

GOT YOUR PPP MONEY?!?  
SO WHAT'S NEXT?

# STEPS TO PPP LOAN FORGIVENESS

Presented by:

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certified public accountants

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# FORGIVENESS FACTS:

- ▶ Borrowers are eligible for loan forgiveness equal to the amount the borrower spent during the eight-week period (56 days), beginning on the date the loan was funded.
- ▶ 75% (minimum) of the forgiven amount needs to be payroll costs.
- ▶ Not more than 25% of the forgiven amount may be for non-payroll costs.
  - ▶ You will see in the demonstration of forgiveness calculation that if you do NOT spend your 25% on non-payroll costs, you can/will want to increase your payroll costs to help with your forgiveness.
- ▶ Loan payments on what is not forgiven will be deferred for 6 months



# WHAT ITEMS QUALIFY FOR LOAN FORGIVENESS?

- ▶ Payroll Costs, including benefits
- ▶ Interest on mortgage obligations
- ▶ Rent under lease agreements
- ▶ Utility Costs



# PAYROLL COSTS INCLUDE:

- ▶ Payroll costs that are eligible for loan forgiveness:
  - ▶ Salary, wages, commission or similar compensation (recent SBA guidance states that payroll costs include all cash compensation, including a housing stipend or allowance)
  - ▶ Payments for vacation, parental, family, medical or sick leave
  - ▶ Allowance for dismissal or separation
  - ▶ Payments for the provision of group health care benefits, including insurance premiums
  - ▶ Payments for retirement benefits
  - ▶ State or local payroll taxes
- ▶ Payroll costs that are not eligible for loan forgiveness:
  - ▶ Payments to an independent contractor
  - ▶ Cash compensation in excess of \$100,000
  - ▶ The employer's share of federal payroll taxes
  - ▶ Non taxable payments such as Per Diem and Auto Reimbursements



# UTILITY COSTS INCLUDE:

- ▶ Gas
- ▶ Electric
- ▶ Water
- ▶ Internet
- ▶ Cable
- ▶ Telephone (including wireless)
- ▶ Trash Removal
- ▶ Transportation Utilities
  - ▶ Ex: Fuel for business vehicles



# RENT COSTS INCLUDE:

## ▶ Monthly Rent

- ▶ CARES Act guidance does say that it has to be under a lease in force prior to February 15, 2020
- ▶ Many related-parties do not have lease agreements in place, so it may be that banks will allow this rent if you can prove that the amount paid during the 8 weeks is consistent with lease amounts prior to Feb 15<sup>th</sup> 2020.
- ▶ Property Taxes and Insurance - CARES act guidance does not list property tax and insurance when it describes rent.

## ▶ Equipment Rent

- ▶ The CARES act does not specifically say they are not but we are not advising to include these costs in your projections at this time.



## INTEREST PAYMENTS INCLUDE:

- ▶ MORTGAGE Interest payments on a mortgage incurred in the ordinary course of business on real property and that was in existence on Feb. 15, 2020



# UNDERSTAND HOW THE LOAN FORGIVENESS AMOUNT COULD BE REDUCED:

- ▶ Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
- ▶ Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- ▶ Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.





# DO WHAT YOU CAN TO ENSURE MAXIMUM LOAN FORGIVENESS:

- ▶ Set up a **separate** bank account and use the account to pay qualified expenses.



- ▶ If unable to set up separate account:

- ▶ In QuickBooks – Set up “Class” to tag qualified expenses for ease of reporting
- ▶ In ComputerEase – Set up a separate “Checkbook” to “pay” qualified expenses for ease of reporting



# WHAT TERMS APPLY TO ANY LOAN AMOUNT THAT IS NOT FORGIVEN?

- ▶ The principal amount of the PPP loan and any accrued interest that is not forgiven will continue as a loan on its original terms, including:
  - ▶ A maturity date which is two years from the date of disbursement
  - ▶ No payments during the first six months
  - ▶ An interest rate of one percent per annum
  - ▶ No prepayment penalty (prior notice of prepayment may be required if the loan has been sold on the secondary market)

# LOAN FORGIVENESS TRACKING CALCULATOR

► Now lets run through some examples!

Last updated 04/27/2020

**[CLIENT NAME]**

**Original Loan Information**

Cells with red borders are user entered.

Original loan amount:	\$500,000.00	
FTEs from application <b>OR</b> calculation from Original FTE tab:	10.00	\$833.33 Accrued interest over 8 weeks
Origination date of loan:	5/5/2020	<b>\$500,833.33</b> Total amount eligible for forgiveness
Eligible self-employment income	\$300,000.00	<i>From SE Income Tab</i>

**Payroll Expenses During Forgiveness Period**





FOR ADDITIONAL INFORMATION, PLEASE REMEMBER TO VISIT OUR COVID-19 INFORMATION WEBPAGE

<https://www.stengerandcompany.com/covid-19-updates>

A screenshot of the Stenger & Company website header. The header is white with a dark red navigation bar at the bottom. The logo, consisting of a dark red square with a white stylized 'S' and the text "Stenger & COMPANY" in a serif font, is centered. Below the logo, the text "certified public accountants" is displayed in a smaller, lowercase serif font. The navigation bar contains the following links: "HOME", "ABOUT US", "SOLUTIONS", "SPECIALTIES", "CLIENT RESOURCES", "TESTIMONIALS", and "CONTACT US". A red banner at the bottom of the screenshot contains the text "Stay updated on all areas of tax filings and business processes affected by COVID-19" and a "Learn More" button.

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