What if an employee makes less than \$100k at one business that got PPP but over 100K when you combine wages from all employers?	As long as the other employers are not part of a affiliated group that your lender is aware of, then it wouldn't matter as the PPP calculation limit is on an applicant by applicant basis
We have employees that are seasonal and aren't available to work in next 8 weeks. But we can hire different employees to meet our FTE number on the application. Can that work to acheive the forgiveness?	Yes, there is no specific employee tracing on this
Question, as a self employed applicant I included owner compensation based on 2019 net profit for my loan amount. Does that qualify in the 75% or 25%?	75%, please note that the template wasn't developed for self employed individuals. Same basic theory. I will have to refer you to the recent guidance that came out April 20 from SBA for self employed individuals
It can be 100% payroll, correct?	Correct.
<b>Non-payroll part of loan</b>	
Regarding forgivable utilities: Internet? Cell phone service?	yes and yes
Any clarification on non-real estate leases including state or federal permit fees qualifying?	state and federal permits are tricky as they are use licenses versus leases. If it is all you have certainly try, but understand that is an aggressive interpretation
When will we know if credit card interest can be included ?	We may never "know" We expect SBA/Treasury to provide more forgiveness guidance, but when and how much who knows. It is reasonable to assume it will qualify because it is business related interest
I have never had a paper rent agreement with my landlord (myself). Can I not use rent in this case?	That would preclude you from listing it, I would recommend drawing up an agreement in case you are asked
We have pasture rent which we typically pay in June for the whole year. I assume it is okay to include in the rent forgivable circumstance? Also we have a storage unit: We have rented it for a full year and pay quarterly typically. can we pay it for the fu year or even quarterly? Or only for the 8 week period.	You can do both and if it gets paid in the 8-week period it should qualify for forgiveness
If we are working from home can we use those utilities in the 25%?	yes
Can you prepay rent through the rest of the year? Healthcare?	yes and yes
<b>Other PPP:</b>	
Regardless of funding date June 30 is drop dead line for forgiveness?	As the law is written now yes, we are hoping for reprieve given the delay in opening the country
Will forest service or BLM fees be condidsered rent?	subject to interpretation, some bankers might say yes, but technically these are land use licenses or permits versus leases. If it is all you have to make up the 25% then go for it, what do you have to lose, but if you have other more straight forward expenses use those first
When does the 8 week period start?	Hi Jeff. Last webinar, Pat said the 8-week starts upon first draw from proceeds which has to occur 10-days after PPP loan approval.
What happens to the balance of the loan at the end of the 8 week period?	For anything left over or not forgiven, your loan payments will begin six months from the start of the loan for a term of two years. You may choose to make installments at the low interest rate or pay off your balance, in full, without penalty.
Do you have to spend 75% of the total loan on payroll or just 75% of the money you use?	to qualify for 100% forgiveness you have to spend at least 75% on payroll. If you don't, then you will have some percentage knocked off of forgiveness, but it will be measured on original loan
Can you give an amount back after 8 weeks that is unused PPP Loan to get to 75% for forgiveness?	no, forgiveness is calculated as explained, giving anything back doesn't constitute any tactic other then you didn't need it/use it so you gave it back.
Can you pay health care for the whole year during the 8 week period?	yes
So please confirm, we submit our loan forgivness documents to the lender (bank) and not to the SBA correct?	correct

On the 75/25, if those thresholds aren't met, does that mean that nothing will be forgiven or do you get that lessened percentage forgiven and just need to pay the rest back according to the details?	pro rata forgiveness
On your dedicated checking account are you still paying employees via direct deposit or using paper checks?	we are doing direct deposit, and then paying the entity or account making those payments reimbursements from the PPP account
According to my banker the SBA and Senator Bennets office the pupose of the PPP is to pay people wether they work or not to avoid filing unemployment. If this is the case how can they hold you to an hour threshold?	Not sure, ask the people who wrote the law
Non employee compensation was allowed when we applied. Does your form provide a space for these numbers?	No because they went a different direction when they came out with guidance to specifically exclude it
FYI, In regards to the timeframe of 90 days to apply for forgiveness after the 8 weeks, I have been funded by USBank, my loan docs say I must apply for forgiveness within 60 days of the loan origination date. Funded on April 16, I must apply for forgiveness by June 14th	well that's inconsistent with the law, my guess is the bank is trying build in some processing time due to the number of participants they have
<b>EIDL</b>	
When I filled out the EIDL - I was not really asked for financials - how would they figure it out to give me a loan on	That's supposed to be round two once they get around to you. They just gave out the \$10k to give out something in the meantime...
For the EIDL grant they added the number of employees on Jan 31 as a limiter allowing only \$1,000 per employee. Is there any seasonal adjustment. We have no non-owner employees in January and 40 in the summer	None that we are aware, the employee limiter came out of no where. Because EIDL existed before the crisis, SBA has flexibility to set rules as they see fit
how do you find out where you stand for eidl?	<a href="https://disasterloan.sba.gov/ela/Account/Login?ReturnUrl=%2Fela%2FMembers">https://disasterloan.sba.gov/ela/Account/Login?ReturnUrl=%2Fela%2FMembers</a>
Will EIDL money come out of ppp funding?	It isn't that it comes "out of the PPP, it is more that you can't qualify for forgiveness dollar for dollar if you get EIDL proceeds
<b>New Seasonal Rule</b>	
Any idea if banks will be required to allow modification of PPP application based on new guidance? e.g. I filled it out as soon as it was available and just indicated the max number of FTE we had in 2019	Depends on the bank and timing of your application. Because they are predicting they will run out again, likely a mute point. Don't worry about the # of employees on application, the calculation on the forgiveness actually ignores it, see answer to question 1
We received a PPP loan based on our trailing 12 month average. Our largest payroll period is September and October. With the new rule- could we resubmit a PPP app based on the 2019 September+October payroll?	yes, but if you already received approval or got funds then you have to unwind all of that and start over, might be too risky as the fund could be gone by the time you do all of that
<b>Wage Balance</b>	
An employee's pay can't be reduced by more than 25%. If we bring back some people in the last pay period, is paying them the average of what they were paid prior sufficient?	yes, so you won't get penalized if they start late in the 8-week period, you will simply have to "self-report if/when you brought them back if their pay was reduced by 25% or more from the prior quarter on an annualized basis
is reduction in pay for an hourly worker mean fewer hours or just reducing in hourly wage?	it's based on reduction in wages, not hours
I'm still hung up on the 75% individual payroll requirement based on the last quarter. So over 8 weeks we have to pay 75% what someone would have made over 12 weeks? So we have to give them a raise temporarily, is that correct?	Not necessarily. You have to spend on "payroll" 75% of the proceeds you received in PPP total loan amount in order to qualify for forgiveness, if you can't so be it, you have less forgiveness.