



Michigan Nonprofit Association

# Updated PPP Loan Forgiveness Rules and Loan Forgiveness Application Process

November 23, 2020

# Webinar Goals

- Summarize PPP Loan Forgiveness Process
- Roundtable and Q&A discussion on PPP loan forgiveness and the CARES Act impact on nonprofits

## DISCLAIMER:

- ✓ Our BEST understanding as of this moment in time
- ✓ Presenting guidance NOT legal or financial advice
- ✓ You should make all decisions after consulting your attorney and CPA.
- ✓ MNA staff are NOT lawyers or CPA's

# Agenda

- Summary of PPP Loan Forgiveness Rules
- Required Forgiveness Forms
- Required documentation

# c<sup>o</sup>.act DETROIT



# Presenters



Bob Weins, JD, CPA  
Insights<sup>3</sup>



Leon LaBrecque, JD, CPA, CFP, CFA  
Sequoia Financial Group



Jamie Lopiccolo, CPA, CGMA  
Capocore Professional Advisors

# PPP Loan Forgiveness Summary – Key Rule Changes

Criteria	Rule Change	Documentation Change	Form
Loan of \$50K or less	No forgiveness reductions for layoffs or wage cuts	No need to track or retain headcount or wage data audits	3508S
<ul style="list-style-type: none"> <li>- No reduction in number of employees or average paid hours from Jan 1 through end of Covered Period;</li> <li>- Can't operate at Feb 15th level due to COVID-19 rules from HHS, CDC or OSHA</li> </ul>	Don't submit FTE (headcount) and wage data with application	Retain FTE and wage data for possible audit	3508EZ

Filing Due Date: 10-months after end of your Covered Period

# PPP Loan Forgiveness Summary

## REMINDER: What costs qualify for forgiveness?

- Payroll Costs (wages, health ins, retirement benefits ...)
- Non-Payroll Costs\*
  - Rent / Lease Payments
  - Utilities
  - Mortgage Interest (and secured personal prop loans)

\* **NEW RULE: Non-payroll costs cannot exceed 40% of total forgiveness amount.**  
(see Appendix A for example of rules if non-payroll costs exceed 40% of loan amount)

Leases, loans and utility service agreements must predate February 15, 2020



# PPP Loan Forgiveness Summary

## REMINDER: “Final” Payroll:

- Payroll costs incurred but not paid during your 24-week “Covered Period” can be paid *on or before the next regular payroll date* after the end of your “Covered Period”

### Example:

- “Covered Period” ends on Oct 15<sup>th</sup>
- Last bi-weekly pay period runs from Oct 9<sup>th</sup> to Oct 22
- Oct 9 – Oct 15 payroll qualifies if paid with Oct 22<sup>nd</sup> payroll

# PPP Loan Forgiveness Summary

## REMINDER: Non-Payroll Costs 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.

### Example:

Covered Period runs from May 1 – Oct 15

- Electric for Apr 15 – May 14 is paid on May 24<sup>th</sup> (forgivable)
- Electric for Oct 1 – Oct 31 is paid when due on Nov 15<sup>th</sup>  
*Prorate for Oct 1 – 15*
- Rent for May is pre-paid in April  
*Does not qualify. Ask landlord to refund the rent and re-pay in May*

# Reductions in Loan Forgiveness for Layoffs & Wage Reductions

## Loans Greater than \$50,000

### REMINDER: FTE Safe Harbors

- Employee FTE Headcount Restoration Rule (no change)
  - Layoffs occurred between Feb 15<sup>th</sup> and April 26<sup>th</sup> ; *and*
  - Employee FTE level restored by Dec 31<sup>st</sup> to FTE levels for the pay period that includes Feb 15<sup>th</sup>
  
- Can't return to Feb 15<sup>th</sup> FTE levels due to Covid-19 rules or guidelines issued by HHS, CDC or OSHA

# Reductions in Loan Forgiveness

## REMINDER: Allowable FTE Reductions:

- Document inability to rehire staff employed on Feb 15<sup>th</sup> AND can't find similarly qualified individuals by Dec 31<sup>st</sup>
- Employee declines written offer to restore hours or wages
- Voluntarily resigns
- Terminated for *cause*
- Requested hours reduction

AND

*Position is not filled by a new employee*

# SUBMITTED Documentation – Forms 3508S & 3508EZ

Payroll	FTE	Non-Payroll
<p>Bank account statement for CP or APCP (if elected)</p> <p>Payroll service reports for applicable CP or APCP</p> <p>Payroll tax filings (941's and 1028's) for applicable CP or APCP</p> <p>Payment verifications (e.g. cancelled checks, payroll service reports)</p> <p>Account statements documenting employer contributions to health and retirement plans included in "Payroll" calculations</p>	<p>NA</p>	<p>Documents verifying loan, lease or service (i) started prior to Feb 15; and, (ii) includes the Covered Period</p> <p><u>Mortgage/Secured Loans and Leases</u> Copies of:</p> <ul style="list-style-type: none"> <li>• LOANS: Lender amort schedule</li> <li>• LEASE: Lease agreement</li> <li>• Receipts, cancelled checks or account stmts verifying payments (statements for Feb through month following the end of Covered Period)</li> </ul> <p><u>Utilities</u></p> <ul style="list-style-type: none"> <li>• Copies of invoices from Feb through those included in the Forgiveness calculation (lines 2 - 4 of PPP Forgiveness Application)</li> <li>• Receipts, cancelled checks or account statements verifying payment</li> </ul>

# SUBMITTED Documentation – Form 3508

Payroll	FTE	Non-Payroll
<p>Bank account statement for CP or APCP (if elected)</p> <p>Payroll service reports for applicable CP or APCP</p> <p>Payroll tax filings (941's and 1028's) for applicable CP or APCP</p> <p>Payment verifications (e.g. cancelled checks, payroll service reports)</p> <p>Account statements documenting employer contributions to health and retirement plans included in "Payroll" calculations</p>	<p><u>Reference Period FTE</u> (Select one of following)</p> <ul style="list-style-type: none"> <li>Ave FTE/month from 2/15/19 – 6/30/19</li> <li>Ave FTE/month from 1/1/20 – 2/29/20</li> <li>SEASONAL: Either of above or any consecutive 12-weeks between 5/1/19 – 9/15/19</li> </ul> <p><i>SELECT PERIOD WITH LOWEST FTE VALUE</i></p> <p>Include 941's and 1028's for selected Reference Period</p>	<p>Documents verifying loan, lease or service (i) started prior to Feb 15; and, (ii) includes the Covered Period</p> <p><u>Mortgage/Secured Loans and Leases</u> Copies of:</p> <ul style="list-style-type: none"> <li>LOANS: Lender amort schedule</li> <li>LEASE: Lease agreement</li> <li>Receipts, cancelled checks or account stmts verifying payments (statements for Feb through month following the end of Covered Period)</li> </ul> <p><u>Utilities</u></p> <ul style="list-style-type: none"> <li>Copies of invoices from Feb through those included in the Forgiveness calculation (lines 2 - 4 of PPP Forgiveness Application)</li> <li>Receipts, cancelled checks or account statements verifying payment</li> </ul>

# RETAINED Documentation

## Retained Documentation – Form 3508S

Documentation showing PPP funds were timely spent for qualified payroll and non-payroll expenses

Copy of PPP loan application (including all attachments)

Documentation demonstrating compliance with PPP requirements

**Documents must be retained for 6-years from the later of date loan is forgiven or repaid in full**

# RETAINED Documentation

## Retained Documentation – Form 3508EZ

*Documentation showing: (i) no reduction in number of employees or average paid hours from Jan 1 through end of Covered Period; or, (ii) inability to operate at Feb 15<sup>th</sup> level due to COVID-19 rules/guidelines from HHS, CDC or OSHA*

*Firing for cause, voluntary resignations and written request for reduced work schedule*

*Inability to rehire individuals employed on Feb 15<sup>th</sup> AND can hire similarly qualified individuals*

*HHS, CDC or ASHO requirements or guidelines that reduced FTEs below Feb 15<sup>th</sup> levels*

Copy of PPP loan application (including all attachments)

Documentation demonstrating compliance with PPP requirements

**Documents must be retained for 6-years from the later of date loan is forgiven or repaid in full**



# RETAINED Documentation

## Retained Documentation – Form 3508

*PPP Schedule A worksheet – Form 3508 only*

*Documentation supporting the listing of each employee in PPP Schedule A worksheet – Form 3508 only*

- *Table 1: Salary/Hourly reduction calculations*
- *Table 2: Employee received during any single 2019 pay period compensation at an annualized rate > \$100,000*

Firing for cause, voluntary resignations and written request for reduced work schedule

Inability to rehire individuals employed on Feb 15<sup>th</sup> AND can hire similarly qualified individuals

HHS, CDC or ASHO requirements or guidelines that reduced FTEs below Feb 15<sup>th</sup> levels

Documentation supporting “FTE Reduction Safe Harbor” (if applicable)

Copy of PPP loan application (including all attachments)

Documentation demonstrating compliance with PPP requirements

**Documents must be retained for 6-years from the later of date loan is forgiven or repaid in full**

# PPP Loan Forgiveness Summary

## Appendix A: Non-Payroll Costs Exceed 40% of Loan

Facts – Borrower receives \$100,000 PPP loan and spends \$54,000 on payroll and \$46,000 on non-payroll forgivable costs.

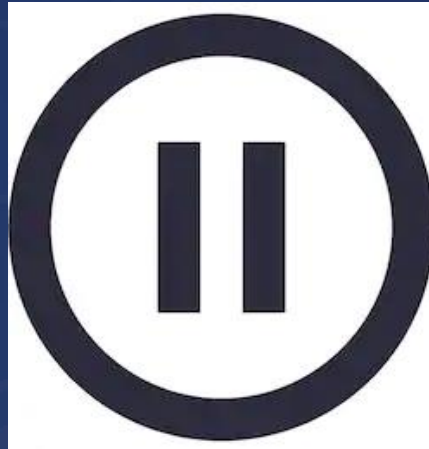
The borrower's non-payroll cost cap (i.e. 40% of the loan) is reduced by the same percentage as the borrower fell short of spending 60% of the loan for qualifying payroll costs. Let's call this 60% test the payroll cost minimum. In our example, the borrower's *payroll cost minimum* is \$60,000 ( $60\% \times \$100,000 = \$60,000$ ); however, the borrower spent only 90% of this \$60,000 minimum ( $\$54,000 / \$60,000 = 90\%$ ). Hence, the borrower will be forgiven only 90% of its *non-payroll cost cap*. Remember, non-payroll costs are capped at 40% of the loan which, in our example is \$40,000 ( $40\% \times \$100,000$  loan) Since our borrower only spent 90% of the *payroll cost minimum*, it's non-payroll costs will be limited to the lesser of: (i) the amount spent for qualified non-payroll costs; or (ii) 90% of its *non-payroll cap* which is \$36,000. ( $40\% \text{ cap} \times \$100,000 \text{ loan} = \$40,000$  non-payroll cost cap  $\times 90\% = \$36,000$ ). Now, wasn't that fun and easy. Below is a chart summarizing these calculations.

Loan Amt: \$100,000	Amt Spent	Forgiveness
Payroll Cost (min 60%)	\$54,000	\$54,000
Non-Payroll (max 40% of payroll)	\$46,000	\$36,000
Total	\$100,000	\$90,000

# Interested in Technical Assistance for filing your **Loan Forgiveness Application?**

Send an email to  
[kkuhn@mnaonline.org](mailto:kkuhn@mnaonline.org)

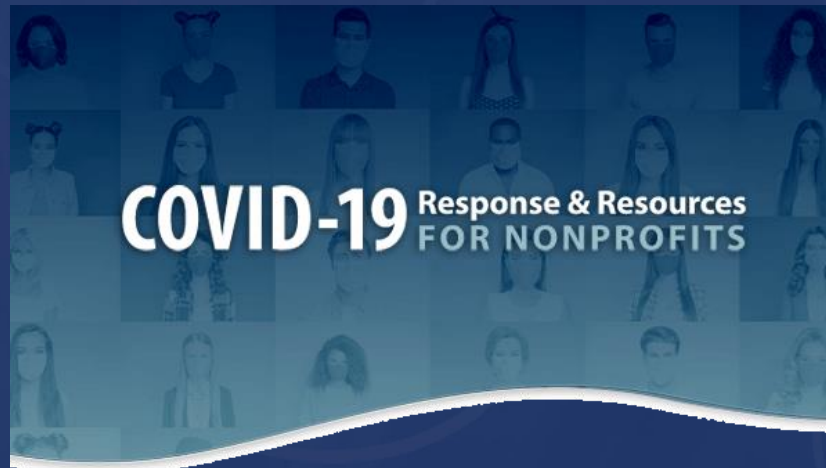
# Questions



# COVID-19 Resources for Nonprofits

## COVID Impact Study

## COVID-19 Resources for Nonprofits Website



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# Thank You!

Please complete the short survey  
which will appear right after the  
webinar ends.