

PPP Forgiveness

Answers to Your Most Pressing Questions

Portland Regional Chamber of Commerce

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PAYCHECK PROTECTION PROGRAM

March 27, 2020: enactment of the CARES Act

May 30, 2020 (enactment + 64 days):

\$ 510,234,498,923 of PPP loan approvals to **4,475,599** borrowers

In Maine:

\$ 2,215,851,252 of PPP loan approvals to **25,721** borrowers

June 3, 2020: (~9 pm) HR 7010 PPP Flexibility passed in Senate

KEY CONCEPTS

- Covered period
- Covered costs
- 60% (not 75%) minimum for payroll costs
- FTE reduction penalty
- Wage reduction penalty
- Three “Hail Mary’s”

Covered Period

24 weeks beginning on the day the loan funds (or 12/31/2020)

- You can still choose an 8-week period
- Alternative covered period for payroll costs only: first day of the next pay period after the loan funding date
 - Easier to account for payroll by lining up pay periods
 - Only for companies with one-week or two-week pay periods
 - Twice-monthly pay periods don't qualify

Covered Costs

Statute says “costs incurred and payments made during the covered period”

- Payroll costs: salaries, wages, commissions, tips, etc. (\$100K annualized limit); vacation, leave, severance, etc.; benefits; state/local payroll taxes
- Covered rent
- Covered mortgage interest
- Covered utilities

Amount Spent on Covered Costs

To achieve 100% forgivable amount, spending 100% of loan amount is necessary but not sufficient - at least **60%** must be payroll costs

- Start with total payroll costs for the covered period
- Divide by 3, then multiple by 4 = maximum forgiveness amount
- Still requires other covered costs for the other **40%**

FTE Reduction Penalty

Take your maximum forgivable amount and multiply by your FTE reduction fraction: average FTE count for covered period and divide by average FTE count for reference period

- Approximate FTE count: take total hours of employee in the period, divide by number of weeks worked, then divide by 40
 - If 1 or above, count as 1.0;
 - If below 1, round to nearest 1/0th
 - Or count all employees below 1.0 as 0.5
- Add back any drop in FTE where an employee, *during covered period*, quit, requested reduced hours, was fired for cause, or where the former employee refused a written rehire offer made in good faith during the covered period

Wage Reduction Penalty

Dollar for dollar reduction to the extent any overlapping employee suffers more than a 25% reduction in wage/salary rate in covered period vs Q1

- PPP Schedule A Worksheet: build employee by employee
- Loss of hours is not double-counted as a wage reduction (the portion “*not* attributable to the FTE reduction”)



Paycheck Protection Program Loan Forgiveness Application

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Schedule A Worksheet

Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

FTE “Hail Mary”

- Count your FTEs at February 15, 2020
- Compute your average FTEs between February 15, 2020 and April 26, 2020 – did it decline?
- If by December 31 you restore your FTE to the February 15 level, you can ignore the FTE reduction penalty
- An “all or none” standard

Wage Reduction “Hail Mary”

- Only applies to an overlapping employee who (i) suffered some drop in salary/wage rate between February 15 and April 26 *and* (ii) suffered more than a 25% drop in wage/salary rate during the covered period vs Q1
- If by June 30 [December 31?] you restore her wage/salary rate to 100% of her February 15 rate, you can ignore the wage reduction penalty for that employee
- Proportional, in that this applies employee-by-employee

New Hail Mary

- Codifies the inability to rehire rule
- Add new inability to return to the same level of business activity
 - Due to HHS, CDC, or OSHA “requirements or guidance”
 - Related to maintenance of standards for sanitation, social distancing, or any other worker safety requirement related to COVID-19
 - Issued between 3/1/2020 and 12/31/2020
 - No mention of state rules

Timing of Forgiveness Applications

- Bank has 60 days to process your application and issue a decision to the SBA
- SBA has 90 days to review the application and remit the forgiveness funds to the bank

Questions?

Thank you for tuning in!

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