

**PPP Crowd-Sourced Questions
SA Bar Webinar May 12, 2020**

Best Practices/Process for Forgiveness

Is it best to open a different bank account just for purposes of paying out PPP-qualified expenses like payroll and office rent? Or is the key that, as long as we submit the proper documentation, the loan will be forgiven?

Is there a form or spreadsheet being issued to calculate PPP forgiveness?

To whom is application for forgiveness made? The funding bank? SBA?

Is the application for forgiveness approved by the bank OR is the bank just forwarding our application for forgiveness to SBA with a recommendation?

Compatibility with Other SBA Programs

If your company has a line of credit in place at time the SBA loan was granted are you disqualified from loan forgiveness?

Deductibility: Cell Phone Expense

We reimburse some employees their cell phone expenses. Would this be considered a utility?

Deductibility: Health Insurance Expenses

If you did not include certain wages or health insurance benefits in calculating the amount of the initial loan amount, which resulted in the loan being less than what one could have received, can you still count those expenses for purposes of loan forgiveness?

Deductibility: Home Office Space Expense

Can a loan recipient, who has routinely worked from home for a year, use PPP funds to pay home mortgage interest and include it for purposes of forgiveness?

If interest paid toward home office is allowable, how should it be calculated?

Deductibility: Interest other than on Real Estate

Can interest payments you make other than those connected with real estate be included? Act: Sec 1102 (F)(i)(VII) states "Interest on any other debt obligations that were incurred before covered period." It doesn't specify for real estate only, am I interpreting it wrong?

Deductibility: PPP-Covered Expenses Also Allowable As Business Expenses?

Will payroll and/or rents that make up part of the loan forgiveness portion also be deductible as business expenses or is this considered double-dipping?

Deductibility: Pension & Other Contribution

Does a SEP-account or other retirement account contribution apply against the forgiveness portion?

If your employee is already getting payroll at the \$100,000 level, will the SEP account contribution still count or is it seen as "additional payroll over \$100,000"?

Deductibility: Transportation Expense

What does "transportation" cover under non-payroll costs/utilities? For example, does mileage pay count under "transportation"?

Deductibility: XYZ/Misc.

So, if expenses are not deductible, net effect is, despite legislation having been touted as non-taxable proceeds, is that loan proceeds, absent new legislation, will be taxable?

Employment Retention/Restoration

What if you have an employee leave to accept another position with another employer, *i.e.* the employee's departure is voluntary and not caused by the employer, will that still count against FTE?

How do you count FTEs? How many hours must the employee work on average to be considered an FTE?

What is an employee resigned although employed prior to receipt of loan? Do we have to replace the employee before June 30?

The 75% Threshold

Example: \$100k PPP. Of that \$75k is for payroll. An employer keeps the same FTE, but reduces salaries by less than 25% - for a total reduction of \$10k. If the employer spends \$65k on salary and \$25k on overhead - is the outstanding \$10 forgiven? Or does the employer return that outstanding \$10k?

If you spend 60% on payroll, does the entire loan lose ability to become forgiven or is the 60% forgiven and the rest converts to a loan? In other words, it is all-or-nothing at 75% or is it ratable if you don't pay out 75% in qualifying payroll payments?

Timing of Payments (“Incurred AND Paid”)

Question regarding the timing of the 8 -week period to deploy PPP Funds:

A borrower receiving funding, for example, on the 11th of the month can make payroll on the 15th and then its next three payrolls will fall within the 8 week period measured from funding.

The same borrower receiving funding, for example, on the 16th of the month must wait until the 30th/31st to fund its first payroll with PPP funds. Its fourth payroll would then fall just outside of the 8 week window within which 75 percent of loan proceeds must be used for payroll.

How will the SBA reconcile this timing issue that treats borrowers differently based on nothing more than the timing of their receipt of funding?

What if a pay period bisects the eight-week start date or end date?

If health insurance is paid monthly, is it necessary to prorate each payment given “incurred and paid” language?

What is meant by “incurred and paid”? For example, we received PPP April 28 and we paid April 15-30 payroll on April 30. Our accountant has said that only two days of that is forgivable? Is this true?

What if your eight week period ends in the middle of the month and you have some PPP funds left, can you use those PPP funds to pay a portion of next month's rent and qualify for full loan forgiveness on that payment?

XYZ Miscellaneous

How do you know if you were in series 2 or series 3?

I received much more money than I requested. My understanding is that of the portion I can use will be forgiven as long as 75/25 formula followed, as well as same number of employees, etc. My concern is someone will say you did not use 75% of the total loan on payroll, which is impossible given what they funded. So as long as the amount used meets all tests, will it be forgiven? Of course the other money not used would have to be paid back.

Approved April 16 and Funded April 21. What is the start date for the 8 weeks? Date of funding or funds received? I keep getting conflicting information on date.

I am an S-Corp. Salary employee. The pay period before being approved for the PPP I didn't pay myself, am I able to pay myself using the PPP to catch me up on pay?