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Paycheck Protection Program

Understanding the Loan Forgiveness Guidance & Application (Released May 22, 2020)

Note: Slides updated with rule changes in red per the PPP Flexibility Act.
June 5, 2020

PPP Loan Forgiveness Application Released

Released May 15, 2020

SBA Released New Program Guidance

Released May 22, 2020

Paycheck Protection Flexibility Act of 2020

H.R.7010 signed into law June 5, 2020



William Ranes, COPM-C

Regional Manager

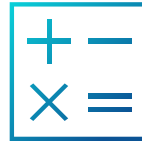
COVID Response Officer

Expectations for PPP Loan Forgiveness

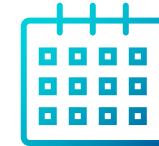
To prepare your Loan Forgiveness Application, ask your Regional Manager for Fuel's PPP Loan Forgiveness Calculator.



Spend **60%** or more of the loan on payroll and payroll-related expenses

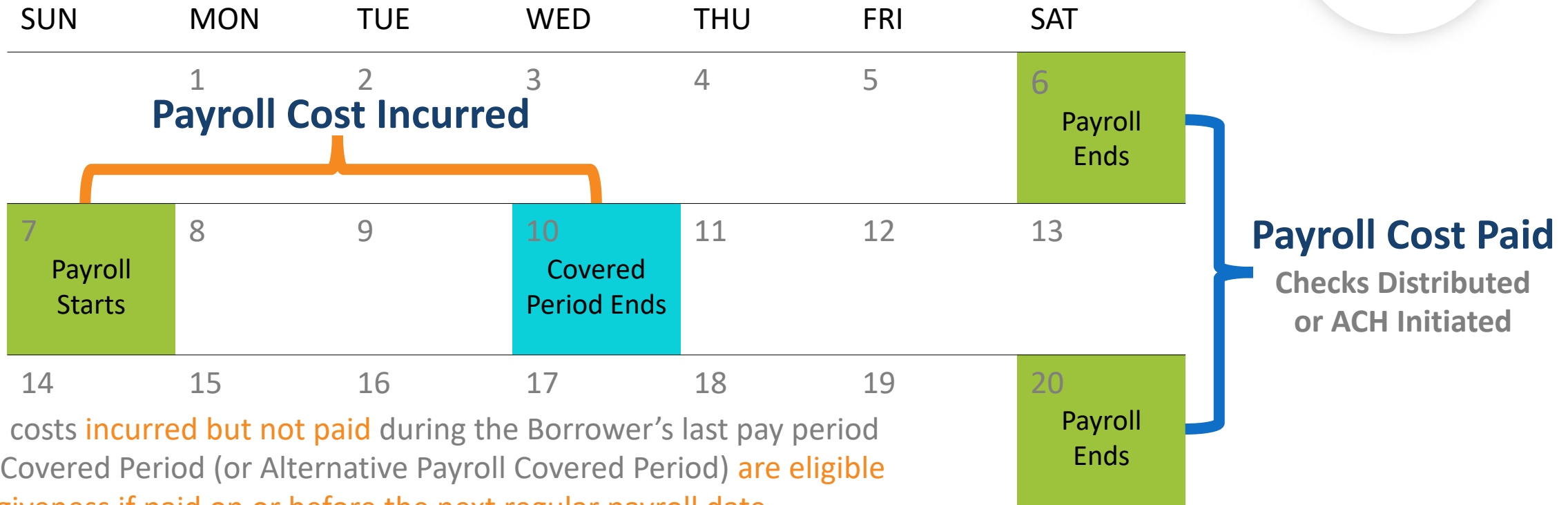


Make sure no employee receives more than a 25% reduction in pay compared to the baseline period of **1/1/20 to 3/31/20**



Have your employees work enough hours to hit the baseline FTE target

Payroll costs can be determined by using either costs **incurred** or paid.



Payroll costs **incurred but not paid** during the Borrower's last pay period of the Covered Period (or Alternative Payroll Covered Period) **are eligible for forgiveness if paid on or before the next regular payroll date.**



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Non-payroll costs can also be accounted for using either costs **incurred or paid**.

- Must be paid during the Covered Period or **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**.
- Eligible **nonpayroll costs cannot exceed 40%** of the total forgiveness amount.



- ✓ Mortgage interest
- ✓ Rent
- ✓ Utilities



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Allowable Owner's Compensation



- ✓ Owner-Employees
- ✓ Self-employed Individual
- ✓ General Partners

Loan forgiveness is capped at whatever is lower.

1. **Eight or 24-week** equivalent of \$100,000 per year, per individual -or-
2. **Eight or 24-week** equivalent of their applicable compensation in 2019



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Allowable Payroll Costs:

- ✓ Salary, wage, commission, or similar compensation
(**bonus, hazard pay**) – up to \$100k per employee prorated
- ✓ Vacation, paternal, family, medical or sick leave
- ✓ Allowances for dismissal or separation
- ✓ Payment required for provisions of group health care benefits, including insurance premiums
- ✓ Employer retirement benefits
- ✓ State or local tax assessed on the compensation of employees
- ✗ Excludes employer-paid FICA →

Filter payroll report to exclude employer-paid FICA.

Select Payroll Item

Search

Payroll Item

- ✓ Reported Cash Tips (offset)
- ✓ Wage Advances
- ✓ Advance Earned Income Credit
- Federal Unemployment
- ✓ Federal Withholding
- Medicare Company
- ✓ Medicare Employee
- Social Security Company
- ✓ Social Security Employee

Select All Clear All



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Selecting Your Covered Period for 8 or 24-Weeks of Loan Forgiveness (two options)

Covered Period

- The **8-week or 24-week** covered period begins the day the loan proceeds were received.

Alternative Payroll Covered Period (makes sense for 8-weeks)

- Begins on the first day of their **first pay period following** PPP Loan Disbursement date.
- May be beneficial if employees are paid bi-weekly – resulting in nine weeks of pay calculated into the payroll costs.



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Employee Salary & Wage Reductions



Loan forgiveness may be reduced relative to any decrease in pay more than 25% for any employee (excluding those making over \$100k) compared to the period of **January 1, 2020, through March 31, 2020.**



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Employee Salary & Wage Reductions

New guidance from SBA released 5/22:

To ensure that borrowers are not doubly penalized, the salary/wage reduction applies only to the portion of the decline in employee salary & wages NOT attributed to FTE.

Example:

Chosen Reference Period

- Employee works 40 hours/week
- Paid hourly rate of \$18/hour

Selected Covered Period

- Employees reduced to 20 hour/week
- No change to hourly wage of \$18/hour

Loan forgiveness penalty attributed only to FTE reduction.



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The application allows for two options when determining the average weekly number of FTEs.

- 1. Base method:** Each employee's average number of hours paid per week should be divided by 40 and rounded to the nearest tenth with the highest outcome being capped at one.

Example: Two employees @ 0.2 FTE = 0.4 FTE

- 2. Simplified method:** Each employee who works 40 hours or more per week is considered 1.0 FTE, while other employees are designed a 0.5 FTE.

Example: Two employees @ 0.2 FTE = 1.0 FTE



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Comparing FTE Past and Present



Select Chosen Reference Period (lower company FTE load)

- February 15, 2019, to June 30, 2019 -or-
- January 1, 2020, to February 29, 2020



A reduction in FTE for the Chosen Reference Period compared to your selected **8-week or 24-week** Covered Period will result in a forgiveness penalty unless Safe Harbor is met.

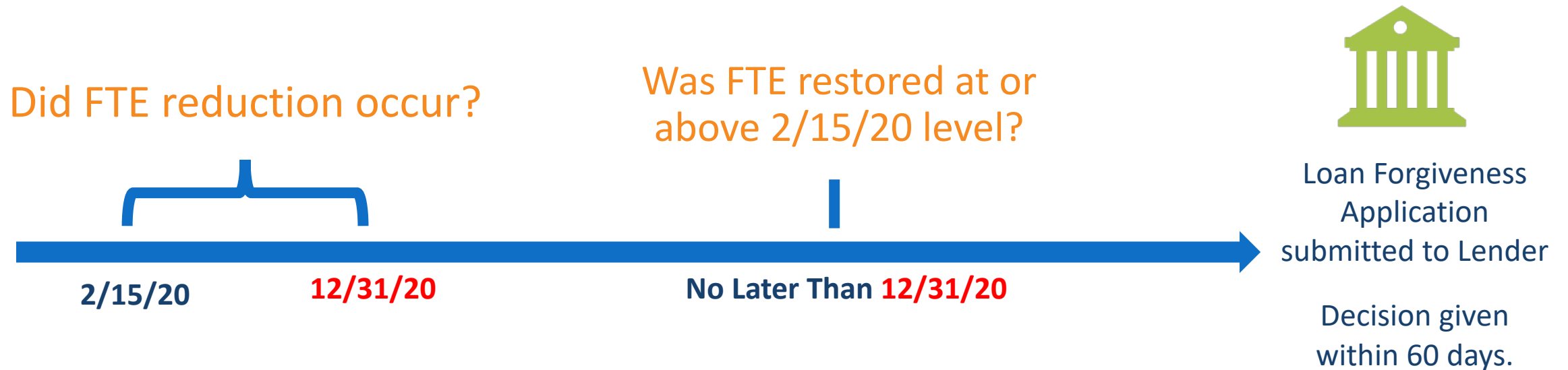
Determine if FTE Safe Harbor is more beneficial.



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FTE Reduction Safe Harbor

- The Safe Harbor exempts borrowers from the Loan Forgiveness penalty relative to a reduction in FTE.
- Safe Harbor is determined based upon both reduction and restoration of FTE.



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FTE reductions that will not reduce your forgiveness amount.

- If you made a good-faith written offer to rehire an employee, but they declined to return. Must inform state unemployment agency within 30 days of employee rejecting the offer.
- Employee was fired for cause.
- Employee voluntarily resigned or voluntarily requested and received a reduction of their hours.
- Inability to rehire similarly qualified employees.
- Inability to return to same level of business activity as such business was operating at before 2/15/20 due to compliance with requirements established or guidance issued by HHS, CDC or OSHA during period of 3/1/20 to 12/31/20.



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DON'T
FORGET

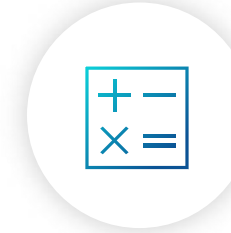


Have the
employee sign a
letter for each
scenario.

Certification and Documentation

- You will be required to certify you have verified the amount of payroll and non-payroll costs, as well as that all supporting documents are true in nature.
- All supporting documents must be retained for **six years after the date the loan is forgiven or repaid in full.**

To prepare your Loan Forgiveness Application, ask your Regional Manager for Fuel's PPP Loan Forgiveness Calculator.



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Understanding the Paycheck Protection Program Flexibility Act

June 9, 2020

Paycheck Protection Flexibility Act of 2020

H.R.7010 signed into law June 5, 2020

Note: Slides updated with rule changes in red per the PPP Flexibility Act.

- Extension of Covered Period and Loan Forgiveness Period
- Relaxation of the 75% Payroll Cost Requirement
- Exception (Safe Harbor) to Loan Forgiveness Penalty
- Repayment Timeline of Loan Period Extended
- Delay of Payment of Employer Federal Payroll Taxes



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Extension of Covered Period and Loan Forgiveness Period

- Covered loan period extends from 8 weeks to **24 weeks**.
- Borrowers will be able to choose to have the 8-week period apply, as originally enacted, or can elect to extend to the new 24-week period, with reference to both spending sufficient money on forgivable expenses and having an appropriate restoration of workforce. There is no prepayment penalty.
- Selecting the 8-week period and filing for loan forgiveness promptly may prove beneficial for businesses, if they can qualify for full forgiveness, in order to get the debt off of the books in case they will need additional lender financing, and to receive full forgiveness before SBA may change program rules. Extending to 24 weeks may prove beneficial for companies who have not fully spent down their loans.



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Relaxation of Payroll Cost

- Requirement for 75% of PPP loan to be spent on payroll related expenses is now reduced to a **60% requirement**. This may help practices struggling to open and rehire staff and will allow the owner to pay rent and utilities during the ramp up period (up to 40% non-payroll related costs).
- The limit on salary and wages per employee of \$100k prorated over the covered period remains. Moving from an 8-week covered period to a 24-week covered period will change your prorated maximum per employee from \$15,385 over the 8-week covered period to \$46,154 over the 24-week period. *SBA needs to confirm or modify 24-week maximum payroll.*



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Exception (Safe Harbor) to Loan Forgiveness Penalty

Safe Harbor exempts borrowers from the Loan Forgiveness penalty relative to a reduction in FTE so long as an employer can document in good faith:

1. Inability to rehire employees
2. Inability to find similarly qualified employees for unfilled positions
3. Inability to return same level of business activity due to DHHS, CDC or OSHA requirements (pending new guidance from SBA).

Restoring FTE at or above February 15, 2020 levels has been extended to **December 31, 2020**.



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Repayment Timeline of Loan Period Extended

- Extends the repayment of loans still owed, after being reduced for expenses that qualify for forgiveness and the EIDL grants (of up to \$10,000), from **2 years to 5 years**.
- Allows for payments of PPP loans to be deferred until the date on which a determination is made on loan forgiveness of the applicable borrower.
- The interest rate for these loans would remain at 1%.



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Delay of Payment of Employer Federal Payroll Taxes

- The CARES Act provides businesses with the option to defer payment of FICA taxes into 2021 and 2022.
- The Act originally excluded PPP loan forgiveness recipients from this provision.
- **This restriction has been lifted and deferment can be made even if the loan has been forgiven.**
- Borrowers should consult their payroll company and/or CPA prior to deferring payment of FICA.



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Welcome to the COVID-19 Business Resource Center

Covid-19.FuelMedical.com

(360) 818-7700

Updated PPP Loan Forgiveness Calculator

Reach out to your Regional Manager to receive our updated 8-week or 24-week Loan Forgiveness Calculator.

Name of Practice:		RM:								TOTAL ELIGIBLE	
FUEL MEDICAL											
Paycheck Protection Program Loan Forgiveness Calculator		Loan Amount Received		\$50,000.00		Covered Period Start Date (see comment in cell)		04/19/20			
		End Date for Eligible Expenses		06/14/20		Payroll Cash Target for Loan Forgiveness (75%)		\$37,500.00		FM 5-24-20	
Week #	Week Ending	Week 1 04/26/20	Week 2 05/03/20	Week 3 05/10/20	Week 4 05/17/20	Week 5 05/24/20	Week 6 05/31/20	Week 7 06/07/20	Week 8 06/14/20	TOTAL ELIGIBLE	
ELIGIBLE EXPENSES											
Payroll from Payroll Schedule Tab		\$0.00	\$14,711.29	\$0.00	\$15,288.21	\$0.00	\$15,865.14	\$0.00	\$16,442.06	\$50,384.50	
Health Insurance										\$0.00	
Employer Retirement Contribution as outlined in plan document										\$0.00	
Rent under lease agreements in force before 2/15/20										\$0.00	
Interest on mortgage obligations, incurred before 2/15/20										\$0.00	
Utilities for which service began before 2/15/20										\$0.00	
Totals:		\$0.00	\$14,711.29	\$0.00	\$15,288.21	\$0.00	\$15,865.14	\$0.00	\$16,442.06	\$50,384.50	
Maximum Weekly Spend Target		\$6,250.00	\$6,250.00	\$6,250.00	\$6,250.00	\$6,250.00	\$6,250.00	\$6,250.00	\$6,250.00	\$50,000.00	
Running Total: Spend % of Max Available		0%	235%	0%	245%	0%	254%	0%	263%	101%	
Cumulative % Spent on Payroll (Minimum 75%)		0%	100%	100%	100%	100%	100%	100%	100%	100%	
										Loan Balance (\$384.50)	



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