

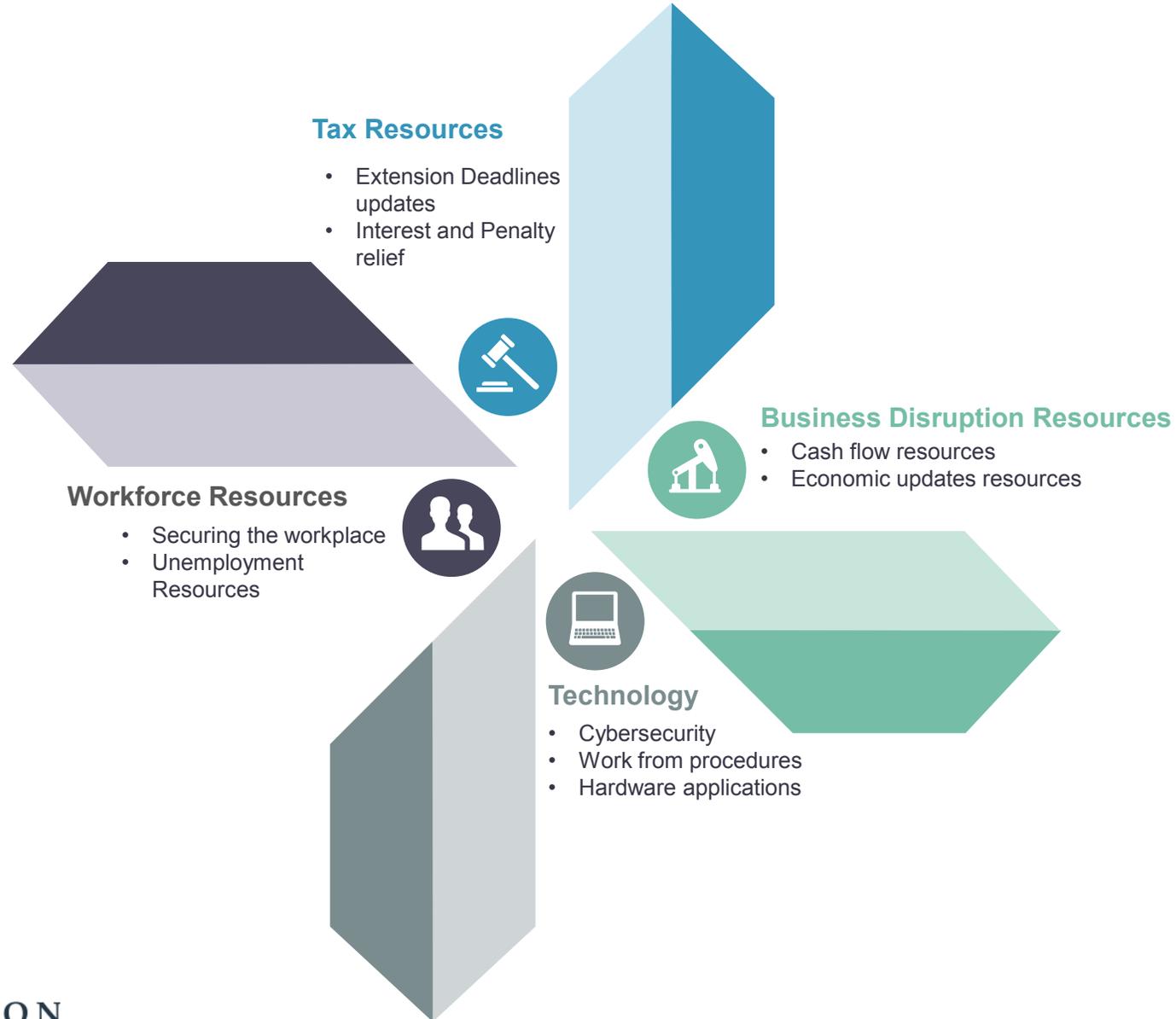
PPP Forgiveness

Part I

April 22, 2020



WB COVID-19 RESOURCE CENTER



Coronavirus Aid, Relief, and Economic Security Act - CARES Act

Topics Discussed

- Paycheck Protection Program SBA Report
- Paycheck Protection Program
- PPP Loan Forgiveness
 - Loan forgiveness examples
 - Items needing guidance



U.S. Small Business
Administration

Paycheck Protection Program (PPP) Report

Approvals through 12 PM EST
4/16/2020



Summary

Loan Count	Net Approved Dollars	Lender Count
1,661,367	\$342,277,999,103*	4,975

*Net Approved Dollars do not reflect the amount required for reimbursement to lenders per statute within the CARES Act.

States and Territories

State	Approved PPP Loans	Approved PPP Amount
AK	4,842	\$921,927,504
AL	27,922	\$4,862,690,120
AR	21,754	\$2,722,726,557
AS	2	\$419,583
AZ	19,280	\$4,846,959,062
CA	112,967	\$33,413,693,192
CO	41,635	\$7,392,960,359
CT	18,435	\$4,151,934,451
DC	3,253	\$1,247,218,727
DE	5,171	\$1,090,415,848
FL	88,997	\$17,863,199,837
GA	48,332	\$9,464,475,442
GU	508	\$102,418,346
HI	11,553	\$2,046,450,982
IA	29,424	\$4,315,688,444
ID	13,627	\$1,850,034,026
IL	69,893	\$15,972,578,071
IN	35,990	\$7,491,445,351
KS	26,245	\$4,288,652,108
KY	23,797	\$4,149,467,684

State	Approved PPP Loans	Approved PPP Amount
LA	26,635	\$5,100,534,501
MA	46,937	\$10,360,907,178
MD	26,068	\$6,537,733,687
ME	14,993	\$1,944,425,549
MI	43,438	\$10,381,310,070
MN	46,383	\$9,014,060,040
MO	46,481	\$7,547,822,023
MP	56	\$12,619,835
MS	20,748	\$2,481,000,606
MT	13,456	\$1,470,300,136
NC	39,520	\$8,005,752,270
ND	11,002	\$1,548,384,035
NE	23,477	\$2,988,890,489
NH	11,582	\$2,006,858,477
NJ	33,519	\$9,527,794,260
NM	8,277	\$1,424,408,711
NV	8,674	\$2,013,939,889
NY	81,075	\$20,345,681,101
OH	59,800	\$14,108,889,927
OK	35,557	\$4,615,708,450

State	Approved PPP Loans	Approved PPP Amount
OR	18,732	\$3,806,104,476
PA	69,567	\$15,697,648,689
PR	2,856	\$658,573,638
RI	7,732	\$1,335,777,801
SC	22,933	\$3,807,578,397
SD	11,324	\$1,369,616,339
TN	34,035	\$6,542,045,089
TX	134,737	\$28,483,710,273
UT	21,257	\$3,695,399,459
VA	40,371	\$8,721,170,223
VI	240	\$62,242,612
VT	6,983	\$1,000,127,478
WA	30,421	\$6,959,680,159
WI	43,395	\$8,317,705,842
WV	7,861	\$1,351,223,328
WY	7,618	\$837,018,372

Approvals through 4/16/20

Loan Size

Loan Size	Approved Loans	Approved Dollars	% of Count	% of Amount
\$150K and Under	1,229,893	\$58,321,791,761	74.03%	17.04%
>\$150K - \$350K	224,061	\$50,926,354,675	13.49%	14.88%
>\$350K - \$1M	140,197	\$80,628,410,796	8.44%	23.56%
>\$1M - \$2M	41,238	\$57,187,983,464	2.48%	16.71%
>\$2M - \$5M	21,566	\$64,315,474,825	1.30%	18.79%
>\$5M	4,412	\$30,897,983,582	0.27%	9.03%

- Overall average loan size is \$206K.

Industry by NAICS Subsector

NAICS Subsector Description	Approved Loans	Approved Dollars	% of Amount
Construction	177,905	\$44,906,538,010	13.12%
Professional, Scientific, and Technical Services	208,360	\$43,294,713,938	12.65%
Manufacturing	108,863	\$40,922,240,021	11.96%
Health Care and Social Assistance	183,542	\$39,892,493,481	11.65%
Accommodation and Food Services	161,876	\$30,500,417,573	8.91%
Retail Trade	186,429	\$29,418,369,063	8.59%
Wholesale Trade	65,078	\$19,489,410,472	5.69%
Other Services (except Public Administration)	155,319	\$17,707,077,167	5.17%
Administrative and Support and Waste Management and Remediation Services	72,439	\$15,285,814,286	4.47%
Real Estate and Rental and Leasing	79,784	\$10,743,430,227	3.14%
Transportation and Warehousing	44,415	\$10,598,076,231	3.10%
Finance and Insurance	60,134	\$8,177,041,995	2.39%
Educational Services	25,198	\$8,062,652,288	2.36%
Information	22,825	\$6,675,630,276	1.95%
Arts, Entertainment, and Recreation	39,670	\$4,939,280,138	1.44%
Agriculture, Forestry, Fishing and Hunting	46,334	\$4,374,343,877	1.28%
Mining	11,168	\$3,894,793,207	1.14%
Public Administration	5,570	\$1,197,353,586	0.35%
Management of Companies and Enterprises	3,211	\$1,170,748,130	0.34%
Utilities	3,247	\$1,027,575,137	0.30%

Approvals through 4/16/20

PPP Lenders – Highest Approved Dollars

Lender	Approved Loans	Approved Dollars	Average Approved Size
1	27,307	\$14,071,396,427	\$515,304
2	32,097	\$10,309,843,746	\$321,209
3	21,062	\$9,612,090,368	\$456,371
4	33,594	\$7,778,303,458	\$231,538
5	27,929	\$6,555,028,971	\$234,703
6	25,820	\$6,114,676,731	\$236,819
7	26,238	\$6,057,787,355	\$230,878
8	10,681	\$4,406,088,115	\$412,516
9	14,215	\$4,356,840,783	\$306,496
10	9,457	\$4,267,336,254	\$451,236
11	12,001	\$4,190,129,500	\$349,148
12	25,151	\$3,889,799,524	\$154,658
13	9,673	\$3,392,990,074	\$350,769
14	10,642	\$2,978,045,260	\$279,839
15	40,746	\$2,966,427,908	\$72,803

Approvals through 4/16/20

Sec. 1102 Paycheck Protection Program Overview

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act or the Act) (P.L. 116-136) to provide emergency assistance and health care response for individuals, families, and businesses affected by the coronavirus pandemic.

The Paycheck Protection Program provides small businesses with funds to pay up to 8 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities.

Paycheck Protection Program Overview

Fully Forgiven

Funds are provided in the form of loans that will be fully forgiven when used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. Neither the government nor lenders will charge small businesses any fees.

Must Keep Employees on the Payroll—or Rehire Quickly

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

Paycheck Protection Program Eligibility

Eligible business:

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules:

- If in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply

REMEMBER: The 500-employee threshold includes all employees: full-time, part-time, and any other status.



Paycheck Protection Program

Payroll Cost



INCLUDED Payroll Cost:

1. For Employers: The sum of payments of any compensation with respect to employees that is a:

- salary, wage, commission, or similar compensation;
- payment of cash tip or equivalent;
- payment for vacation, parental, family, medical, or sick leave
- allowance for dismissal or separation
- payment required for the provisions of group health care benefits, including insurance premiums
- payment of any retirement benefit
- payment of state or local tax assessed on the compensation of the employee

2. For Sole Proprietors, Independent Contractors, and Self-Employed Individuals: The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

EXCLUDED Payroll Cost:

1. Compensation of an individual employee in excess of an annual salary of \$100,000 prorated.
2. Employer paid payroll taxes, railroad retirement taxes, and income taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116– 5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act

Non Season Employers:

Maximum loan =
2.5 x Average total monthly payroll costs incurred during the year prior to the loan date
For businesses not operational in 2019:
2.5 x Average total monthly payroll costs incurred for January and February 2020

Seasonal Employers:

Maximum loan =
2.5 x Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019 *or* March 1, 2019 (decided by the loan recipient) and ending June 30, 2019



Paycheck Protection Program

Allowable Uses of Covered Loans

IN GENERAL– During the covered period, an eligible recipient may use the proceeds of the covered loan for-

- Payroll costs (as define in the Act in 2.f)
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commission or similar compensations
- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
- Rent (including rent under a lease agreement);
- Utilities; and
- **Interest on any other debt obligations that were incurred before the covered period**



Paycheck Protection Program

PBC List:

Needed to calculate the eligible loan amount:

1) Payroll reports for 2019 and 2020 year to date showing the following by employee and/or officers:

- Gross wages
- Paid time off
- Paid vacation
- Pay for family medical leave
- State and local taxes (form 940, 941, or 944)
- 1099's for independent contractors (if applicable)

2) Completed 2019 tax return OR 2019 Profit and Loss Report and Balance Sheet

3) Documentation Showing:

- Quarterly IRS forms 940, 941, or 944 for the following dates
- Funds received in the form of an Economic Injury loan since 1/31/20
- Payments for group health care benefits including premiums paid in 2019 to 2020 year to date
- Payment of any retirement benefits paid in 2019 and 2020 year to date



Paycheck Protection Program Loan Application Example:

	2019	Weekly	Monthly
Mary	90,000	1,731	7,500
Carey	85,000	1,635	7,083
Larry	52,000	1,000	4,333
Sherrie	25,000	481	2,083
	<hr/> 252,000 <hr/>	4,846	21,000
Loan	2.5x		\$ 52,500



Sec. 1106 Loan Forgiveness

TREATMENT OF AMOUNTS FORGIVEN.

Amounts which have been forgiven under this section shall be considered canceled indebtedness by a lender authorized under section 7(a) of the Small Business Act (15 U.S.C. 636(a)).

Taxability – For purposes of the internal revenue code of 1986, any amount which would be included in gross income of the eligible recipient by reason of forgiveness describe shall be exclude from gross income.

Sec. 1106 Loan Forgiveness

FORGIVENESS. -An eligible recipient shall be eligible for forgiveness of indebtedness on a covered loan in an amount equal to the sum of the following costs incurred and payments made during the covered period:

- Payroll costs.
- Any payment of interest on any covered mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation).
- Any payment on any covered rent obligation.
- Any covered utility payment.

Eligible costs absent in forgiveness (1106) that were mentioned in allowable uses (1102) is *Interest on any other debt obligations that were incurred before the covered period.*

The loan forgiveness cannot exceed the principal. Non-forgiven loans interest rate cannot exceed 1%.

Sec. 1106 Loan Forgiveness

LIMITS ON AMOUNT OF FORGIVENESS. -

The amount of loan forgiveness under this section shall not exceed the principal amount of the financing made available under the applicable covered loan.

- Forgiveness reduction based on the reduction in number of employees
- Forgiveness reduction based on reduction of salary and wages
- Exemption for re-hires

Sec. 1106 Loan Forgiveness

LIMITS ON AMOUNT OF FORGIVENESS

Forgiveness reduction based on the reduction in number of employees

The amount of loan forgiveness under this section shall be reduced, but not increased, by multiplying the amount described in subsection by the quotient obtained by dividing-

- The average number of full-time equivalent employees per month employed by the eligible recipient during the covered period; by

At the election of the borrower-

- The average number of full-time equivalent employees per month employed by the eligible recipient during the period beginning on February 15, 2019 and ending on June 30, 2019; or
- The average number of full-time equivalent employees per month employed by the eligible recipient during the period beginning on January 1, 2020 and ending on February 29, 2020; or
- In the case of an eligible recipient that is seasonal employer, as determined by the Administrator, the average number of full-time equivalent employees per month employed by the eligible recipient during the period beginning on February 15, 2019 and ending on June 30, 2019.

Sec. 1106 Loan Forgiveness

LIMITS ON AMOUNT OF FORGIVENESS

Forgiveness reduction based on the reduction in number of employees

EXAMPLE

2/15/2019 - 6/30/2019			1/1/2020 - 2/29/2020			COVERED PERIOD			Quotient obtained		
2/15/2019	5.00		1/15/2020	4.00		4/15/2020	3.00		Covered Period	3.00	75%
2/28/2019	5.00	5.00	1/30/2020	4.00	4.00	4/30/2020	3.00	3.00	Base Period	4.00	
3/15/2019	4.00		2/15/2020	4.00		5/15/2020	3.00				
3/31/2019	4.00	4.00	2/29/2020	4.00	4.00	5/31/2020	3.00	3.00			
4/15/2019	4.00					6/15/2020	3.00	3.00			
4/30/2019	4.00	4.00									
5/15/2019	4.00										
5/31/2019	4.00	4.00									
6/15/2019	4.00										
6/30/2019	4.00	4.00									
Average	4.11	4.20		4.00	4.00		3.00	3.00			

Sec. 1106 Loan Forgiveness

LIMITS ON AMOUNT OF FORGIVENESS

Forgiveness reduction based on reduction of salary and wages

The amount of loan forgiveness under this section shall be reduced by the amount of any reduction in total salary or wages of any employee described in subparagraph (B) during the covered period that is in excess of 25 percent of the total salary or wages of the employee during the most recent full quarter during which the employee was employed before the covered period.

(B) Employees Described -An employee described in this subparagraph is any employee who did not receive, during any single pay period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000.

Sec. 1106 Loan Forgiveness

LIMITS ON AMOUNT OF FORGIVENESS

Forgiveness reduction based on reduction of salary and wages

EXAMPLE

	2020	Q1 2020 Total	8-Weeks	8-Week Covered Period	Test B	75%	Excess . 75%
Mary	90,000	22,500	13,846	13,848	100%	10,385	
Carey	85,000	21,250	13,077	13,079	100%	9,808	
Larry	52,000	13,000	8,000	4,000	50%	6,000	2,000
Sherrie	25,000	6,250	3,846	-	0%		
	<u>252,000</u>	<u>63,000</u>	<u>38,769</u>	<u>30,927</u>		<u>26,192</u>	<u>2,000</u>

Sec. 1106 Loan Forgiveness

LIMITS ON AMOUNT OF FORGIVENESS

Forgiveness reduction based on reduction of salary and wages

EXAMPLE

Payroll Cost	30,927
Less: Reduction in Salary & Wages	(2,000)
Less: Reduction in FTE Count	<u>(7,732)</u>
Eligible Payroll Cost Forgiveness	<u>21,195</u>
Other Eligible Cost Forgiveness	<u>7,065</u>
Eligible Loan Forgiveness	<u>28,260</u>
Original Loan Amount	\$ 52,500
Non forgiven	\$ 24,240

Sec. 1106 Loan Forgiveness

LIMITS ON AMOUNT OF FORGIVENESS

Exemption for rehires

During the period beginning on February 15, 2020 and ending on the date that is 30 days after the date of enactment of this Act, there is a reduction, as compared to February 15, 2020, in the number of full-time equivalent employees of an eligible recipient; and

Not later than June 30, 2020, the eligible employer has eliminated the reduction in the number of full-time equivalent employees;

EXEMPTIONS -The Administrator and the Secretary of the Treasury may prescribe regulations granting de minimis exemptions from the requirements under this subsection.

Sec. 1106 Loan Forgiveness

DOCUMENTS NEEDED FOR FORGIVENESS

Documentation verifying the number of full-time equivalent employees on payroll and pay rates for the covered periods, including-

- Payroll tax filings reported to the Internal Revenue Service; and
- State income, payroll, and unemployment insurance filings;

Documentation, including cancelled checks, payment receipts, transcripts of accounts, or other documents verifying payments on covered mortgage obligations, payments on covered lease obligations, and covered utility payments;

Certification from a representative of the eligible recipient authorized to make such certifications that-

- The documentation presented is true and correct; and
- The amount for which forgiveness is requested was used to retain employees, make interest payments on a covered mortgage obligation, make payments on a covered rent obligation, or make covered utility payments; and

Any other documentation the Administrator determines necessary.

How Can We Help You?



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