



# PPP LOAN FORGIVENESS APPLICATION AND EIDL UPDATE

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MAY 20, 2020



# INFORMATION CURRENT AS OF MAY 20, 2020

LINK TO APPLICATION:

[HTTPS://WWW.SBA.GOV/SITES/DEFAULT/FILE  
S/2020-05/3245-  
0407%20SBA%20FORM%203508%20PPP%20F  
ORGIVENESS%20APPLICATION%20FINAL\\_FIL  
LE.PDF](https://www.sba.gov/sites/default/files/2020-05/3245-0407%20SBA%20FORM%203508%20PPP%20FORGIVENESS%20APPLICATION%20FINAL_FILE.PDF)

# Paycheck Protection Program Loan Forgiveness Application

- Options for borrowers to calculate payroll costs using an “alternative payroll covered period” that aligns with borrowers’ regular payroll cycles
- Flexibility to include eligible payroll and non-payroll expenses paid or incurred during the eight-week period after receiving their PPP loan
- Step-by-step instructions on how to perform the calculations required by the CARES Act to confirm eligibility for loan forgiveness
- **Borrower-friendly** implementation of statutory exemptions from loan forgiveness reduction based on rehiring by June 30
- Addition of a new exemption from the loan forgiveness reduction for borrowers who have made a good-faith, written offer to rehire workers that was declined

# PPP AUDIT BINDER/BOX – 6-YEAR RETENTION SCHEDULE



## PAYROLL

- **Bank Statements from February, 2020 – End of Period**
- **3<sup>rd</sup> Party Payroll Reports or cancelled checks for payroll**
- **Tax Form 941 (payroll tax) with State Quarterly and Individual Employee Wage and Unemployment Tax Reporting**
- **Statements for Non-Cash Employee Payroll Expenses –**
  - Insurance and Retirement
  - Cancelled checks or receipts count
- **FTE Reporting – either 02/15/2019 – 06/30/2019 OR 01/01/2020 – 02/29/2020**

## NON-PAYROLL

- **Mortgage Interest – Copy of Amortization Schedule from**
- **Lender**
  - Receipts or cancelled checks OR
  - Lender account statements from 02/2020 – end of 8-week period
- **Rent – Copy of current lease (dated on/before 02/15/2020)**
  - Receipts or cancelled checks OR
  - Account statements if offered

## DOCUMENTS TO RETAIN –

- **List of each employee**
- **Documentation for job offers, refusals, firing for cause, resignation, written request by employee for reduction in work schedule**
- **Safe Harbor Supporting Docs**

## Information to Prepare

- **Employees' Names**
- **Identifier – Last 4 digits of their SSN**
- **Cash Comp**
- **Average FTE/Employee**
- **Applicable Salary or Hour Reduction**
- **\$100K Limit – Calculates max at \$15,385**
  - $(\$100,000/52) * 8 = \$15,385$

# Currence & CO LLC

I pay my employees bi-weekly. Their first pay period began April 26, 2020 but my loan funded on April 20, 2020.

Currence & CO LLC is my pretend dental practice. I am the owner, and I make \$200K/year (hypothetically – I don't actually make that ...). My employees are Princess Buttercup, Westley, Inigo Montoya, Miracle Max and Humperdink. Humperdink had to step down to part-time during most of the covered period to take care of his kids, but his kids will go to summer camp on June 15, 2020.

- \$2,000/mo for rent
- \$100/mo for Verizon cell phone
- \$300/mo for Comcast - internet and landline
- \$100/mo condo association fee (included in lease agreement)
- \$400/mo for Xcel Energy
- \$50/mo for marketing on Facebook
- \$100/mo for equipment leasing
- \$500 on new PPE

## **Order – Work Backwards**

Your bank might have their own form, more user friendly.

- **Page 9**
- **Pages 7 – 8**
- **Page 6**
- **Page 3**
- **Page 4 (only for 3<sup>rd</sup> party filling out your paperwork, if using one)**



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
Princess Buttercup	1111	12500	1	
Westley	2222	3200	.5	
Inigo Montoya	3333	12500	1	
Miracle Max	4444	5000	.5	
Humperdink	5555	5000	.5	5000
<b>FTE Reduction Exceptions:</b>				
<b>Totals:</b>		<b>Box 1</b> 38200	<b>Box 2</b> 3.5	<b>Box 3</b> 5000

**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
Kelsey Currence	7777	15385	1
<b>Totals:</b>		<b>Box 4</b> 15385	<b>Box 5</b> 1

**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: 5.0.
- 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: 5.5.
- 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: 5.5.
- 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.



# Page 7

## Salary/Wage Reduction Safe Harbor

I stopped after Step 2; this worksheet continues through Page 8

**Salary/Hourly Wage Reduction:** This calculation will be used to determine whether the Borrower's loan forgiveness amount must be reduced due to a statutory requirement concerning reductions in employee salary and wages. Borrowers are eligible for loan forgiveness for certain expenditures during the Covered Period or the Alternative Payroll Covered Period. However, the actual amount of loan forgiveness the Borrower will receive may be less, depending on whether the salary or hourly wages of certain employees during the Covered Period or the Alternative Payroll Covered Period was less than during the period from January 1, 2020 to March 31, 2020. If the Borrower restored salary/hourly wage levels, the Borrower may be eligible for elimination of the Salary/Hourly Wage Reduction amount. Borrowers must complete this worksheet to determine whether to reduce the amount of loan forgiveness for which they are eligible. Complete the Salary/Hour Wage Reduction column only for employees whose salaries or hourly wages were reduced by more than 25% during the Covered Period or the Alternative Payroll Covered Period as compared to the period of January 1, 2020 through March 31, 2020. For each employee listed in Table 1, complete the following (using salary for salaried employees and hourly wage for hourly employees):

Step 1. Determine if pay was reduced more than 25%.

- a. Enter average annual salary or hourly wage during Covered Period or Alternative Payroll Covered Period: 32500.
- b. Enter average annual salary or hourly wage between January 1, 2020 and March 31, 2020: 65000.
- c. Divide the value entered in 1.a. by 1.b.: .5.  
If 1.c. is 0.75 or more, enter zero in the column above box 3 for that employee; otherwise proceed to Step 2.

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: 65000.
- b. Enter the average annual salary or hourly wage between February 15, 2020 and April 26, 2020: 32500.  
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: 65000.  
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.:           .



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:	38200
Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:	3.5
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 <input checked="" type="checkbox"/> and enter 0 on line 3.	0

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:	15385
Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:	1

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:	4000
Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans:	10000
Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation:	3000

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.	0
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Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):	70585
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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:	5.5
Line 12. Total Average FTE (add lines 2 and 5):	5.0
Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met:	.909

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PPP Schedule A

# Page 3

## 1<sup>st</sup> Half of Page

\* 'Employees' defined as FTE

### PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Currence & CO LLC			
Business Address		Business TIN (EIN, SSN)	Business Phone
8301 E Prentice Ave Suite 400		123-45-8888	3039962847 -
Greenwood Village, CO 80111		Primary Contact	E-mail Address
		Kelsey Currence	kcurrence@cdaonline.org

SBA PPP Loan Number: 4447777 Lender PPP Loan Number: 4447777

PPP Loan Amount: 146000 PPP Loan Disbursement Date: April 20, 2020

Employees at Time of Loan Application: 5.5

Employees at Time of Forgiveness Application: 5.0

EIDL Advance Amount: 5000 EIDL Application Number: 5558888

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

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

Covered Period: 04/20/2020 to 06/14/2020

Alternative Payroll Covered Period, if applicable: 04/26/2020 to 06/20/2020

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

Forgiveness Amount Calculation:

# Page 3

## 2<sup>nd</sup> Half of Page

### Forgiveness Amount Calculation:

#### Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

70585

Line 2. Business Mortgage Interest Payments:

0

Line 3. Business Rent or Lease Payments:

4000

Line 4. Business Utility Payments:

1800

#### 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):

0

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:

76385

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):

1.0

#### Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):

76385

Line 9. PPP Loan Amount:

146000

Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75):

94113

#### Forgiveness Amount

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

76385

# Remaining Funds

Higher propensity for audits

**Currence & CO LLC has \$69,615 leftover.**

- **Return the funds – wash**
- **Keep the funds – (business purposes) \$2,930.94/mo payment**
  - 6-month payment deferral
  - 1% APR
  - Consider your debt service ratio

**Please do not go shopping ... or pocket the funds**

# SBA EIDL UPDATE

**EIDL Advance – New forgiveness paperwork might come from your bank depending on the date of your PPP loan and your EIDL Advance deposit.**

## **Some EIDL loans are funding:**

- 3.75% APR – Outstanding rate
- Consolidate existing higher interest debt
- 30-year amortization schedule
  - Lower monthly payments
  - Less impact on debt service ratio
- No prepayment penalty
- No personal guarantee

# SBA EIDL UPDATE

- **Roughly 2M employees at FDIC insured banks**
  - 80%, or 1.6M employees working on PPP loans
  - Well-trained, lending experience, incentivized employees
- **SBA Reports 4,335 employees as of 2018**
  - Similar loan volume to PPP loan program
  - Not incentivized, limited training, existing lending experience not required
  - Supports all SBA Loan Programs



THANK YOU!  
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