



Q & A from the PPP Loan Forgiveness Application Webinar

Please note the House passed a bill, and if it passes through the Senate and is signed by the President the following changes, among others, *COULD* be implemented into the program.

- Changes loan term to a minimum of 5 years from 2 years
- Changes the date to reinstate employees to December 31, 2020.
- Changes the covered period from 8 weeks to 24 weeks

Below is the link to the copy of the official bill:

<https://www.congress.gov/116/bills/hr7010/BILLS-116hr7010ih.pdf>

Q1. Is the forgiveness amount for non-payroll costs based only on costs incurred **and** paid during the covered period?

A: No, payments made during the covered period plus costs incurred during the covered period but paid after (if by the due date) are included in the forgiveness can be included.

Q2. If I elected to use the alternative covered period, do I use that same period for non-payroll related costs?

A: No, you will still use the covered period beginning on the date of the loan disbursement for non-payroll related costs. As noted in the previous question, you can still include costs that were paid after the covered period if they were incurred within the covered period.

Q3. Is every employer allowed to choose the alternative covered period for payroll costs?

A: No, only employers that have bi-weekly or more frequent pay periods. This does not apply if your payroll is semi-monthly or monthly.

Q4. Are you allowed to prepay non-payroll related costs and include in the forgiveness calculation?

A: Mortgage interest is specifically identified as a cost that is not allowed to be prepaid. Although the application and interim final rule do not specifically disallow prepayments for rent, lease, or utility payments, we would not recommend including these costs unless further guidance is released indicating these would be allowed.

Q5. When does an EIDL advance reduce forgiveness amounts?

A: If you applied for both an EIDL and PPP loan, the amount of the advance (up to \$10,000) is rolled into the forgiveness calculation of the PPP loan. The EIDL advance will reduce your PPP loan forgiveness.

Q6. If I continue to pay furloughed employees or provide bonuses during the covered period, are those costs included in forgiveness?

A: Yes, as long as those payments do not exceed an annual salary of \$100,000 as prorated for the covered period.

Q7. Are bonuses paid during the covered period included in forgiveness calculation?

A: Yes, but this is still capped at the annualized salary of \$100K or \$15,385 for salaries/wages and bonuses paid during the covered period. A key point here based on interim final rule is that bonuses are only eligible for employees who do not receive an annualized salary of \$100K or more.

Q8. Does the lender or SBA determine final forgiveness?

A: To some extent both. The lender has 60 days from receiving your forgiveness application in order to make a decision regarding the forgiveness and apply for a payment of the forgiveness amount from the SBA. However, the SBA reserves the right to review the loan, including the loan application. The SBA has 90 days from lender notification of the forgiveness amount to remit the forgiveness amount to the lender.

Q9. If I am a seasonal employer, am I allowed to use a FTE reference period outside of the standard options of 2/1/19-6/30/19 and 1/1/20-2/29/20?

A: Yes, you may choose a consecutive 12 week period between May 1, 2019 and September 15, 2019.

Q10. How are payroll costs determined for owner-employees or self-employed individuals?

A: Forgiveness cannot exceed the lesser of 8/52 of 2019 compensation (15.38%) or \$15,385 per individual across all businesses.

Owner employees (W-2 Employee) – 2019 wages and health insurance and retirement benefits.

Schedule C – owner compensation replacement calculated based on 2019 Schedule C net profit.

General partners – 2019 net-SE earnings (reduced by claimed section 179 expense deduction, unreimbursed partnership expenses, and depletion from oil and gas properties) multiplied by 0.9235.

No additional forgiveness for retirement or health insurance contributions as such expenses are paid out of their net SE income.

Q11. Will my loan forgiveness be reduced if I laid off an employee and offered to rehire them and the employee declined my offer?

A: No, but your offer must have been made in writing at the same salary or wages and hours as previously earned. You must also maintain documentation of the rejection and inform the state unemployment office within 30 days of the rejected offer. Further information on reporting to unemployment offices will be posted to SBA's website.

Q12. If an employee is fired or resigns, will this reduce my loan forgiveness?

A: No, you are allowed to count employees fired for cause, before they were fired or voluntarily resigned. The application also specifies you do not include employees in the calculation (reduce your FTE) if you were able to hire another employee in their position during the covered period.

Q13. Are wage reductions in total or employee-by-employee?

A: They are employee by employee. This does not take into consideration any employee that was fired for cause or left voluntarily. This does not have to be done for any employee that was paid more than more than \$100K annualized in any pay period in 2019 (\$1,923 weekly, \$3,846 bi-weekly, \$4,167 semi-monthly, or \$8,333 monthly)

Q14. Will I see a double reduction of my forgiveness if I reduce an employee's hours and salary?

A: The salary/wage reduction only applies to the portion of the decline in employee salary and wages that is not attributable to the FTE reduction.

If you reduce an employee's hours but keep their hourly rate the same, you are not required to conduct a salary/wage reduction calculation for that employee.

Q15. What about PUA (Pandemic Unemployment Assistance) with PPP loan? What advice can you give for a self-employed individual who has no additional employees but counted self as one and could also file for PUA? How should one handle these?

A: You are not to utilize both PUA benefits at the same time as the PPP funds. For self-employed individuals, we recommend not applying for PUA benefits during the 8-week period following loan disbursement, as this appears it would cause double dipping and you would not be able to use those funds paid under insurance for PPP.

Q16. Do life insurance premiums count?

A: No, life insurance premiums are not included as eligible payroll costs.

Q17. Can health insurance premiums that are from an individual healthcare gov plan for self-employed business owner be included?

A: It depends. Owner-employees are capped by the amount of their 2019 employee cash compensation and employer retirement and health contributions made on their behalf (subject to the \$15,385 max). No additional forgiveness is provided for retirement or health insurance contributions for self-employed individuals, including Schedule C filers and general partners; as such, expenses are paid out of their net self-employment income.

Q18. Can dental and vision insurance premiums paid by the company be included?

A: We believe these qualify as a group health care insurance premium.

Q19. Do Workers' Comp (MT State Fund) premiums paid during the 8-week period qualify as a payroll expense?

A: We do not have an answer on this. As additional guidance comes out this, it may clarify this point.

Q20. We received our disbursement in the middle of a payroll period so can we use the starting date for that period as the beginning date even if it is 5 days before disbursement?

A: This depends on the frequency of your payroll and whether or not you are allowed to elect the alternative covered period. If your payroll is bi-weekly or more frequent, you are allowed to choose an alternative covered period that begins on the date of the first payroll period beginning after loan disbursement; otherwise, your covered period begins on the date of disbursement.

Q21. If we have biweekly payroll can we effectively use five payroll periods (4 paid and one accrued) in the calculation for forgiveness?

A: Potentially. See further clarification on answer to Q20 above.

Q22. Can payroll expenses for periods prior to the loan funding date that were not yet paid be used in the forgiveness calculation?

A: We do not have a clear answer at this point - we are waiting for further guidance.

Q23. We did not include our seasonal summer camp staff in our application because we did not know what would happen with camp. We have decided to have a virtual camp and have hired three people. May I include them in the payroll even though they were not initially included in the application?

A: Yes, the payroll costs related to these employees is eligible in the forgiveness calculation.

Q24. I have had three old employees, last one leaving in July of 2019, claimed unemployment even though they all quit. One quit in January of 2019 and is still claiming unemployment. Will this affect my payback?

A: This depends. If you were not able to fill their positions or chose not to, it might reduce your forgiveness amounts if your payroll costs are still decreased, as the loan amounts would have included these employee's wages in 2019. The fact that they are on unemployment does not affect your forgiveness, but it just may have increased the amount of loan you received, as it would have been higher than what you are currently paying.

Q25. Is there any FTE adjustment allowed for an employee that planned retirement and as not going to be replaced?

A: There is no FTE reduction this time for an employee who has planned to retire and the borrower does not replace their position. See exception answered in Q11 above for employees who were furloughed or had a reduction in hours that rejected an offer of rehire or to restore their hours at the same salary or wages.

Q26. Speaking of owners. Is there a certain percentage that is considered an owner for forgiveness purposes? In addition, can you include owner's HSA contributions and 401k match?

A: At this time, the SBA has not defined any ownership percentage to be removed from the FTE calculation. The only specification for a self-employed individual is that of a general partner. See additional response at Q10 above.

Questions (#27-30) below. The SBA has only defined transportation as a utility cost with no additional guidance or explanation. We are currently waiting on additional guidance to clarify the definition of transportation or utility costs. Please contact your Anderson ZurMuehlen professional as there is not enough information in this question to provide an accurate answer to these questions below.

Q27. Do transportation expenses include vehicle maintenance expenses when a vehicle is used and necessary for the business? What about auto insurance on a business vehicle?

Q28. Would paying for parking be part of transportation?

Q29. Would fuel expenses for travelling from job to job be covered under the transportation allowance?

Q30. Is fuel for equipment as a construction company considered utilities?

Q31. Does Culligan water delivery count as a utility? Never know during the virus stuff...

A: The SBA only defines utilities as payments for a service for the distribution of electricity, gas, water, transportation, and telephone or internet access. It is unclear based upon current guidance if water deliver is included based upon their ruling of water "utility" versus a water deliver service.

Q32. For hotels, would trash and cable television be considered utilities?

A: The SBA only defines utilities as payments for a service for the distribution of electricity, gas, water, transportation, and telephone or internet access. It does not appear at this time that trash or cable television would be included.

Q33. Can we use simplified FTE even if all employees clock in and out?

A: Yes, the simplified FTE is available to any employer.

Q34. Does FTE apply if no employees and only one self-employed business owner?

A: There would be no change in FTE so you would not simply have to check the box on schedule A that there was no reduction in FTE and put a 1.0 on line 13.

Q35. What percent of ownership is required to be removed from the FTE calculation?

A: See responses at Q10 and Q26 above.

Q36. Can I include professional services on contract that were paid during this time- period?

A: Please consult your Anderson ZurMuehlen professional as there is not enough information in this question to provide an accurate answer.

Q37. How does FTE work for seasonal employees who do not work every week? We are a seasonal employer. How is FTE calculated for seasonal businesses?

A: FTE is calculated based on hours worked in the covered period or alternative covered period against the chosen reference period. The optional reference periods for the FTE calculation are 2/15/2019-6/30/2019, 1/1/2020-2/29/2020, or for seasonal employers any 12 week period from 5/1/2019-9/15/2019.

Q38. If you had a salaried employee work less than 40 hours (say 37) in any given week, can you still count them as a full 1.0 FTE if their pay was not reduced (i.e. - they were still paid for 40 hrs.)?

A: The required FTE calculation as included in the forgiveness calculation reads as such: For each employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth. The maximum for each employee is capped at 1.0. A simplified method that assigns a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours may be used at the election of the Borrower. For an individual who works 37 hours you would initially calculate their FTE at 0.925. Rounding to the nearest tenth would put them at a 0.9.

Q39. We have full time employees at 32 hours and some at 40 hours. How would we account for this? Combining these: Our office is only open 32 hours a week. Can we count employees who work all 32 available hours as full time (1 FTE)?

A: The following is from the most recent interim final rule regarding loan forgiveness: “The CARES Act does not define the term “full-time equivalent employee,” and the Administrator, in consultation with the Secretary, has determined that full-time equivalent is best understood to mean 40 hours or more of work each week. The Administrator considered using a 30 hour standard, but determined that 40 hours or more of work each week better reflects what constitutes full-time employment for the vast majority of American workers.” Therefore, we interpret this to mean 40 hours regardless of office hours, etc.

However, if employee hours remained the same, the FTE calculation should remain consistent regardless of whether they were a full 1.0 as they theoretically would be at the same FTE previously therefore indicating no decline in FTE.

Q40. Some of our FTE workweek consists of 32 hours and some are 24 to qualify for benefits. Is that what we use for determination instead of 40 hours?

A: See answer at Q39 above.

Q41. If employer has reduced pay to 75% of regular salaries but people can make up the 25% with paid leave, can they be counted as 1.0 FTE?

A: FTEs are based on hours paid. If the employee is working the same hours but being paid 75% of previous wages/hourly rate, then there is no FTE or wage reduction, as the wages were not reduced by more than 25%.

If the employee is being paid the same hourly rate/salary but hours were reduced to 75% and they are supplementing the difference with paid leave then they will count as one FTE if it meets 40 hours per week that they were paid.

The FTE calculation is based on hours paid so if the employees working from home are maintaining the hours paid based on hours worked or paid leave hours, they would need see an FTE reduction.

Q42. Is FTE affected by employees forced to work from home to provide childcare during the shutdown? Or can those still be counted at Full Time?

A: See answer to Q41 above.

Q43. How are the FTE's working from home being paid? Are they still being compensated as working full time?

A: See answer to Q41 above.

Q44. I have a terminated employee during the 8-week period. PTO was paid out. Is this included in the payroll calculation? How are the vacation hours paid, calculated for the hrs worked?

A: You may include the PTO paid to the employee. The FTE calculation is based on hours paid so

Q45. Our 8 weeks ends June 5, 2020. We have fully re-employed our team through the 8 weeks. However, due to COVID we have no revenue at all (we are a travel company) do we have to keep employees employed through June 30 or are we ok with the 8 weeks at June 5?

A: The safe harbor for restoring FTEs is based on two facts.

- 1) You had a reduction in FTEs during the safe harbor period between 2/15/20-4/26/20.
- 2) You were able to restore FTEs by 6/30/20, or *earlier*.

Step 1 is determined by calculating FTEs during the pay period that includes 2/15/20 and then comparing to the average FTE from 2/15/20-4/26/20. If a borrower eliminates a reduction in FTEs back to the level at 2/15/201 by no later than 6/30/20, there is no reduction in the forgiveness.

The guidance does not indicate whether SBA will review FTE counts after the point in time in which they were documented to exceed the reduced FTE count.

Q46. For how long do we have to keep the number of FTE employees from the time we started?

A: See answer at Q45 above.

Q47. I am a sole proprietor. Jim referred to a Table 3, and I do not see that table on the Schedule A worksheet.

A: We apologize for the confusion. There are only two tables on Schedule A of the forgiveness application. The other two sections on Schedule A include the owners' compensation section and the FTE reduction quotient section. You would use the section for owners' compensation.

Q48. We will spend and document 79% of our loan will have been paid out within the 8-week period. Do we need to spend 100% of the funds in 8 weeks to file for discharge?

A: No. The amount you spend using qualifying funds of payroll and other costs will be forgiven. The amount you were unable to spend you can either keep or then roll into a loan at 1% interest and to be paid back within 2 years or if you do not need those funds, you are allowed to pay back those funds immediately rather than keeping them.

Q49. How far prior to loan funding date can payment for utilities be made from the funds? What if those expenses were paid from other sources? Can those sources be reimbursed with PPP funds?

A: As specifically noted in the Interim Final Rule:

“A nonpayroll cost is eligible for forgiveness if it was:

- i. paid during the covered period; or
- ii. incurred during the covered period and paid on or before the next regular billing date, even if the billing date is after the covered period.”

If you had utilities that were paid and incurred prior to you receiving the PPP funds, then these cannot be included. If you had utilities that were incurred prior to receiving the funds, BUT you paid them within the 8-week period, you CAN include these expenses. Just remember that these expenses cannot exceed 25% of the total loan for forgiveness.

Q50. Has there been any direction given or do you have thoughts on how any funds that are not forgiven can be used? Can they be used in any way that SBA 7(a) allows? Essentially working capital for your company...Are the restrictions for 75% to be payroll only on the money that will be forgiven.

A: There is no specific guidance available on how you can or cannot use the funds that are not forgiven. It is interpreted that these funds can be used as needed for the business one they are rolled into a loan.

Q51. When do you elect the alternative covered period? I have a client that has already done one payroll, but the money came in the week prior to new pay period, but this was in April.

A: The alternative covered period is only for bi-weekly or less payrolls. If you are biweekly or less for your pay periods, we recommend you calculate both the alternative covered period and the 8-week period from the date you received the funds so that you can then determine at the end of the period, which will actually maximize your forgiveness.

Q52. If a self-employed person does not expect to be able to reinstate income level by June 30, for instance, but would need PUA after the 8-week PPP covered period, does that eliminate forgiveness?

A: This does not eliminate forgiveness. If you use the PUA after the 8 week covered period then it is not double dipping for these expenses to be covered. If you are not able to fully reinstate income level, then you would still have to follow the calculations Jim had in his slides to determine if you can have a portion not forgiven, but the PUA used for a different timeframe would not eliminate forgiveness.

Q53. Can we see a sample spreadsheet so we know what all needs to be covered on it?

A: Below is the link to the official SBA application.

<https://www.sba.gov/sites/default/files/2020-05/3245-0407%20SBA%20Form%203508%20PPP%20Forgiveness%20Application.pdf>

Q54. The FTE calculation is excluding the full time employees? So, only counting the part-time employees?

A: Yes and no. You do need to account for your FTEs, but if you are trying to figure out your part time employees and how they account into the FTEs, you would count them separately and then add this number to your FTEs for your total.

Q55. What happens if an employee resigns during the period?

A: If an employee resigns, they do not count against you in the FTE calculation. The official Q&A form the SBA is as follows:

“Will a borrower’s loan forgiveness amount be reduced if an employee is fired for cause, voluntarily resigns, or voluntarily requests a schedule reduction?”

No. When an employee of the borrower is fired for cause, voluntarily resigns, or voluntarily requests a reduced schedule during the covered period or the alternative payroll covered period (FTE reduction event), the borrower may count such employee at the same full-time equivalency level before the FTE reduction event when calculating the section 1106(d)(2) FTE employee reduction penalty. The Administrator and the Secretary have decided to exempt such employees from the calculation of the FTE reduction penalty.

Section 1106 is silent concerning how to account for employees who are fired for cause, voluntarily resign, or voluntarily request a reduced schedule. The Administrator and the Secretary have determined that such an exemption is *de minimis*, because a limited number of borrowers will face an FTE reduction event during the covered period or the alternative payroll covered period. Further, borrowers should not be penalized for changes in employee headcount that are the result of employee actions and requests.

Borrowers that avail themselves of this *de minimis* exemption shall maintain records demonstrating that each such employee was fired for cause, voluntarily resigned, or voluntarily requested a schedule reduction. The borrower shall provide such documentation upon request.”

Q56. If the loan amount was multiple by the 2.5 payroll how is it going to match previous payroll pre virus to only 8 weeks? The loan amount was loaned at 2.5 multiple. The 8 weeks is not enough time to fully pay out the loan a 2.5-estimated amount.

A: When the original application for the loan came out, they used the 2.5 multiple as this could help include in the other applicable costs that you can use for the 25% portion of the forgiveness. They made the application a simple version of what you were trying to accomplish with these funds, but they have since come out with more detailed guidance in exactly how to calculate it for the forgiveness application based upon the numerous questions received after the amounts were funded.

Q57. Do lease payments for equipment qualify?

A: Yes. Payments on business rent obligations on real or personal property under a lease agreement in force before February 15, 2020 qualify for forgiveness.

Q58. We lease vehicles; can those payments be considered rent on personal property?

A: Depending on how you lease these, yes. The lease agreement, as noted in the previous question, just has to be in force before February 15, 2020 qualify for forgiveness.

Q59. We do yearly leases- the amounts due are incurred every month but paid in an annual sum. Can I include 8 weeks of the yearly amount as an expense?

A: Yes so long as the amount incurred within the 8 week period ends up being paid prior to the contract due date.

Q60. What about pre-paying work comp insurance?

A: Although the guidance is silent on this, we believe you will not be allowed to pre-pay works compensation insurance.

Q61. From what date can you use mortgage interest incurred earlier but paid during covered period? Back to 2/15? Back to when the actual company showed a decline due to COVID-19?

A: The mortgage interest you can use is the interest paid or incurred within the 8-week period. The 2/15 date is just when that mortgage needs to be in place to determine if it qualifies, but is not the date used for what interest you use. The interest that qualifies is that interest that is incurred within the 8-week period and then paid either during that timeframe or after, so long as it is paid prior to its due date. You can also not pay interest in advance. The IFR states specifically in the Q&A:

“Are advance payments of interest on mortgage obligations eligible for loan forgiveness?”

No. Advance payments of interest on a covered mortgage obligation are not eligible for loan forgiveness because the CARES Act’s loan forgiveness provisions regarding mortgage obligations specifically exclude “prepayments.””

Q62. What about internet and telephone reimbursement for employees working from home?

A: Yes, but only if these services were in place prior to February 15, 2020. If you were not paying for these services prior, you cannot include them as they are considered a new service. Per the IFR is specifically states:

“Business utility payments for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.”

Q63. What about the utilities of who works from home within the business?

A: Yes, but with the same requirement as above that these services had to be in place prior to February 15, 2020.

Q64. Can you discuss incurred vs. paid

A: Please reach out to us if after the webinar you would like to continue to discuss these differences further.

Q65. What does the bank get out of doing this for the businesses?

A: The below is the IFR stating the fees the lenders will receive for these loans:

d. What fees will lenders be paid?

SBA will pay lenders fees for processing PPP loans in the following amounts:

- i. Five (5) percent for loans of not more than \$350,000;
- ii. Three (3) percent for loans of more than \$350,000 and less than \$2,000,000;
and
- iii. One (1) percent for loans of at least \$2,000,000.

Q66. If the loan proceeds are fully forgiven, is there any interest due from the borrower?

A: No, if the loan is fully forgiven, no interest is due.

Q67. How long do I have to submit my forgiveness application? How long after the 8 week period is over do I need to get the Application for Forgiveness to my banker?

A: There is no guidance yet on why you are required to submit your forgiveness application. There is guidance on the timeline of what happened after is it submitted which is:

The lender has 60 days from receipt of a complete application to issue a decision to SBA. SBA will, subject to any SBA review of the loan or loan application, remit the appropriate forgiveness amount to the lender, plus any interest accrued through the date of payment, not later than 90 days after the lender issues its decision to SBA.

Q68. We prepay our MT State Fund premiums so can we include these prepaid amounts?

A: We do not believe so, but await for further guidance to verify if prepaid items can be included.

Q69. I want to make sure I understand. Bonuses were not included in the calculation for your 2.5x monthly payroll when applying for the loan, but can be used in the calls for forgiveness?

A: This is correct. Although they were not included in the calculation for the loan proceeds, the SBA is allowing bonuses in your loan forgiveness calculation.

Q70. Please clarify...is there any prohibition from paying bonus to employees and-or owners to achieve the 75% payroll number?

A: Not unless those employees are already over the \$100,000 threshold.

Q71. Can you pay your employees one-time bonuses to reach the 75% payroll costs requirements?

A: As noted above, yes, but only if those employees are not over the \$100,000 pay threshold.

Q72. Do we know if expenses used for forgiveness will be tax deductible?

A: As of now, the IRS is indicating that these expenses will not be deductible.

Q73. Did I hear correctly- if I received an advance from the SBA ON the EIDL loan that is taken off the loan forgiveness on the PPP loan?

A: This is correct. In the IFR they note that “the SBA will deduct EIDL Advance Amounts from the forgiveness amount remitted to the Lender as required by section 1110(e) (6) of the CARES Act.” This is only applicable for the EIDL advance amount, not the entire EIDL loan amount.

Q74. If I have two employees that are choosing to return after the 8 week period and other employees filled in for them. Will that affect my forgiveness?

A: Please reach out to us further as we would like to walk through how these employees chose not to return to make sure we are answering your question correctly.

Q75. Do we have to use a Line of Credit before eligible?

A: The guidance is not clear at this point.

Q76. If our loan is forgiven, do we have to pay taxes like income?

A: Per the IRS, any expenses used in the forgiveness are not eligible to be deducted for tax purposes. So theoretically profit could be higher (i.e. taxable) as expenses are lowered.

Q77. Is housing allowance paid to clergy covered under the forgiveness? Per SBA FAQ #32: Does the cost of a housing stipend or allowance provided to an employee as part of compensation count toward payroll costs?

A: Yes. Payroll costs includes all cash compensation paid to employees, subject to the \$100,000 annual compensation per employee limitation.

The gray area on this issue is that housing allowances are not taxable for clergy whereas they are taxable for other business. The SBA has not specifically addressed housing for clergy.

Q78. S Corp owners - does it matter what percentage is owned as far as payroll calculations?

A: I have not seen any language on what percentage is owned. The forgiveness guidelines and forgiveness application both just state owners and owner-employees. Further, per the forgiveness guidelines, the forgiveness requested for owner-employees and self-employed individuals can be no more than the lesser of 8/52 of 2019 compensation or \$15,385 per individual in total across all businesses.

Q79. If a self-employed person has income from a business and from a rental property (all included in the schedule C income), can utilities for the rental property/other expenses be included in forgiveness as well?

A: If all included on the Schedule C, then yes.

Q80. Can I include S Corp owners' health insurance premiums for forgiveness calculation?

A: Yes, but if self-employed then no as per the forgiveness guidelines such expenses are part of their net self-employment income.

Q81. If 2019 Schedule C income for self-employed PLLC was estimated to apply, is that the number payroll is based upon, or actual 2019 Schedule C income once 2019 tax return is filed?

A: Schedule C income once the 2019 tax return is filed. The guidelines consistently discuss 2019 compensation or net self-employment income in limiting forgiveness. If you have not yet filed your tax return, we encourage you to file it as soon as possible to be able to make this calculation.

Q82. Is the payroll amount for self-employed limited to twice the average monthly schedule C or can the entire PPP loan be designated to payroll and still forgiven?

A: For self-employed individuals the forgiveness is limited to the lesser of 8/52 of 2019 net self-employment or \$15,385.

Q83. If the employees are international and live outside from the US, is it possible to discharge it as well?

A: No, employees whose principal place of residence is outside of the US then their wages do not qualify for forgiveness.

Q84. I pay my doctor to supervise me, is that considered cash compensation? Should it be included?

A: If you pay your doctor a wage as an employee and not as an independent subcontractor, I would think yes you could include it. I have not seen anything specifically related to this issue so this is my interpretation.

Q85. Our company is an ESOP, so all employees are also owners. Do we list them all within the ownership documentation? What about our ESOP contribution in 2020 - can we use 8/52 of the annual rate as a payroll cost?

A: Based on how the guidelines and forgiveness application have been written, there is no indication of ownership percentage on whether an owner should be classified as an owner or as a regular employee. As it reads, all owners, no matter how minor, are considered owners. We are looking further into this issue.

The ESOP Contribution – there is not any clear guidance on this issue so it is not currently known if the full amount of an ESOP contribution is forgivable or if only a pro-rated eight weeks of annual contribution can be forgiven. Some other sources mention funding the full contribution (depending on cash levels) during the covered period to maximize potential forgiveness if future guidance allows the full amount rather than an apportionment.

Q86. Can self-employment taxes be included?

A: No, they are not.

Q87. Worksheet Table 2 line 8: state and local tax paid. Does this include Mt Income Tax?

A: No, it does not as the MT Income Tax is part of gross wages of the employee. The state and local taxes refer to Unemployment Taxes for Montana.

Q88. Are the health insurance premiums or 401K contributions by the employer for employees included in the \$100K wages/salary limit of an employee?

A: Yes, the \$100,000 limit is on cash compensation not to non-cash benefits including:

- employer contributions to defined benefit or defined contribution retirement plans;
- Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums; and
- Payment of state and local taxes assessed on compensation of employees.

Q89. Page 4 of the application says the dollar amount for which forgiveness is requested cannot exceed eight weeks' worth of 2019 compensation for any owner or self-employed individual. What counts as compensation for a self-employed individual? Only payroll and health insurance?

A: Compensation for a self-employed individual is their 2019 net self-employment income (less of 8/52 of 2019 net self-employment or \$15,385). It does not include retirement or health insurance contributions for self-employed individuals.

Q90. If I receive, my funds on May 4 and I pay employees on the 8th do I have the option to count that entire pay period. The payroll costs were incurred before I received the loan and paid after?

A: This item is not specifically covered.

Q91. We will use the alternative payroll covered period and the 8 weeks comes due one day AFTER we process payroll but two days BEFORE the funds are actually deposited and taken out. Can we include that pay period since the funds have been processed and are scheduled to be taken out to do they physically have to be paid by that date?

A: Yes, that payroll is eligible for forgiveness if paid on or before the next regular payroll date; otherwise, payroll costs must be paid during the covered period.

Q92. You said that the list would not be as long on the forms because we will not have to include anyone making more than \$100k. I thought you included people who make more than \$100k but you can only use \$100k yearly amount. Which is it?

A: These employees are included on Table 2 of Schedule A on the Loan Forgiveness Application. For those employees who make more than \$100,000 annually you are limited to \$15,385 in forgiveness.

Q93. Our loan was disbursed at the very beginning of a bi-weekly pay period. If we choose the covered period election, this pushes our 8 weeks out past 6/30/20. Is this okay? How does this affect the FTE reporting that needs to be provided at 6/30/20?

A: Yes, it is ok to still make the alternative payroll period. Regarding the FTE as of 6/30/2020, this date is in relation to safe harbor on rehiring employees laid off between 2/15/2020 and 4/26/2020 to exempt the company from any reduction in loan forgiveness amount that would otherwise be required due to reduction in salary or FTEs. For your FTE calculation, you would use the FTEs for that period on your forgiveness application.

Q94. To avoid "unnecessary administrative burdens and enhancing auditability", do you have any guidance for those that administer payroll on a semi-monthly basis?

A: The guidance released so far only addresses bi-weekly payroll (or more frequently). Unless the SBA comes with additional guidance for payroll periods that are semi-monthly or less, frequent, not really. The first payroll under the covered period is based upon when it is paid even if it includes days from before the beginning of the covered period. The last payroll under the covered period will, as of this time, need to be prorated and documented on the calculation of incurred payroll.

Q95. If I pay monthly and have an employee who earns over 100K - wouldn't the calculation of 100K/12 be 8,333.33 per pay period, not the 15K that keep coming up?

A: No, this is because the covered period is 8 weeks or 56 days. Two months would range from 60-62 days.

Q96. Does Employer FICA, FIT and FUTA expenses count as payroll costs?

A: No the employer portion do not, they are specifically excluded.

Q97. The Application said "Number of Employees", not number of FTE's. If my "number of employees" on the application was, therefore, incorrect, how does that impact my forgiveness number?

A: I do not think it should, the section of the application referencing employees vs. FTEs is on the first page of the application. The FTE calculation is done on Schedule A.

Q98. What if a sole proprietor has not yet filed the 2019 tax returns?

A: This is a driver on the forgiveness portion of the loan, so I would advise filing 2019 sooner rather than later.

Q99. Therefore, for a Corporation, the stockholders payroll is acceptable to use for loan forgiveness.

A: Yes it is.

Q100. Workers Compensation covered under payroll costs.

A: Workers Compensation is not addressed specifically in the guidance to date. It is my interpretation that they should be included under payroll costs as an extension of Company paid health insurance costs.

Q101. Instead of having reductions in our workforce, we gave each employee an increase in wage through the PPP Loan period. Do you see any issues in this process?

A: There is not any guidance on this aspect to date. There is nothing wrong with giving raises or a bonus during the covered period, but that additional payroll may not be forgiven.

Q102. For calculating incurred and paid payroll costs for a monthly payer, am I correct that the first paycheck paid during the 8 week period will need to be prorated to include only the days after the loan was funded? For example: The loan was funded on April 20. April payroll was paid on May 1. The payroll costs from the May paycheck included in the forgiveness would include only the payroll costs from April 20-30. All of May would be included. A portion of the June payroll (paid July 1) would also be included. Is this correct?

A: There is not any guidance on this aspect as of yet.

Q103. For partnership partners who have guaranteed payments and other box 1 income subject to SE, are we using the 8/52 of the 2019 SE income shown in box 14a on the K-1s? Or do we need to multiply that amount by the .9235 to get to the forgiveness amount? This

assumes that the SE income per partner was less than 100K and there were no unreimbursed partner expenses reported on the 1040.

A: There is not any guidance regarding guaranteed payments per se, but the current guidance would lead to the interpretation that guaranteed payments are part of net self-employment income. You do need to take the 2019 self-employment income and multiply by .9235 to determine the amount eligible to be forgiven.

Q104. For a self-employed individual (LLC s-corp owner-employee) how do they calculate the forgiveness if the entity was not in operations all of 2019?

A: The loan amount was based on January and February 2020 and the forgiveness is now going to be based on 8/52 of 2019 when the entity was not operational for all 52 weeks of 2019. As this was an S corporation, I would assume they paid themselves wages. The loan is based upon 2.5 months of average payroll for them. Per the SBA FAQ Q14.

Q105. What time period should borrowers use to determine their number of employees and payroll costs to calculate their maximum loan amounts?

A: In general, borrowers can calculate their aggregate payroll costs using data either from the previous 12 months or from calendar year 2019. For seasonal businesses, the applicant may use average monthly payroll for the period between February 15, 2019, or March 1, 2019, and June 30, 2019. An applicant that was not in business from February 15, 2019 to June 30, 2019 may use the average monthly payroll costs for the period January 1, 2020 through February 29, 2020.

Borrowers may use their average employment over the same time periods to determine their number of employees, for the purposes of applying an employee-based size standard. Alternatively, borrowers may elect to use SBA's usual calculation: the average number of employees per pay period in the 12 completed calendar months prior to the date of the loan application (or the average number of employees for each of the pay periods that the business has been operational, if it has not been operational for 12 months).