

PPP Loans vs. EIDL: FAQs

Q1 I am solo practitioner with no regular payroll. I have no “special business entity.” I received PPP funds, so what will I need for my application for forgiveness?

A1 We are not exactly sure how this will work. We did recommend if a PPP loan was received that a separate bank account be opened to easily document the PPP spending. If it is not too late, you might want to consider this and then pay \$1923 each week into your personal bank account.

Q2 For self-employed or sole proprietors, does the 2019 Schedule C need to be completed prior to applying for the PPP, even if the net income will be greater than 100K?

A2 Many banks have accepted a draft 2019 Schedule C to determine the funding amount.

Q3 Does all staff have to be re-employed in order to get forgiveness?

A3 The rules for meeting the FTE employee count under the Paycheck Flexibility Act are you must have the same number of FTEs working by 12/31/20 (we need clarification of when that would be if earlier than 12/31/20) as were working on 2/15/20. In addition, after 4/26/20. You were not allowed to reduce your workforce any further. You need to have the same number of FTEs, but not necessarily the same people.

Q4 If I am the owner of the S Corp, can my salary be forgiven if my employees do not return in full force?

A4 According to a statement released by the Treasury Department on June 8, there will be some form of partial forgiveness. However,

failure to meet the re-establishing of the employee count may result in no forgiveness. We need more guidance on this.

Q5 I received my PPP loan funding on 05/04/20, so do I still come in 8-week covered period or the 24-week covered period?

A5 Under the Paycheck Flexibility Act, the 24-week covered period is automatic. You can still elect to comply with the 8-week covered period rules, but we have no information from the Treasury on how to make that election yet.

Q6 If you got an EIDL and decided you wanted to pay back a chunk of it, where is the payment sent?

A6 Here is the information: If your funds were received via direct deposit, please send a check made payable to “SBA” to the below address. You must indicate if the check should be used for the EIDL or Advance funds. Additionally, you should include a loan number in the memo line of the check.

When returning funds, please also provide a short note stating that you are seeking to return a disbursement, and include the following information to ensure the funds are properly addressed:

1. Business Name and Borrower’s Name
2. Tax ID or SSN
3. Application Number

Submit the items to: SBA
721 19th Street
Denver, CO 80202

Note: Q6 answer continues on next page.

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If you have additional questions or require further assistance, please call our Disaster Customer Service Center at 1-800-659-2955, or for the deaf and hard-of-hearing at 1-800-877-8339 (Monday through Friday from 8 a.m. to 8 p.m., Saturday and Sunday from 8 a.m. to 8 p.m. Eastern Time) or email us at: disastercustomerservice@sba.gov.

Q7 Can you explain the mechanics of rolling the EIDL loan into the PPP?

A7 As I understand, if you received the EIDL (not the grant) before the PPP loan, then the SBA will automatically make the EIDL part of the PPP, eligible for forgiveness.

If you received the EIDL after receiving the PPP, each loan stands on its own. Only the PPP will be eligible for forgiveness.

Q8 If you are not that busy yet, can you wait to rehire FT employees as long as you do so by June 30?

A8 The FTE is comparing the number of employees on your payroll as of February 15, 2020 and December 31, 2020 (this was originally June 30, 2020 until the Paycheck Flexibility Act extended it). After April 26, you were not allowed to reduce your employee count by more than 25%. It does not matter currently if you, delay, rehire or subtract employees during the PPP funding period. As long as you use the PPP funds for qualified PPP expenses during the 24-week covered period, and meet the FTE requirements, you will be eligible for forgiveness. You will need to do some planning to make sure you have enough payroll costs used over the 24-week covered period. As of now, it appears that if you have 5 FTE on February 15 and 5 FTE on December 31, you meet the requirements for forgiveness. An FTE is someone who works 40 or more hours a week. Anyone who works less than 40 hours a week would be prorated. For example, if an employee worked 30 hours a week, they would be a .8 FTE. The rules say you round to the nearest tenth. However, there is an alternate

calculation where anyone who works less than 40 hours a week would be considered .5 FTE. This may help you in figuring out your FTE on February 15 compared to December 31.

Q9 Is the \$1923 a week maximum compensation (\$100,000/52 weeks) with taxes or net pay?

A9 The pay for all employees earning up to the weekly maximum of \$1923 is gross pay. The employer's portion of federal taxes is not considered part of forgivable expenses for the PPP loan.

Q10 If a former employee worked part time pre-COVID-19 and they did not come back, but you hired new part-time employees, can what you pay the part-time employees be forgiven?

A10 There is no requirement that you must have the same employees, only the same number. See A8 for the explanation calculating the number of employees for PPP forgiveness.

Q11 If I received \$30,000 in PPP funds and a \$3,000 EIDL grant, what number is the 60% for payroll based on—\$30,000 or \$27,000?

A11 The forgiveness calculation for PPP funds is based upon the PPP loan amount. If PPP funds were spent on qualified expenses and at least 60% of those expenses were for payroll costs, there would be eligibility for full forgiveness of the PPP loan. However, any EIDL grant received would still be required to be paid back. If at least 60% of the PPP loan was not spent on payroll costs, here is an example of the calculation: If a borrower receives a \$100,000 PPP loan, and during the covered period the borrower spends \$54,000 (or 54%) of its loan on payroll costs, then because the borrower used less than 60% of its loan on payroll costs, the maximum amount of loan forgiveness the borrower may receive is \$90,000 (with \$54,000 in payroll costs constituting 60% of the forgiveness amount and \$36,000 in nonpayroll costs constituting 40% of the forgiveness amount). 6/17/20 update: If 60% of the PPP funds are not spent on payroll costs, there is no forgiveness.

Q12 Can independent contractors pay themselves with PPP funds? What is the maximum amount for self-employed owners even if the Schedule C income is greater than 100K?

A12. If an independent contractor received PPP funds, the funds should only be spent on owner compensation. As a sole proprietor/independent contractor, no other covered expenses are allowed. The maximum weekly amount is \$1923 or \$100,000/52 weeks). As of this writing (June 12, 2020), we are not clear if this amount can be paid over 8-weeks during the 24-week covered period or if it can be paid out during the entire 24-week covered period. We are awaiting clarification for the SBA. 6/17/20 update: the maximum amount an independent contractor can pay themselves over a 24-week coverage period is \$20,833

Q13 What is a full-time equivalent employee?

A13. See answer 8.

Q14 Can the PPP be used to pay the unemployment for employees who file for unemployment?

A14. Unemployment is not paid by the employer. The state where the employee works provides unemployment benefits. Each employer contributes to the state unemployment fund based upon payroll. The unemployment tax rate is determined by the size of the annual payroll and the amount of reserve the state has applied to the specific employer. If the reserve amount changes, the employer's unemployment tax rate will change. This change is done annually by the state.

Q15 Can you apply for forgiveness at any time once you meet the requirements? I believe in my case it will be after the 8 weeks but before the 24.

A15. The Paycheck Flexibility Act automatically extended the covered period from 8 weeks to 24 weeks. An election can be made to stay with the 8-week period, but we have no guidance as of June 12, 2020. Otherwise, the covered period is 24 weeks, and the requirement regarding full-time equivalent employees ends on December 31, 2020. Forgiveness can be applied for after that

date. The application for forgiveness was updated on June 17, 2020.

Q16 If we received an EIDL "grant" will that amount will NOT be forgiven in the PPP? Must EIDL grants be repaid by a business that has NOT accepted ANY PPP or EIDL loans?

A16. If a PPP loan was received, the minimum amount of the PPP loan that will need to be repaid is the amount of the EIDL grant. If no PPP funds were received, the grant is not required to be paid back.

Q17 Can an EIDL loan be used for business property remodeling?

A17. EIDL loans are for working capital, the day-to-day expenses of your business. Funds cannot be used to pay off an existing loan, make improvements to the facility and cannot be used for repairs.

Q18 If our 2019 Schedule C is not yet prepared, can we use the 1/1 - 2/28 data for the PPP calculation?

A18. The period 1/1/20 to 2/28/20 can only be used by new businesses that were not in business March 30, 2019 or were a seasonal business. The banks will accept a draft copy of the Schedule C to process a loan application.

Q19 Does a solo practitioner only receive forgiveness for "payroll" to themselves? Is there no forgiveness for rent, utilities, loan interest and benefits?

A19. Sole proprietors and independent contractors are only eligible for forgiveness on draw paid to themselves, not in excess of \$1923 a week for 8 weeks. No other expenses qualify. See A12 update.

Q20 If I've been paying myself more than \$1923 per week. Is it only \$1923 that's going to be forgiven or not forgiven at all?

A20. The compensation limit for PPP funds is \$1923 a week. That is the only amount that will be eligible for forgiveness consideration. If additional compensation was paid from other funds, we do not anticipate that impacting the forgiveness calculation.