

WELCOME TO FORGIVENESS U.

F100:
PPP Forgiveness Overview

ACAP + The LOAN SOURCE®

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Today’s Presenters



John Schweisberger

Business Outsourcing Services, ***Partner***



Jenn McCabe

Business Outsourcing Services, ***Partner***

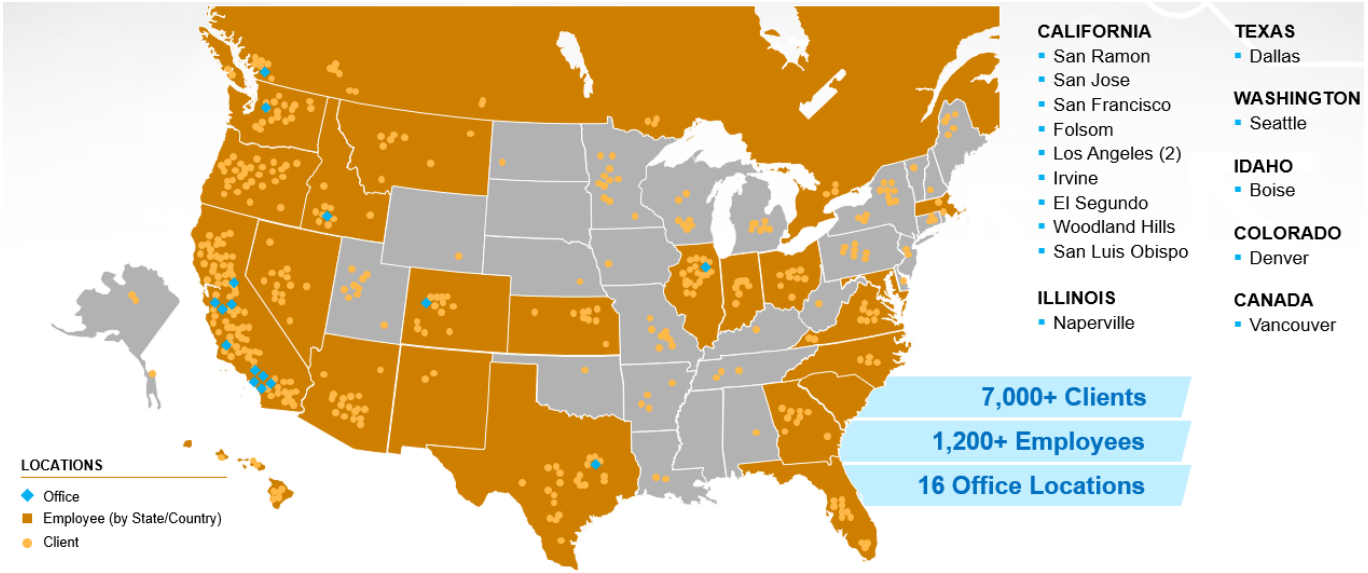
Armanino Overview

SNAPSHOT

- 1200+ Employees
- Team Members in 22 States
- Top 25 Largest U.S. CPA/Consulting Firms
- Clients from <$10M to >$2B

LOCATIONS

Audit Consulting
Tax Outsourcing



CALIFORNIA
- San Ramon
- San Jose
- San Francisco
- Folsom
- Los Angeles (2)
- Irvine
- El Segundo
- Woodland Hills
- San Luis Obispo

ILLINOIS
- Naperville

TEXAS
- Dallas

WASHINGTON
- Seattle

IDAHO
- Boise

COLORADO
- Denver

CANADA
- Vancouver

RECOGNITION & AWARDS

INSIDE PUBLIC ACCOUNTING FASTEST-GROWING FIRMS 2018

INSIDE PUBLIC ACCOUNTING BEST OF THE BEST FIRMS 2018

BEST of Accounting CLIENT SATISFACTION 2018

vault TOP RANKED

accountingTODAY BEST FIRMS FOR TECHNOLOGY 2019

ACAP and Armanino Partnership: Forgiveness U.

- **F100 Webinar – Overview Guide to the Basics**
- **Knowledge Center on ACAP's website**
  - ❑ "Forgiveness Google" – Searchable FAQ Library
  - ❑ Guide to the Basics
  - ❑ Definitions and Topics Quick Start Guide
  - ❑ Recording of F100 Webinar
- **Distance Learning Program**
  - ❑ 3 monthly webinars on key topics
  - ❑ In-webinar exams to test knowledge



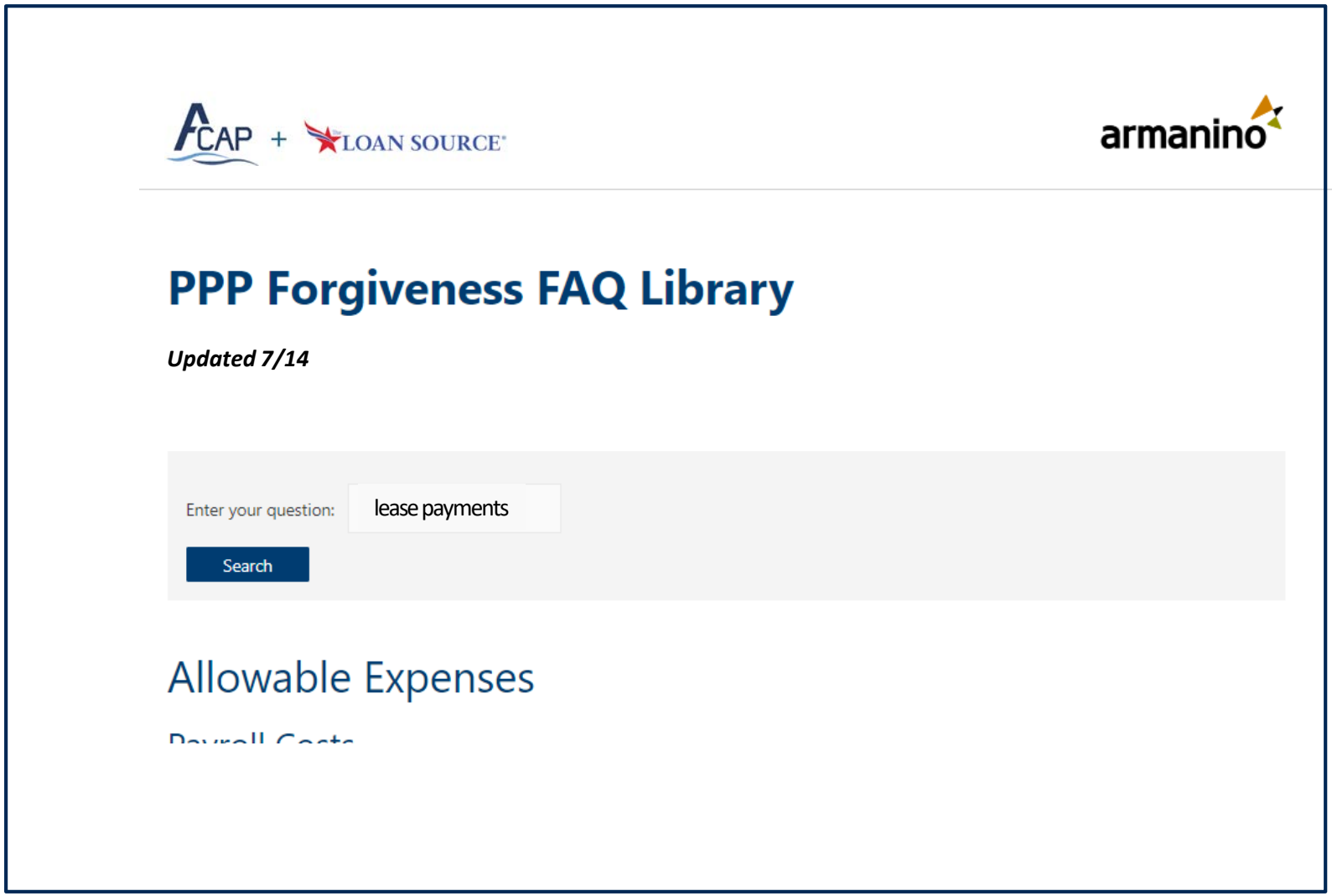
Complexities of the PPP Forgiveness Program

- Constantly changing rules
- Allowable vs. non-allowable uses of funds
- Borrower options – Alternative Covered Period, FTE calcs, even which Application Form to use
- Multiple reduction factors and safe harbors
- Multiple look-back periods
- Multiple thresholds
- Insufficient guidance and interpretations

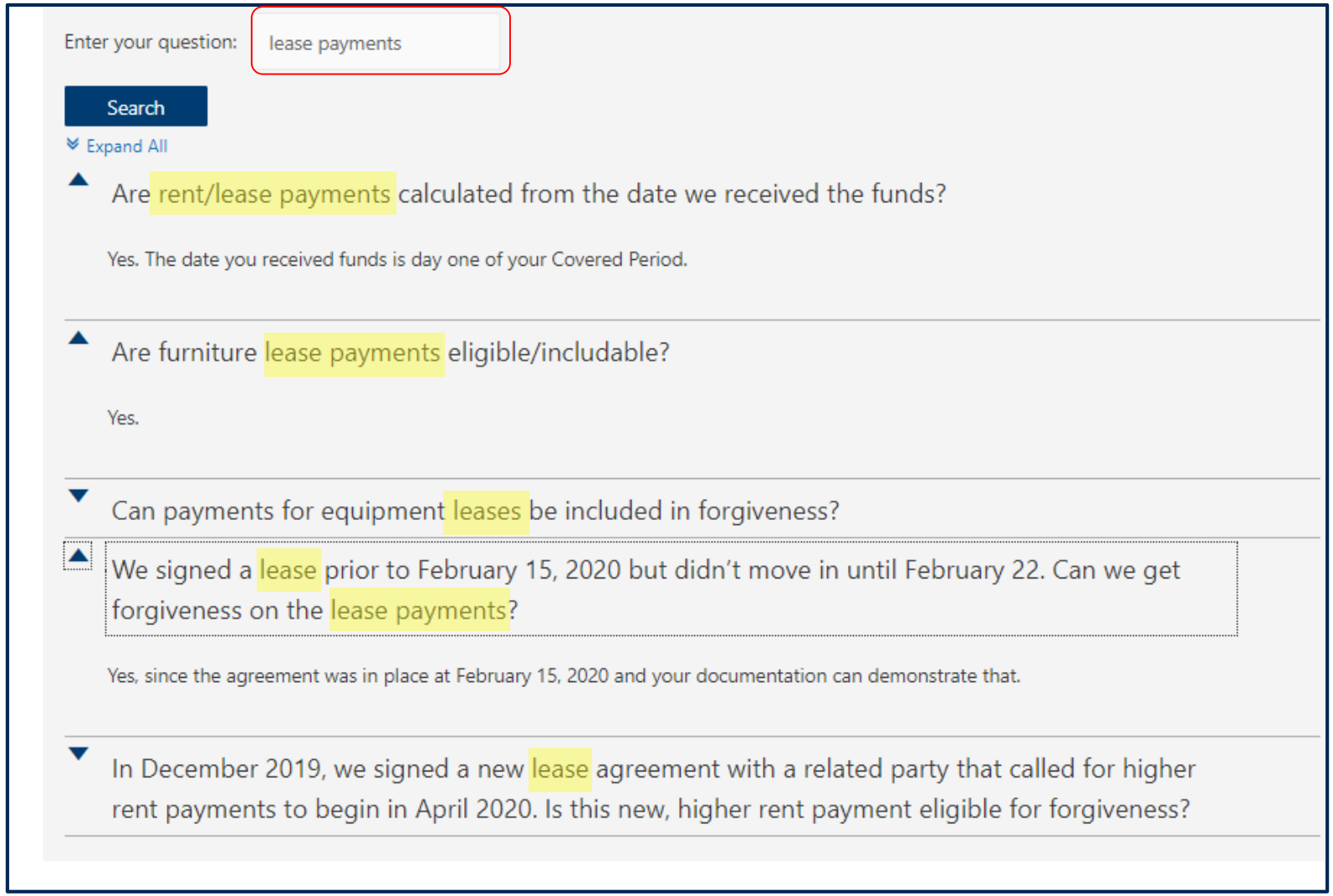


- **Result: more questions than answers**

ACAP Forgiveness FAQ Library



ACAP Forgiveness FAQ Library – Search Function



PPP Loan Forgiveness Overview

- Maximum forgivable amount is equal to the amount spent on qualifying payroll costs and specific operating expenses
- Borrowers' choice of either an 8-week or 24-week Covered Period (but nothing in between)
- Forgiveness may be reduced if wages are cut beyond the 75% reduction threshold
- Forgiveness will be reduced if # of FTEs is lower than the chosen baseline period
- There are safe harbors available for both reduction factors, but they are complicated
- Any unforgiven amount must be repaid over 2 years at a 1% interest rate, with deferred payments until the date SBA reimburses the loan servicer; 5-year terms available after 6/5/20





Five Key Forgiveness Changes

1. New EZ form available for:
   - ✓ Self-employed, sole proprietors or independent contractors with no employees at time of applying and in basis of loan application
   - ✓ Businesses with no salary reductions AND no FTE reductions from 1/1/20 through end of Covered Period
   - ✓ Businesses with no salary reductions AND an inability to return to pre-2/15/20 activity throughout the Covered Period due to governmental restrictions using HHS, CDC or OSHA guidance
2. Able to file application when PPP money runs out
3. Payroll threshold lowered from 75% to 60%, with limitations on non-payroll costs to enforce the ratio when necessary
4. Maximum compensation cap per person moves to $46,154 if choosing 24-week Covered Period (or $15,385 if 8 weeks)
5. New FTE/Wage Reduction safe harbor dates and exclusions



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Forgiveness Math: A Refresher



LOAN AMOUNT SPENT =

Gross Forgiveness Amount − Salary/Wage Reduction ($) × FTE Reduction Quotient (%)

=

Modified Forgiveness Total

Forgiveness Math: A Refresher



LOAN AMOUNT SPENT

Expense Item	Included	Excluded
Gross salary, wage, commission, tips, or similar compensation *(capped at $100K annualized, or $1,923/week)*	✓	
Employer portion of Group health care benefits including HSA	✓	
Employer portion of Retirement benefits, including DBP and DCP	✓	
Employer portion of State or local tax assessed	✓	
Bonus payments (not to exceed maximum allowable compensation)	✓	
Severance and PTO payouts for terminated employees	✓	
Sick leave (unless covered by FFCRA)	✓	
Self-employed income (8 weeks: smaller of 8/52 of 2019 Schedule C or $15,385) (24 weeks: smaller of 2.5 months of 2019 Schedule C or $20,833)	✓	
2019 Profit Sharing contributions		✓
Self-employed health insurance costs		✓
Disability, Long Term Care and Workers' Compensation insurance		✓
Union dues (beyond health insurance costs)		✓

Forgiveness Math: A Refresher



LOAN AMOUNT SPENT

- Applies to any real *or personal* property with a secured loan
- Only interest is forgivable; principal may not be included
- Evidence of the amortization schedule needs to be submitted with your application

Expense Item	Included	Excluded
Mortgage loan on a building	✓	
Payments on a note to purchase a fixed asset	✓	
Loans used to buy a fleet of vehicles	✓	
Buy-out payments to a former partner		✓
Interest on a Line of Credit		✓

Forgiveness Math: A Refresher

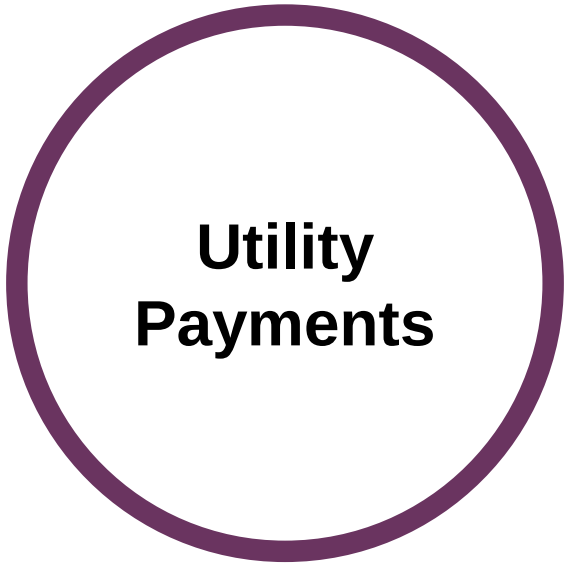


LOAN AMOUNT SPENT

- Applies to any real *or personal* property with a lease
- The entire payment is forgivable
- Evidence of the lease payment schedule needs to be submitted with your application

Expense Item	Included	Excluded
Office or storage facility rent	✓	
Leased fleet vehicles	✓	
Leases on copiers	✓	
Property taxes, insurance and CAM on office space		✓
Newly leased property since 2/15/20		✓

Forgiveness Math: A Refresher

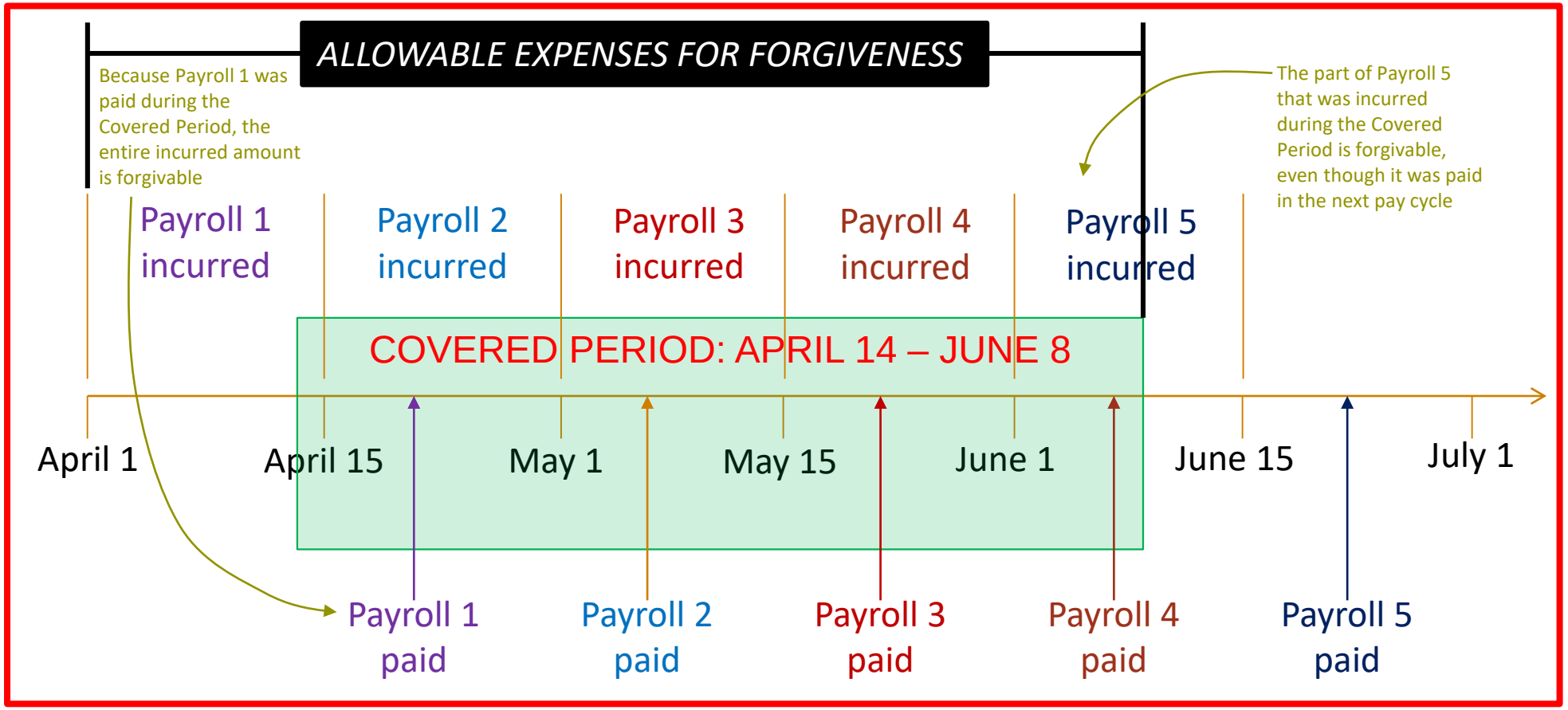


LOAN AMOUNT SPENT

- Includes:
  - Electricity, Gas, Water
  - Internet Access Service, Telephone
  - Transportation
- The entire payment is forgivable
- Monthly statements or other evidence of payments need to be submitted with your application

Expense Item	Included	Excluded
Electric bill received 2 days after funding, covering prior service period	✓	
Fuel for business vehicles	✓	
Maintenance on business vehicles		✓
Software license costs, managed services for enterprise servers		✓
Internet access from home for employees as a result of COVID		✓

Incurred vs. Paid Rules for Forgiveness



Forgiveness Math: A Refresher



LOAN AMOUNT SPENT =

Gross Forgiveness Amount − Salary/Wage Reduction ($)

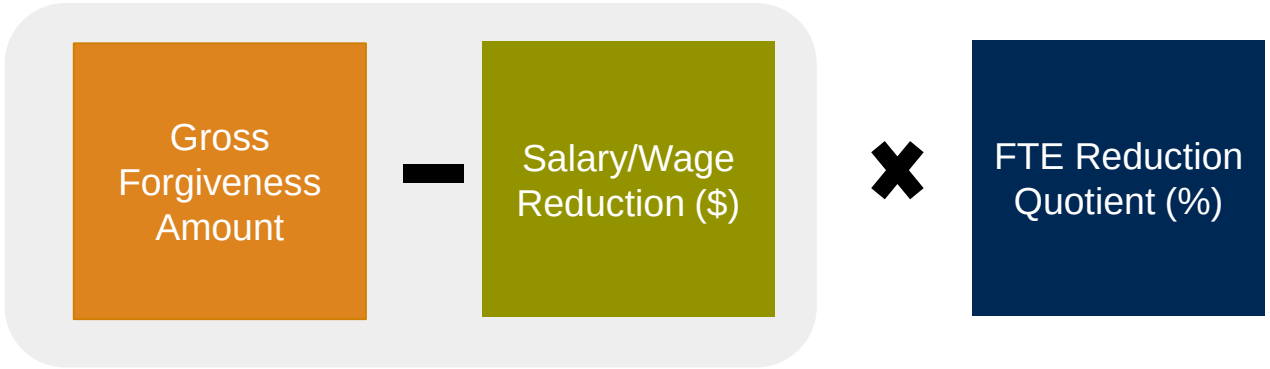
Step 1: **Determine who should be included in the Reduction Factor calculation**
- Include only employees under $100K annualized in *every* pay period in 2019

Step 2: Determine if any employee's average **Salary/Wages** were reduced by more than 25% during the Covered Period as compared to Q1 2020

Step 3: Reduce forgiveness only by the amount beyond the 25% reduction

This is a dollar for dollar reduction calculated at the individual employee level

Forgiveness Math: A Refresher



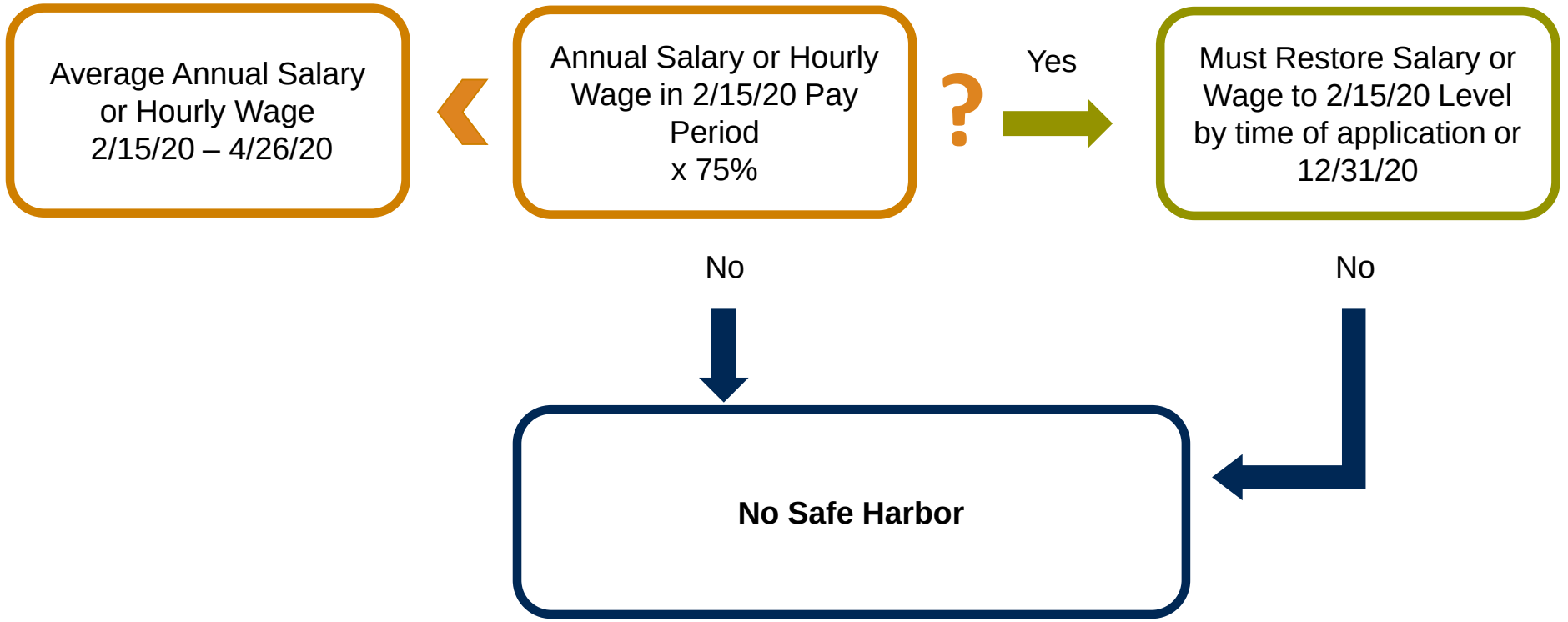
Forgiveness Math: A Refresher

FTE Reduction Quotient (%)

- If average number of **FTE** were lower during the Covered Period compared to one of two base periods:
  - 2/15/19 – 6/30/19
  - 1/1/20 – 2/29/20
  - Seasonal Employer option: 5/1/19 – 9/15/19
- This is a percentage reduction calculated on the Gross Forgiveness Amount less the Salary/Wage reduction

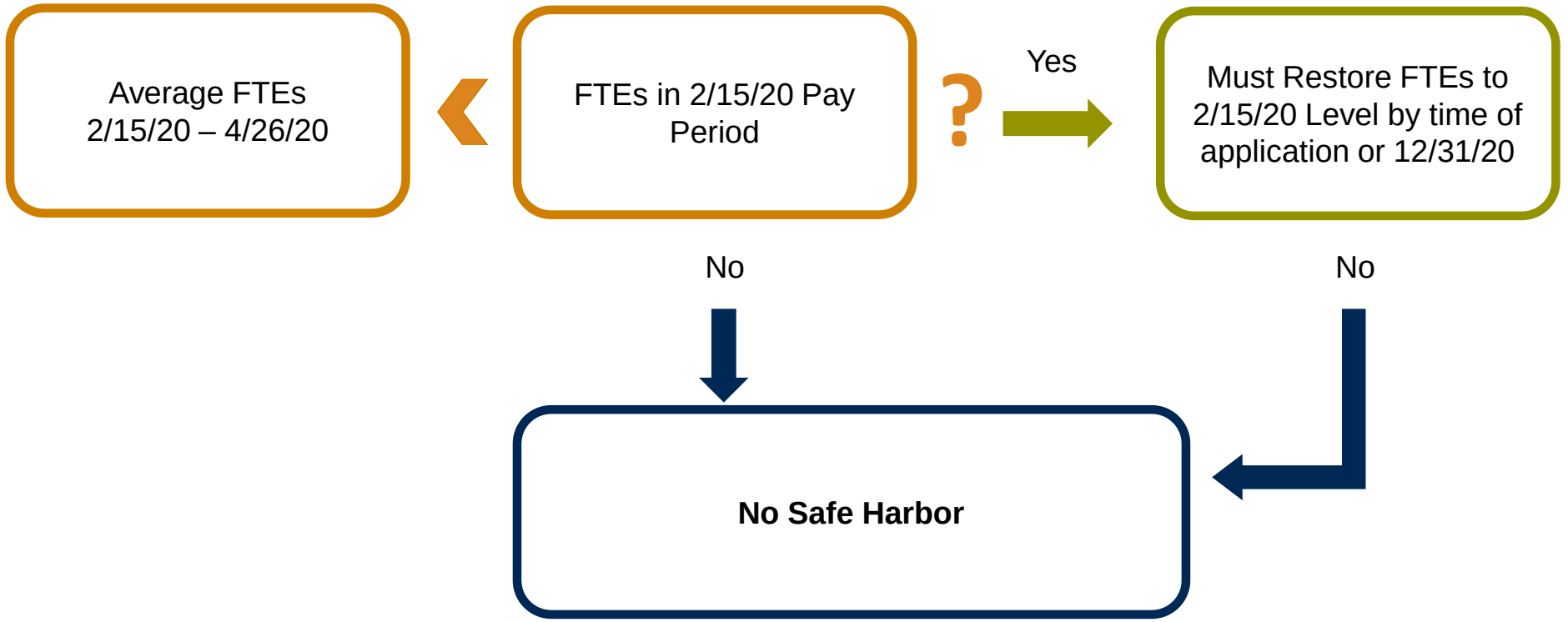
Salary/Hourly Wage Reduction Factor Safe Harbor

Safe Harbor is calculated for *EACH* employee whose average pay was <75% of Q1 2020:

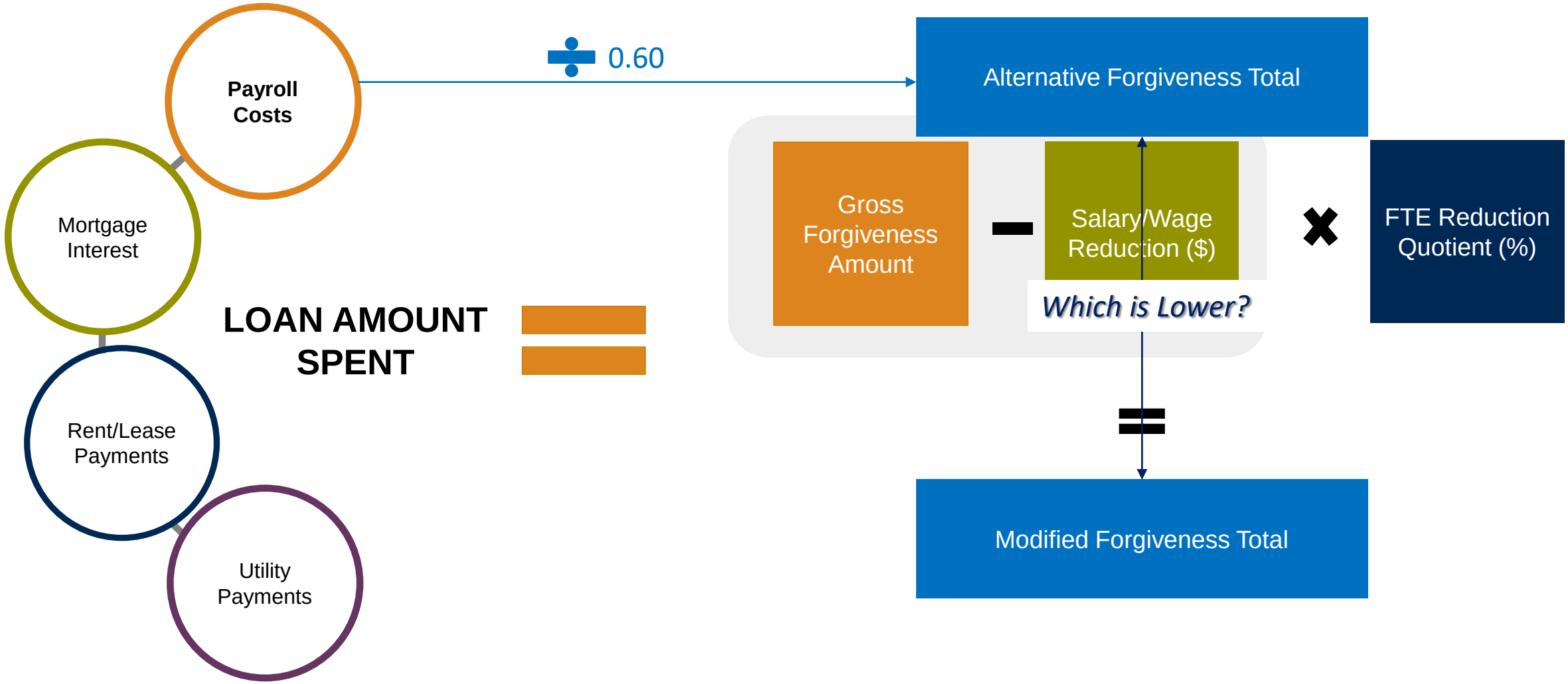


FTE Reduction Factor Safe Harbor

Safe Harbor is calculated for *the aggregate FTE count of the business*:



Forgiveness Math: A Refresher





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ABC Co. Example

ABC Co.					
			PPP Loan	Funded	CP Ends
			200,000	4/14/2020	6/8/2020
		Pd 6/30/19	2019		2020 Q1
	2019 Salary	Bonus	Per Mo Ave	Per PP	Per PP
Owner	240,000		20,000	10,000	10,000
Exec 1	132,000	18,000	12,500	5,500	5,500
Mgr 1	90,000	6,000	8,000	3,750	3,750
Mgr 2	90,000	6,000	8,000	3,750	3,750
EE 1	60,000		5,000	2,500	2,500
EE 2	54,000	6,000	5,000	2,250	2,250
EE 3	54,000		4,500	2,250	2,250
EE 4	48,000		4,000	2,000	2,000
EE 5	48,000		4,000	2,000	2,000
EE 6	42,000		3,500	1,750	1,750
EE 7	36,000		3,000	1,500	1,500
EE 8	30,000		2,500	1,250	1,250
			80,000	**38,500**	**38,500**



ABC Co. Example

ABC Co.													
			PPP Loan	Funded	CP Ends								
			200,000	4/14/2020	6/8/2020								
		Pd 6/30/19	2019		2020 Q1	Layoff + Pay cut at 4/1					Partial Reinstate at 6/1		
	2019 Salary	Bonus	Per Mo Ave	Per PP	Per PP	4/1/2020	4/15/2020	4/30/2020	5/15/2020	5/31/2020	6/1/2020	6/15/2020	6/30/2020
Owner	240,000		20,000	10,000	10,000	50% cut	5,000	5,000	5,000	5,000	No change	5,000	5,000
Exec 1	132,000	18,000	12,500	5,500	5,500	50% cut	2,750	2,750	2,750	2,750	No change	2,750	2,750
Mgr 1	90,000	6,000	8,000	3,750	3,750	20% cut	3,000	3,000	3,000	3,000	No change	3,000	3,000
Mgr 2	90,000	6,000	8,000	3,750	3,750	Furlough					Rehire @ 80%	3,000	3,000
EE 1	60,000		5,000	2,500	2,500	Layoff					No change		
EE 2	54,000	6,000	5,000	2,250	2,250	20% cut	1,800	1,800	1,800	1,800	No change	1,800	1,800
EE 3	54,000		4,500	2,250	2,250	20% cut	1,800	1,800	1,800	1,800	No change	1,800	1,800
EE 4	48,000		4,000	2,000	2,000	Layoff					Refused		
EE 5	48,000		4,000	2,000	2,000	30% cut	1,400	1,400	1,400	1,400	10% hike	1,600	1,600
EE 6	42,000		3,500	1,750	1,750	30% cut	1,225	1,225	1,225	1,225	10% hike	1,400	1,400
EE 7	36,000		3,000	1,500	1,500	30% cut	1,050	1,050	1,050	1,050	10% hike	1,200	1,200
EE 8	30,000		2,500	1,250	1,250	30% cut	875	875	875	875	10% hike	1,000	1,000
			80,000	**38,500**	**38,500**		**18,900**	**18,900**	**18,900**	**18,900**		**22,550**	**22,550**

ABC Co. Example

ABC Co.																					
			PPP Loan	Funded	CP Ends																
			200,000	4/14/2020	6/8/2020																
		Pd 6/30/19	2019		2020 Q1	Layoff + Pay cut at 4/1					Partial Reinstate at 6/1			Table 1 Definition		Salary/Wage Reduction					
	2019 Salary	Bonus	Per Mo Ave	Per PP	Per PP	4/1/2020	4/15/2020	4/30/2020	5/15/2020	5/31/2020	6/1/2020	6/15/2020	6/30/2020	Max PP	Include?	Q1 Ave Sal	CP Ave Sal	Reduc. %	Calculate?	$ Reduction	Safe Harbor?
Owner	240,000		20,000	10,000	10,000	50% cut	5,000	5,000	5,000	5,000	No change	5,000	5,000	240,000	No						
Exec 1	132,000	18,000	12,500	5,500	5,500	50% cut	2,750	2,750	2,750	2,750	No change	2,750	2,750	564,000	No						
Mgr 1	90,000	6,000	8,000	3,750	3,750	20% cut	3,000	3,000	3,000	3,000	No change	3,000	3,000	234,000	No						
Mgr 2	90,000	6,000	8,000	3,750	3,750	Furlough					Rehire @ 80%	3,000	3,000	234,000	No						
EE 1	60,000		5,000	2,500	2,500	Layoff					No change			60,000	Yes						
EE 2	54,000	6,000	5,000	2,250	2,250	20% cut	1,800	1,800	1,800	1,800	No change	1,800	1,800	198,000	No						
EE 3	54,000		4,500	2,250	2,250	20% cut	1,800	1,800	1,800	1,800	No change	1,800	1,800	54,000	Yes	54,000	43,414	80%	No		
EE 4	48,000		4,000	2,000	2,000	Layoff					Refused			48,000	Yes						
EE 5	48,000		4,000	2,000	2,000	30% cut	1,400	1,400	1,400	1,400	10% hike	1,600	1,600	48,000	Yes	48,000	34,345	72%	Yes	(255)	No
EE 6	42,000		3,500	1,750	1,750	30% cut	1,225	1,225	1,225	1,225	10% hike	1,400	1,400	42,000	Yes	42,000	30,052	72%	Yes	(223)	No
EE 7	36,000		3,000	1,500	1,500	30% cut	1,050	1,050	1,050	1,050	10% hike	1,200	1,200	36,000	Yes	36,000	25,759	72%	Yes	(191)	No
EE 8	30,000		2,500	1,250	1,250	30% cut	875	875	875	875	10% hike	1,000	1,000	30,000	Yes	30,000	21,466	72%	Yes	(159)	No
			80,000	**38,500**	**38,500**		**18,900**	**18,900**	**18,900**	**18,900**		**22,550**	**22,550**							(827)	

ABC Co. Example

		Pd 6/30/19	2019		2020 Q1					Partial Reinstate at 6/1		
	2019 Salary	Bonus	Per Mo Ave	Per PP	Per PP	4/15/2020	4/30/2020	5/15/2020	5/31/2020	6/1/2020	6/15/2020	6/30/2020
			80,000	**38,500**	**38,500**	**18,900**	**18,900**	**18,900**	**18,900**		**22,550**	**22,550**
FTEs			12		12	9	9	9	9		10	10
Includable in forgiveness?						Yes	Yes	Yes	Yes		Part-6/11	No
Gross Forgiveness Amount Calculation												
Calculated allowable Payroll amount - Owner amount is limited						17,746	17,746	17,746	17,746		11,671	-
Health Insurance Payments							11,000		11,000			
401(k) Match Payments						5,000		5,000			2,727	
Rent Payments - paid in advance							12,000		12,000			12,000
Utilities Payments						1,000	2,000	1,000	2,000		1,000	2,000
						23,746	**42,746**	**23,746**	**42,746**		**15,398**	**-**

Final Forgiveness Amount Calculation			
Total Forgivable Spend			**148,382**
Salary/Wage Reduction			**(827)**
Intermediate Forgiveness Amount			**147,554**
FTE Reduction Quotient			**83%**
	Average FTEs in Baseline	12.0	
	FTE Exclusions from Baseline	(1.0)	
	Average FTEs in Cov Per	9.2	
Final Forgiveness Amount			**122,738**

Armanino Can Help You with Forgiveness



What you need to do:

- ✓ Gather your reports
- ✓ Send them to us
- ✓ We'll do the rest

• Loans to $100K:	$ 1,500
• Loans from $100K-$350K:	$ 3,500
• Loans from $350K-$2M:	$ 7,500
• Loans over $2M:	$10,500

Visit learn.armaninollp.com/ppp-forgiveness-support-program

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Top 5 Things You Need To Do Now

- Decide on the length of your Covered Period
- Gather necessary supporting documentation
- If you're going to try this at home…Begin entering data as you can – *remember, there is no rush*
- If you want us to do it for you…Just send us your documentation
- Check the FAQ Library regularly for updates



Frequently Asked Questions

20 Questions

Use of funds questions:

1. Our loan funded April 29. Can we can include the entire April 30 payroll toward our forgiveness because it was paid after disbursement, even though it covers time worked prior to disbursement?
2. Are payments to temp agencies considered payroll costs?
3. Do I treat employees paid via a PEO the same as if they were paid by a temp agency?
4. Can I include in my benefits costs the auto allowance that I pay to my salespeople?

Use of funds questions:

5. Can I use PPP funds to pay bonuses?
6. Can I use PPP funds to make 2019 profit sharing contributions?
7. Are owner health premiums an eligible use of PPP funds?
8. My business pays rent every month to a related entity. Can I include that in my rent costs?
9. Can I use PPP funds to pre-pay obligations?

FAQs, Cont.

Reduction Factor questions:

10. I had an employee go out on disability and another one take maternity leave. Does that count against me as an FTE reduction?
11. I furloughed employees but did not lay them off. Does that count against my FTE reduction factor?
12. I cut people's pay by 30%. Do I have to take the entire 30% as my salary reduction calculation?
13. If we fired an employee during the loan period, but replaced them, do we have to take a salary reduction penalty for the employees we let go, even though our employee count remained constant?
14. If I spent more than my PPP loan amount during my Covered Period, can I apply the reduction factors against this higher forgiveness amount, thereby still staying above 100% forgiveness?

Forgiveness Calculation questions:

15. If I apply after 12 weeks, what is the maximum compensation per employee I can get credit for?
16. Can I include the payroll cost in the forgiveness calculation for people I did not include in the loan application (e.g. equity partners)?
17. Will severance or PTO payouts (not accruals) count in compensation for forgiveness?
18. What is the definition of an FTE?
19. Which employees do I put on Table 1 and which do I put on Table 2 of the Schedule A Worksheet?
20. My business had to close for all of April by order of the Health Department. Do I qualify to use the EZ form?

Still Have Questions?

PPP Forgiveness FAQ Library

Email support@theloansource.com

Visit learn.armaninollp.com/ppp-forgiveness-support-program