

MSMS Tele-Town Hall Q&A With CPAs Part 2

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MSMS Tele-Town Hall Q&A with CPAs

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Paycheck Protection Program

- What it is
- Where we stand
- What *might* be next
- Forgiveness
- Questions

Paycheck Protection Program

- Loan based on 2.5 months salary and benefits over the last year
- Once funded – have *8 weeks* to use the funds for:
 - Payroll
 - Benefits
 - Rent
 - Mortgage interest
 - Utilities

Where we stand

Loan Count	Net Dollars	Lender Count
4,475,599	\$510,234,498,923	5,454

Loan Size	Loan Count	Net Dollars	% of Count	% of Amount
\$50K and Under	2,892,911	\$53,601,900,856	64.6%	10.5%
>\$50K - \$100K	651,424	\$46,401,384,379	14.6%	9.1%
>\$100K - \$150K	283,506	\$34,711,114,170	6.3%	6.8%
>\$150K - \$350K	368,714	\$82,859,930,321	8.2%	16.2%
>\$350K - \$1M	196,770	\$111,974,156,942	4.4%	21.9%
>\$1M - \$2M	52,577	\$72,839,574,524	1.2%	14.3%
>\$2M - \$5M	24,857	\$73,888,784,828	0.6%	14.5%
>\$5M	4,840	\$33,957,652,904	0.1%	6.7%

Enabling Others to Reach Their Potential

Where we stand

- Michigan – 113,487 loans (2.5%)
 - \$15,689,012,295 (3.1%)
- Average loan size \$114k
- 12.96% within health care and social assistance

Over \$120 Billion Left!

Paycheck Protection Program Flexibility

House passed 417 – 1 5/28/20

Received in Senate 6/1/20

- Unforgiven loan maturity from 2 to **5 years**
- Covered period extended from 6/30 to **12/31/2020**
- Extends covered period from 8 to **24 weeks**
- Payroll requirement decreased from 75% to **60%**
- Increased **FTE leniency**
- Increased repayment deferral from 6 to **10 months**
- ER payroll tax deferral **allowed even after forgiveness**

PPP Loan Forgiveness Calculations

Table 1:

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
Ashley Jones	1	\$ 6,000	1	
Roger Smith	2	\$ 8,000	1	
Dave Brown	3	\$ 4,000	1	\$ 500
Mary Williams	4	\$ 1,000	0.25	
Robert Johnson	5	\$ 2,000	0.5	
FTE Reduction Exceptions:			1	
Totals:		Box 1 \$ 21,000	Box 2 4.75	Box 3 \$ 500

Table 2: List employees who:

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Joe Rodriguez	15	\$ 15,385	1
Jennifer Thomas	16	\$ 15,385	1
Totals:		Box 4 \$ 30,770	Box 5 2

PPP Loan Forgiveness Calculations

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:	\$ 21,000
Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:	4.75
Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:	\$ 500

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:	\$ 30,770
Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:	2

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance:	\$ 12,000
Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans:	\$ 3,000
Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation:	\$ 500

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:	\$ -
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Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):	\$ 67,270
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Full-Time Equivalency (FTE) Reduction Calculation

Line 11. Average FTE during the Borrower's chosen reference period: (Denominator)	8.00
Line 12. Total Average FTE (add lines 2 and 5): (Numerator)	6.75
Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met:	84.40%

PPP Loan Forgiveness Calculations

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):	\$	67,270
Line 2. Business Mortgage Interest Payments:	\$	3,000
Line 3. Business Rent or Lease Payments:	\$	19,230
Line 4. Business Utility Payments:	\$	3,000

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):	\$	500
Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:	\$	92,000
Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):		84.40%

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):	\$	77,648
Line 9. PPP Loan Amount:	\$	95,000
Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75):	\$	89,693

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9 and 10):	\$	77,648
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FTE Reduction Safe Harbor:

Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: 4.0

Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: 8.0

Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, the FTE Reduction Safe Harbor is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

Step 4. Enter the borrower's total FTE as of June 30, 2020: 7.0

Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor has been satisfied. Otherwise, the FTE Reduction Safe Harbor does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

All or Nothing

Material discussed in this webinar is based on information available as of the date of its release and Maner Costerisan is not under obligation to update this material if changes occur. The information is meant to provide general information and should not be acted on without professional advice tailored to your individual needs.

Questions?

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Thank you!

For updated information on COVID-19, visit
www.msms.org

If you have additional questions, email
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