

PPP Forgiveness Overview

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Central Bank & Trust

Elevating Your Expectations



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Agenda

- WHERE WE ARE TODAY
- FORGIVENESS PROCESS
- ELIGIBLE USES OF PPP LOAN PROCEEDS
- KEY RESOURCES AND WEBSITES
- FORGIVENESS DOCUMENTATION
- Q & A



“The borrower will not be responsible for any loan payment if the borrower uses all loan proceeds for forgivable purposes and employee + compensation levels are maintained.”

- Interim Final Rule, pgs. 13-14



WHERE ARE WE TODAY?

- **CB&T** has disbursed most of the PPP loans we made in the first round of funding (SBA required that happen within 10 days of approval).
 - *This means applicants have started their 8-week “covered period” for the forgiveness calculations.*
- **SBA** has not provided final guidance or requirements for forgiveness. This is obviously concerning for you and the bank. We want to provide details and direction, but don't know the rules yet.
- **Don't** expect the SBA to provide in depth guidance.
- **Do** expect the SBA to reiterate intent, reiterate and clarify the documentation addressed in the CARES Act (discussed later) and provide guidance on lender submission of forgiveness request.
- **The level of detail we are all looking for isn't available now.**



FORGIVENESS PROCESS

- Upon completion of the 8-week “covered period”, borrower will submit the required forgiveness documentation and CB&T will coordinate with SBA to complete the process.
- Burden of documenting, verifying and certifying the forgiveness will be on the borrower.
- Can lenders rely on borrower documentation for the forgiveness?
 - *Per the Interim Final Rule (IFR), yes. The lender does not need to conduct any verification if the borrower submits documentation supporting its request for loan forgiveness and attests that it has accurately verified the payments for eligible costs. The Administrator will hold harmless any lender that relies on such borrower documents and attestation from a borrower. The Administrator in consultation with the Secretary, has determined that lender reliance on a borrower’s required documents and attestation is necessary and appropriate in light of section 1106(h) of the Act, which prohibits the Administrator from taking an enforcement action or imposing penalties if the lender has received borrower attestation.*

APPLICATION

CARES ACT PAGE 20, 1106.e

- An eligible recipient seeking loan forgiveness under this section shall submit to the lender that is servicing the covered loan an application, which shall include:
 - Documentation verifying the number of full-time equivalent employees on payroll and pay rates for the periods described in subsection (d), 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;
 - A 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.

WHAT CAN I USE LOAN PROCEEDS FOR?

Eligible uses of PPP loan proceeds per (IFR, pages 15-17):

- **Payroll costs**, including benefits
- **Interest on mortgage obligations**, incurred before February 15, 2020
 - Excludes principal & prepayments
- **Rent**, under lease agreements in force before February 15, 2020
- **Utilities**, for which service began before February 15, 2020
- **Refinance** of an eligible economic injury disaster loan (SBA EIDL)
- **Interest** on other debt obligations incurred before February 15, 2020 are not currently part of forgiveness



WHAT IS COVERED FOR UTILITY & LEASE PAYMENTS?

- **Utility questions – 1106.a.5**
 - The term “covered utility payment” means payment for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020
- **Leasing questions – 1106.a.4**
 - The term “covered rent obligation” means rent obligated under a leasing agreement in force before February 15, 2020



WHAT DOESN'T COUNT AS PAYROLL COSTS?

- **The compensation of an individual employee** or the self-employment income of a partner in a partnership in excess of \$100,000, as prorated for the covered period
- **Taxes imposed or withheld** under chapters 21, 22, or 24 of the Internal Revenue Code during the covered period
- **Any compensation** of an employee whose principal place of residence is outside of the United States
- **Qualified sick leave wages** for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act
- **Qualified family leave** wages for which a credit is allowed under section 7003 of that same Act



KEY RESOURCES

- 1. CARES Act-** pages 6-32, created the paycheck protection program
 - Loan forgiveness- Section 1106, page 17-21
 - Best resource for details (albeit limited)
- 2. Interim Final Rule (IFR)-** Paycheck Protection Program (published 4.2.2020)
 - Best resource for definitions of payroll, eligibility and application requirements. Limited forgiveness information.
- 3. Frequently Asked Questions-** found on the Treasury.gov website and provides more detailed interpretation of guidance given in the CARES Act and IFR
- 4. Interim Final Rule (IFR)-** Additional eligibility criteria (published 4.14.2020)
 - This provides guidance on self-employed, sole proprietorships and independent contractors



KEY RESOURCES: WEBSITES

1. **Treasury:** <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
2. **NAGGL:** <https://www.naggl.org/>
3. **SBA:** <https://www.sba.gov/>
4. **CARES Act:** <https://www.congress.gov/bill/116th-congress/house-bill/748/text>
5. **Forbes Article:** “Ten things we need to know about the Paycheck Protection Program Loan Forgiveness” – Tony Nitti
6. **SKR+CO Webinars:** <https://www.skrco.com/client-center/coronavirusupdates/>

CARES ACT

KEY COMPONENTS (SECTIONS 1102 & 1106)

- **Section 1102-** Primarily discussed the application process + requirements, minimal detail for current borrowers.
- **Section 1106-** Loan forgiveness (pages 17-21).
 1. 1106.a- Definitions
 2. 1106.b- What expenses qualify for forgiveness
 3. 1106.d- Limits on forgiveness
 4. 1106.d.2 & 1106.d.3- Reductions in forgiveness
 5. 1106.e- Application for forgiveness, preliminary list of documentation (see next slide)
 6. 1106.i-Taxability



INTERIM FINAL RULE

- Further clarifies the CARES Act that:
 - 75% or more of PPP proceeds must be used for payroll to be eligible for forgiveness.
 - 25% or less be used for eligible non-payroll expenses (mortgage interest, utilities, rent).
- Specifies SBA needs to and will issue further forgiveness guidance.



Q: How do we calculate FTEs?




Q: What does “costs incurred and payments made” mean?

Q: What percentage of my non-payroll costs can be forgiven if I don't meet the threshold of 75% payroll costs?



Q: What happens if my FTE count goes down during the covered period?

Q: What happens if I reduce the pay of my FTEs by more than 25%?



Q: Do all forgivable payments need to be disbursed from the same account?

Q: Do funds have to be depleted in 8-weeks from date of funding?

Q: What if an employee makes more than \$100,000?

Wrap Up

- Remember to touch base with your CPA, lawyer and/or banker with questions specific to your situation.
- We will continue to monitor for SBA guidance and issue updates accordingly.
- SKR+CO Webinar:

[APR 28 | Planning for PPP Forgiveness + Self-Employed Applications](#)