

PPP Forgiveness

September 18, 2020

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Documentation

Documentation for PPP loan forgiveness must be maintained for 6 years following the date the loan is forgiven or repaid in full

Payroll Documentation required to be submitted for Forgiveness

Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.

DP clients – this is the CARES PPP Forgiveness Report

- * You will most probably need to submit the excel version of the report
- * Cash compensation is totaled for each employee on Worksheet table 1 and 2
- * Cash compensation for each employee is broken down by payroll on the Employee Loan Period Details tab on the forgiveness report – it's the last tab in the report



Payroll Documentation required to be submitted for Forgiveness

Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:

- i. Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
- ii. State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported,

or

that will be reported, to the relevant state

DP Clients – you will find these under reporting
Quarterly Reports on Demand



Payroll Documentation required to be submitted for Forgiveness

Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the Borrower included in the forgiveness amount (PPP Schedule A, lines (6) and (7)).

DP Clients – even if we are tracking your employer contributions to employee health insurance and retirement, you will still need the above documentation

PPP Schedule A		
Line1	Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:	655,966.15
Line2	Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:	44.90
Line3	Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:	7,112.38
Line4	Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:	292,315.00
Line5	Enter Average FTE(Box 5) from PPP Schedule A Worksheet, Table 2:	15.10
Line6	Total amount paid by Borrower for employer contributions for employee health insurance:	57,925.57
Line7	Total amount paid by Borrower for employer contributions to employee retirement plans:	20,718.27
Line8	Total amount paid by Borrower for employer state and local taxes assessed on employee compensation:	1,328.83
Line9	Total amount paid to owner-employees/self-employed individual/general partners:	0.00
Line10	Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):	1,028,253.82
Line11	Average FTE during the Borrower's chosen reference period:	57.70
Line12	Total Average FTE (add lines 2 and 5):	60.00
Line13	FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met:	1.00



Payroll Documentation required to be submitted for Forgiveness

Reference period documentation

FTE: Documentation showing (at the election of the Borrower):

- a. the average number of FTE employees on payroll per week employed by the Borrower between February 15, 2019 and June 30, 2019;
- b. the average number of FTE employees on payroll per week employed by the Borrower between January 1, 2020 and February 29, 2020;

DP Clients – The documentation for these reference periods are located on the 2019 Hours Feb 15 to June 30 tab and the 2020 Hours Jan 1 to Feb 29 tab

2019 Hours Feb 15 to June 30

2020 Hours Jan 1 to Feb 29



Payroll Documentation that must be maintained by not required to be submitted

PPP Schedule A Worksheet or its equivalent and the following:

- a. Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1, including the “Salary/Hourly Wage Reduction” calculation, if necessary.
- b. Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 2; specifically, that each listed employee received during any single pay period in 2019 compensation at an annualized rate of more than \$100,000.
- e. Documentation supporting the PPP Schedule A Worksheet “FTE Reduction Safe Harbor 2.”

DP Clients – a, b and e are documented on the employee wage details tab on the forgiveness report

Worksheet Table 2

Employee Wage Details

2019 Hours Feb 15 to



PPP Loan Audits



Who will be audited, and when might an audit be expected?

The SBA decided that it will review all loans in excess of \$2 million following the lender's submission of the borrower's loan forgiveness application. That being said, the SBA has reserved the right to also audit loans in any amount at any time, and will likely "spot check" loans in lower amounts. If SBA decides to audit a loan, SBA will notify the lender in writing, and the lender then will notify the borrower in writing within five business days of the correspondence from the SBA.

Note the borrower must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full, and the borrower must permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request.



What is likely to be considered

Eligibility: The SBA Administrator will consider whether a borrower was eligible for a PPP loan under the CARES Act and SBA rules/guidance available at the time of the borrower's application. Note the following from the SBA's FAQ:

“When submitting a PPP application, all borrowers must certify in good faith that “current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.” SBA has determined that the following safe harbor will apply to SBA's review of PPP loans with respect to this issue: Any borrower that, together with its affiliates, received PPP loans with an original principal amount of less than \$2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith.



What is likely to be considered

Loan Amount: The SBA Administrator may review whether a borrower calculated the loan amount correctly.

Use of Proceeds: The SBA Administrator will analyze whether the borrower used the proceeds for the purposes Congress enumerated and in line with the CARES Act's central purpose of keeping workers paid and employed. Proceeds will need to have been spent on allowable uses specified under the CARES Act: payroll costs, interest on mortgages, rent, utilities, and interest on any other debt obligations incurred before February 15, 2020.

Loan Forgiveness Calculation: The SBA Administrator will analyze whether the borrower calculated their expected loan forgiveness amount properly on their application



May a borrower respond to an audit?

Yes. The SBA may require the lender to contact the borrower in writing to request additional information, or the SBA may request the information directly from the borrower. The SBA has stated that it will consider all information provided by the borrower in response to such an inquiry. If a borrower fails to respond to such a request for information, the SBA may determine the borrower was ineligible for the loan, or for forgiveness in whole or in part. As such, it is crucial your business respond promptly, and thoroughly, to any and all requests.

Is there an appeal process?

Yes. According to a recent interim final rule issued by the SBA, the appeal will be heard by the SBA Office of Hearings and Appeals. The appeal must be filed within 30 calendar days after (1) the appellant's receipt of the final SBA loan review decision, or (2) notification by the lender of the final SBA loan review decision, whichever is earlier.

Note an appeal by a borrower of the SBA's decision does not extend the deferral period of the PPP loan.



We are answering your questions live on the air right now.

Please submit questions through the **Q&A function**,
not the chat option at the bottom of your screen.



Questions?

For legislative and regulatory questions, please email:

questions@dominionpayroll.com





Don't forget to wash your hands!

