

PPP Loan Forgiveness Application FAQs

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After the SBA released the PPP Loan Forgiveness Application, we received many questions. Included in this document are questions that we received along with our answers (**click on the links on the top of each page to proceed directly to that topic**). If you have further questions, contact us at covid19@macpas.com and visit our COVID-19 Resource Center at www.macpas.com/covid-19.

PAYROLL COST

Q: Our payroll is twice a month. Can we adjust the forgiveness period to align with the first payroll date after the loan amount is disbursed?

A: No. The Alternative Payroll Covered Period is only available to borrowers with a biweekly or more frequent payroll schedule.

Q: A bonus for 2019 paid in January 2020...does this impact your average salary?

A: While we hope to have more guidance on this, the salary/hourly wage reduction test consistently uses the term "average annual salary." It would therefore be reasonable to exclude one-time events from the calculation.

Q: It seems that using the alternative period would be detrimental for a bi-weekly payroll based on your explanation at the beginning that you could use your first pay date (including everything accrued prior to disbursement (current pp) but paid after disbursement) and then your final pay for anything accrued through the covered period end date, which essentially provides forgiveness for more than 8 weeks of payroll (ie my pay date was two days after disbursement). Am I interpreting what you said correctly?

A: Each situation would have to be analyzed on an individual basis to see what makes the most sense. The Alternative Payroll Covered Period is meant for administrative convenience only, and may or may not affect each borrower's ability to include more than 8 weeks' worth of payroll costs in the covered period. We're recommending each borrower perform a calculation to make sure that as many payroll costs as possible are included in the covered period.

Q: It seems that increasing payroll via overtime incurs no negative treatment on forgiveness as long as employees are under \$100,000 per year. Is this correct?

A: We see no downside to paying overtime as it relates to forgivable payroll costs as long as the \$100,000 annualized threshold is met.

Q: Are owner employees only general partners? Do limited partners also count as owner employees?

A: Question 3 part c of the IFR on Loan Forgiveness includes only owner-employees (presumably corporations), self-employed individuals, and general partners. However, the possibility that limited partners and LLC members would be considered to be self-employed should be considered.

Q: Can I choose a different chosen period than the one I chose for the initial application?

A: The Alternative Payroll Covered Period is available for borrowers with a biweekly or more frequent payroll schedule, and is only available for payroll costs. Otherwise the covered period begins on the loan disbursement date.

Q: So, if the owner's salary is \$15,385, the owner's health insurance cost and profit sharing amounts can not be forgiven?

A: Correct. Forgiveness for owner-employees is limited to the lesser of 8 weeks' worth of 2019 compensation, actual payroll costs during the covered period, or \$15,385.

Q: You enter the owner's healthcare, retirement, and taxes for owners in lines 6 and 7?

A: Yes, but total forgiveness for owner-employees is limited to the lesser of 8 weeks' worth of 2019 compensation, actual payroll costs during the covered period, or \$15,385.

Q: We are a C-Corp, the president files a Schedule E. Do I include his income as an employee or as an owner?

A: If the President is both an owner (shareholder in the case of a corporation) and an employee, then he would be considered to be an owner-employee, and would not be included in PPP Schedule A Worksheet Table 1 or 2, but instead be included on line 9 of PPP Schedule A.

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PAYROLL COST, CONT'D.

Q: We typically give bonuses at the end of the year. In light of the circumstances and the fact that we probably won't be able to give bonuses at the end of this year, are we able to take the typical bonus and pay it within the 8 weeks to employees and be forgiven for it?

A: Question 3 part b of the IFR on Loan Forgiveness states that, if an employee's total compensation does not exceed \$100,000 on an annualized basis, the employee's hazard pay and bonuses are eligible for loan forgiveness because they constitute a supplement to salary or wages, and are thus a similar form of compensation.

Q: Are there going to be exclusions for some pay types? For example, we are paying crisis bonuses to our employees, will those be excluded from the forgiveness?

A: Question 3 part b of the IFR on Loan Forgiveness states that, if an employee's total compensation does not exceed \$100,000 on an annualized basis, the employee's hazard pay and bonuses are eligible for loan forgiveness because they constitute a supplement to salary or wages, and are thus a similar form of compensation.

Q: What about new owners whose 2019 earnings don't reflect their ownership responsibilities? We purchased the business in January and took significant raises from 2019.

A: Unfortunately, we have only Question 3 part c of the IFR on Loan Forgiveness that states that the amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation can be no more than the lesser of 8/52 of 2019 compensation (i.e., approximately 15.38 percent of 2019 compensation) or \$15,385 per individual in total across all businesses. We don't see any exceptions.

Q: Owner compensation - you referenced 2019 Sched C comp, but what about owner-employees of an S Corp - are we looking at their total gross 2019 wages and calculating 8/52 of that for comparison?

A: Yes - and be sure to include benefits (health insurance and retirement plan contributions).

Q: Commissions may or may not put an employee over \$100,000 for the year. Not sure how to show this.

A: The \$100,000 threshold is determined on an annualized basis.

Q: Our company pays the full medical premium for employees. Do I remove the owner's premium cost from forgiveness?

A: If the payment of the owner's premium cost would take the amount of requested loan forgiveness for the owner above the lesser of 8/52 of 2019 compensation or \$15,385.

Q: We received our loan on April 20. Had a pay date on April 23rd. Eight weeks from April 20th is June 15th. We have a pay date on June 18th so the payroll costs are incurred prior to June 15th. I thought you said at the beginning that we could do both, but then I feel like you said we can only use pay date or payroll incurred, not both. Please clarify.

A: The Loan Forgiveness Application states that both payroll costs paid and payroll costs incurred during the covered period are eligible for forgiveness. As a result, payroll costs paid during the covered period for costs incurred prior to the covered period are eligible, as well as payroll costs incurred during the period, but paid in the first regular payroll after the close of the covered period.

Q: Since our company cut out overtime for hourly employees, would I need to fill out a salary wage reduction for each employee?

A: No. The salary/hourly wage reduction test refers only to annual salary or hourly wage, not total wages paid. The determining factor is whether or not the hourly wage was reduced.

Q: Company contributes 3% of employees' salary to a 401K at the end of each fiscal year. Can that be included in Payroll costs?

A: Yes, as long as the \$100,000 threshold is met.

Q: What about HRA payments to employees? We have an HRA associated with our health insurance. The employer pays \$3500 per employee towards their medical deductible. Bills need to be submitted for payment. Payment is usually made to the employee.

A: We see no reason why this would not be included under the definition of employee benefits consisting of group health care coverage.

Q: According to slide 10 in today's presentation, owner-employee payroll costs are subject to a cap. Does this apply to an employee who is a stockholder of the employer/S Corporation?

A: Yes.

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PAYROLL COST, CONT'D.

Q: Can you select more than one in the payroll schedule? (i.e. two employees who are paid weekly and a part-time employee who is paid monthly)

A: The instructions state to select "the box." Presumably this does not allow for selecting more than one. However, as long as all calculations are performed on a consistent basis, we do not see any issues.

Q: If the loan is funded on 5/1/2020 and 5/1/2020 is also a payroll check date, can that be included?

A: Presumably yes. Payroll costs are considered paid on the day that paychecks are distributed or the borrower originates an ACH credit transaction.

Q: What if an employee is salary and was working 40 hours per week, but then was working 20 hours per week, and the salary was reduced by half?

A: This would presumably trip the salary/hourly wage reduction test and possibly the FTE test. However, if the salary level is restored prior to June 30th, the exception would be met. If the reduction in hours was voluntary, it's possible that the FTE reduction exception would also be met.

Q: On incurred, do you divide the total by the days in the month and multiply that number by the number of days in the 8-week period?

A: Payroll costs incurred would be the amount paid to employees for hours worked during the covered period.

Q: Aren't you allowed to reduce wages by 25% or less and still meet the requirements?

A: Yes.

Q: When they refer to 2019, is it the actual calendar year or paydates in 2019 like W-2 wages are calculated?

A: Presumably pay dates as all supporting documents (e.g W-2, W-3, 940, 941) would reflect pay dates.

Q: Where do you enter severance compensation to a former employee pursuant to an agreement paid over an annual period?

A: In either the PPP Schedule A Worksheet Table 1 or Table 2.

Q: For reference period, are we looking at the data that falls in the calendar year or by the payday? All payroll quarterly reports are going to use the payday.

A: Presumably pay dates as all supporting documents (e.g W-2, W-3, 940, 941) would reflect pay dates.

Q: What if you're a seasonal employer that is not able to reopen, a summer camp, so you can't rehire people?

A: Employees do not have to be present or performing tasks to be paid. Options are either to pay employees regardless of work performed or return the PPP funds.

Q: How does overtime fit into FTE and Salary Reduction calculations? What if you pay out unused vacation hours? We pay good attendance hours, do those hours count?

A: Overtime should not affect either as FTE is capped at 1 for employees who were paid regularly for 40 or more hours both before and during the covered period, and the salary test is based on the hourly wage. All hours paid would count.

Q: Does gross compensation include the employee's portion of social security, Medicare, State and Local Taxes, or just the net salary plus state and local taxes?

A: Gross compensation includes all employee portions of taxes.

Q: Is Alternative Payroll Covered Period needed now that incurred costs are allowed?

A: The Alternative Payroll Covered Period is intended for administrative convenience only. We do not see a difference in the amount of includible payroll costs in most scenarios.

Q: The first payroll, is it only the amount that incurred during the period, paid all was paid in period forgivable?

A: Borrowers are eligible for payroll costs paid and payroll costs incurred during the covered period. The first pay would all be includible since it was paid during the covered period.

Q: What about commission for a sales person?

A: The CARES Act defines the term "payroll costs" broadly to include compensation in the form of salary, wages, commissions, or similar compensation.

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PAYROLL COST, CONT'D.

Q: The way it was explained, it seems like costs paid or costs incurred. If you pay it in the 8-week covered period, you get it. If you incur it during the 8-week period, you get it. Does it have to be both, so all or none?

A: Payroll costs paid or incurred during the eight consecutive week (56 days) covered period are eligible for forgiveness. Payroll costs are considered paid on the day that paychecks are distributed or the borrower originates an ACH credit transaction. Payroll costs incurred during the borrower's last pay period of the covered period or the alternative payroll covered period are eligible for forgiveness if paid on or before the next regular payroll date; otherwise, payroll costs must be paid during the covered period (or alternative payroll covered period) to be eligible for forgiveness.

Q: I have an entity that has a semi-monthly and bi-weekly frequency. Do I need to treat both groups consistently?

A: Yes. As long as all calculations adjusted such that they are performed in a consistent manner taking into account the differences we see no issue.

Q: What are health care costs when self-funded, the actual claims?

A: While there is no specific guidance, claims paid during the covered period as well as any premiums paid on any catastrophic claims insurance would be eligible.

Q: Can you please go over Line 8, related to state and local taxes? What exactly can be forgiven?

A: This would be state and local taxes assessed on employee compensation that is paid by the employer and not withheld from the employee's compensation. PA example would be unemployment taxes.

Q: Are bonuses allowed to be paid in the payrolls included in the PPP?

A: Question 3 part b of the IFR on Loan Forgiveness states that, if an employee's total compensation does not exceed \$100,000 on an annualized basis, the employee's hazard pay and bonuses are eligible for loan forgiveness because they constitute a supplement to salary or wages, and are thus a similar form of compensation.

Q: The payroll can ONLY cover a maximum of 8 weeks of pay during the period, correct?

A: Not necessarily due to the availability of both payroll costs paid and payroll costs incurred.

Q: When talking about the dates, are the dates payroll paid or hours worked? So hours worked for period ending June 30th? Or pay date of June 30th?

A: If this is in relation to the FTE and salary restoration test, on or before June 30th, you either need to restore your total FTEs to the appropriate number, or the average annual salary or hourly wage to the appropriate amount. There is no guidance on how this is measured. Presumably, an employment agreement or accepted offer letter stipulating the status of each would suffice.

Q: We have 65 full-time employees, do I have to do this average annual salary for EACH person?

A: For those with an annualized salary of \$100,000 or less, yes.

Q: If we pay a sales agent a commission in addition to their PPP, is the full amount of the PPP still forgivable?

A: The CARES Act defines the term "payroll costs" broadly to include compensation in the form of salary, wages, commissions, or similar compensation. However, be sure that the \$100,000 threshold is met.

Q: Will bonus payments be forgivable if they are paid during the 8-week period instead of when they are normally paid at year-end?

A: Question 3 part b of the IFR on Loan Forgiveness states that, if an employee's total compensation does not exceed \$100,000 on an annualized basis, the employee's hazard pay and bonuses are eligible for loan forgiveness because they constitute a supplement to salary or wages, and are thus a similar form of compensation.

Q: Salesmen receive an auto reimbursement through payroll for using their own cars. Can that be included as payroll cost?

A: While there is no specific guidance, this would presumably not be includable as payroll costs since it is not included in their compensation (assuming they are employees being reduced under an accountable plan under the standard mileage rate). They may be eligible as nonpayroll costs under utilities however.

Q: Are SEP plans or other retirement contributions eligible for forgiveness as part of the payroll costs?

A: Yes, subject to the \$100,000 threshold.

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PAYROLL COST, CONT'D.

Q: I received the loan on a pay date. I pay every 2 weeks. It sounds like you are saying I will be able to actually count 5 paychecks since the 5th will fall on day 56. Correct?

A: Correct. Payroll costs paid or incurred during the eight consecutive week (56 days) covered period are eligible for forgiveness. Payroll costs are considered paid on the day that paychecks are distributed or the borrower originates an ACH credit transaction. Payroll costs incurred during the borrower's last pay period of the covered period or the alternative payroll covered period are eligible for forgiveness if paid on or before the next regular payroll date; otherwise, payroll costs must be paid during the covered period (or alternative payroll covered period) to be eligible for forgiveness.

Q: Can a bonus be for a vacation payout? We didnt allow employees to use paid time off as we needed them to serve the clients.

A: Question 3 part b of the IFR on Loan Forgiveness states that, if an employee's total compensation does not exceed \$100,000 on an annualized basis, the employee's hazard pay and bonuses are eligible for loan forgiveness because they constitute a supplement to salary or wages, and are thus a similar form of compensation.

Q: For the payroll schedule section if we have 2 different payroll schedules, weekly and bi-weekly based on different classes of EE's, how would that be indicated on the app?

A: The instructions only seem to allow one box to be checked. However, as long as all calculations are adjusted to be performed in an equitable manner, there should not be an issue.

Q: So if only pay on the 15th and 30th of the month, you cannot do the alternative pay period?

A: Correct. The Alternative Payroll Covered Period is only available to borrowers with a biweekly or more frequent payroll schedule.

Q: Can more than 75% of the forgiven amount be payroll? We are very payroll heavy. We will most likely work out to 95% payroll, 5% other expenses. Can all the payroll be forgiven or just 75%?

A: Yes. 75% is the minimum.

Q: How would you handle a semi-monthly payroll, date PPP loan funded was 4/20 which happened to be a payday for pay period 4/01 - 4/15? Would the 4/20 payroll be forgiven? Also, the end date of the 8 week period would be 6/14/2020, our pay date would be 6/19 in that month, would we have to prorate for 6/1 to 6/14? This gives us almost 5 pay periods forgiven, make sense? Much more than 56 days.

A: The payroll costs paid on 4/20 would be eligible, as well as the portion of the 6/19 payroll that was incurred during the covered period (the 6/1 to 6/14 in your example). All costs paid and incurred during the covered period would also be eligible. With the latest guidance we are seeing most payroll costs including more than 56 days worth of payroll costs.

Q: Is the "forgivable" Payroll amount (per payroll) just the straight up Gross Earnings?

A: It would be gross earnings plus other qualifying forms of compensation including salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees. All of this is subject to the \$100,000 annualized threshold.

Q: Can you give employees bonuses?

A: Question 3 part b of the IFR on Loan Forgiveness states that, if an employee's total compensation does not exceed \$100,000 on an annualized basis, the employee's hazard pay and bonuses are eligible for loan forgiveness because they constitute a supplement to salary or wages, and are thus a similar form of compensation.

Q: Do you need to put employees in Table 2 if they are over the 100,000 annual, even if their wages were over the \$1923.08 for 1 week in 2019?

A: There is no guidance on this. However, the only risk to including them in Table 1 instead of Table 2 due to one-time events is that you provide unnecessary information (as long as the salary test is met).

Q: Are owners of an S-corp who are employees listed under the owners section?

A: Yes.

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PAYROLL COST, CONT'D.

Q: Owner/employees, we put in the 2019 Salary for 8 weeks. If I understood the conversation, health insurance gets included in the upper line item. Salary is under \$100,000.

A: That is how the schedules read. However, the first certification on page 4 includes a bullet point stating that the dollar amount for which forgiveness is requested does not exceed eight weeks' worth of 2019 compensation for any owner-employee. This would presumably indicate that anything above 8/52 of 2019 compensation or \$15,385 would not be eligible for forgiveness regardless of the form.

Q: Does the Salary/hourly wage reduction mean actual wages paid for hourly people or hourly rate?

A: The Salary/Hourly Wage Reduction section compares only hourly wage - not actual wages.

Q: Are employer-paid medical expenses & employer HSA contributions considered payroll costs?

A: We see no reason why this would not be included under the definition of employee benefits consisting of group health care coverage.

Q: For the discussion about comp to owners - does that include owners of an S corp?

A: Yes, if they are also employees.

Q: Is owner compensation eligible, if paid as guaranteed payments?

A: Yes, subject to the owner-employee limitations.

Q: Is a one time, companywide bonus eligible? Example - we recently gave each employee \$500 in appreciation of providing essential services.

A: Question 3 part b of the IFR on Loan Forgiveness states that, if an employee's total compensation does not exceed \$100,000 on an annualized basis, the employee's hazard pay and bonuses are eligible for loan forgiveness because they constitute a supplement to salary or wages, and are thus a similar form of compensation.

Q: Our one partner receives a draw and the other receives guaranteed payments. Both are paid via our payroll processor. Based on this, can we include their draws/payments in this formulation for PPP?

A: If by draw you mean distribution, there is nothing in the guidance that would allow for distributions paid during the covered period to be included as payroll costs.

Q: On the PPP Loan Forgiveness Application it specifically says Total amount paid by Borrower for employer contributions for employee health insurance. Are they now only allowing health insurance or all employee benefits that are paid by the employer - i.e. dental, vision, life insurance, etc.?

A: The definition of payroll costs includes only references to health care coverage. Presumably this would include dental and vision, but not life insurance.

Q: We received our loan proceeds on 4/20/20. Our first pay date was 5/1/20 which was for the time period 4/18/20 - 5/1/20. 4/18/20 and 4/19/20 were a Saturday and Sunday, respectively. We typically do not work weekends. Can I pick up the full amount of my pay dated 5/1/20?

A: Yes. Payroll costs paid or incurred during the eight consecutive week (56 days) covered period are eligible for forgiveness. Payroll costs are considered paid on the day that paychecks are distributed or the borrower originates an ACH credit transaction. Payroll costs incurred during the borrower's last pay period of the covered period or the alternative payroll covered period are eligible for forgiveness if paid on or before the next regular payroll date; otherwise, payroll costs must be paid during the covered period (or alternative payroll covered period) to be eligible for forgiveness.

Q: Our employees get paid for their OT retroactively since we pay currently. The payroll for 5/1/20 is paying retro pay for the time period 4/11/20-4/24/20 - based upon what you said for paid and incurred - please confirm that we do not have to make an adjustment to our payroll on 5/1/20 for this retro OT pay.

A: None of the guidance states anything about having to exclude payroll costs paid during the covered period that relate to payroll costs incurred prior to the covered period.

Q: Can you speak to how utilizing FFCRA sick leave reimbursement affects the forgivable payroll costs?

A: The Instructions for PPP Schedule A Worksheet on page 7 state to enter cash compensation as the sum of gross salary, gross wages, gross tips, gross commissions, paid leave (vacation, family, medical or sick leave, not including leave covered by the Families First Coronavirus Response Act).

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PAYROLL COST, CONT'D.

Q: For the employee owner cap; what do you mean by 8 weeks of pay in 2019? Which 8 weeks? The issue being, what if someone made \$50,000/year equivalent the first 6 months then got a raise to \$60,000/year equivalent for the second half of the year.

A: The guidance merely states 8 weeks' worth. Presumably this would mean total compensation for the year divided by 52 and multiplied by 8.

Q: We are a reimbursable employer with the PAUC. We have paid our annual solvency fee. For the employees we have furloughed and are collecting unemployment- we are now receiving the monthly UC bills for the employer UC Tax. Can we use these bills in the Employer tax calculation for PPP forgiveness?

A: While we see nothing in the guidance to suggest that this would be eligible as a payroll cost, this is most likely something not considered in the legislation. Our suggestion would be to confer with your lender.

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NON-PAYROLL COST

Q: I pay my sewer bill annually (in January), can I claim 2/12ths as incurred?

A: Yes. The current guidance provides for the ability to claim as forgivable cost expenses incurred inside the covered period, but paid at the next normal payment cycle.

Q: Is a PPP loan borrower (call it Company A) permitted to use PPP loan funds to pay for rent expenses of an affiliated company (call it Company B)?

A: Current guidance allows for rent expense as a non-payroll related forgivable expense. The guidance currently does not differentiate with who the rent is paid to. Current guidance also states that the rent expense is allowable as long as an agreement was in place before February 15, 2020. We would recommend ensuring that a formal agreement is in place for the rent and that the rent is at market rates to support the inclusion of this rent for forgiveness.

Q: Does the clarification for "Costs incurred and payments made" mean that a person may prepay obligations? For example, can an individual pre-pay the next three or four months of rent since it was paid during the covered period?

A: The guidance is clear on prepayment of cost being disallowed. Expenses paid and incurred mean that the expense was paid in the period for either incurred services or services that did occur and are now being billed. Incurred means the services were incurred during the covered period in which the incurred services are forgivable although they may not be paid until after the covered period is over.

Q: As part of nonpayroll costs they include "transportation" in the verbiage of the act. What does this mean?

A: In guidance issued on April 14th, the SBA outlined transportation cost to include gas used for driving a business vehicle or interest on an auto loan. No further specific guidance has been provided as to what other cost qualify as transportation cost.

Q: What about accrued expenses that are not actually paid during the 8-week period?

A: Current guidance provides for incurred cost during the covered period that will not be paid until after the covered period are considered to be forgivable costs for purposes of the forgiveness calculation.

Q: Do they force us to exclude rent to a sibling company with shared ownership?

A: Current guidance allows rent expense as a non-payroll related forgivable expense. The guidance currently does not differentiate who the rent is paid to. Current guidance also states that the rent expense is allowable as long as an agreement was in place before February 15, 2020. We would recommend ensuring that a formal agreement is in place for the rent and that the rent is at market rates to support the inclusion of this rent for forgiveness.

Q: What happened to interest payments on any other debt obligations that were incurred before February 15, 2020?

A: This is still an allowable non-payroll cost that would qualify for forgiveness. Current guidance allows for interest on payments on a mortgage incurred in the ordinary course of business on real or personal property and was in existence on February 15, 2020.

Q: What can we consider as rent? Rent paid to secondary building that we then get reimbursed for by a third party?

A: Current guidance allows rent expense as a non-payroll related forgivable expense. The guidance currently does not differentiate who the rent is paid to. Current guidance also states that the rent expense is allowable as long as an agreement was in place before February 15, 2020. We would recommend ensuring that a formal agreement is in place for the rent and that the rent is at market rates to support the inclusion of this rent for forgiveness.

Q: Does internet include leased IT equipment such as a server?

A: Current guidance is not specific as to internet including leased IT equipment. More clarity from the SBA is needed for this.

Q: Could you please provide more detail on the interest expense portion? Can we include interest paid on a line of credit/equipment loans if it includes a security agreement against all personal property?

A: Current guidance allows for interest on payments on a mortgage incurred in the ordinary course of business on real or personal property and was in existence on February 15, 2020. Interest on a line of credit and equipment loan would be considered an includible non-payroll expense for forgiveness.

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NON-PAYROLL COST, CONT'D.

Q: Can you prepay bills for utilities? Paying it paid during the period, but yet not even close to be incurred yet? Making it paid during the period.

A: The guidance is clear on prepayment of cost being disallowed. Expenses paid and incurred mean that the expense was paid in the period for either incurred services or services that did occur and are now being billed. Incurred means the services were incurred during the covered period in which the incurred services are forgivable although they may not be paid until after the covered period is over.

Q: Mortgage Interest Payments - We pay interest quarterly and will not be scheduled to make a payment during the covered period. Can we claim a prorated amount of what we will be billed for interest in July?

A: Yes. Current guidance provides for incurred cost during the covered period that will not be paid until after the covered period to be considered forgivable cost for purposes of the forgiveness calculation.

Q: What is included under "transportation" as a utility? Gas for fleet trucks, auto repair bills, inspections, oil changes?

A: In guidance issued on April 14th, the SBA outlined transportation cost to include gas used for driving a business vehicle or interest on an auto loan. No further specific guidance has been provided as to what other costs qualify as transportation cost.

Q: So if the owners are the same of 2 companies and one is the master payee, can we include the utilities of both companies?

A: Only the expenses of the entity that has the PPP loan will be allowed to include expenses for the purposes of loan forgiveness. If the PPP loan covers both entities then the cost of both entities would be includible.

Q: If we received the loans on April 17th, but paid rent on 4/1 in advance, can we prorate the rent paid before the loan?

A: Current guidance allows for expenses paid and incurred during the covered period. For rent paid on April 1st to the month of April, the incurred expense from the date of the loan through the end of the month would appear to be an allowable incurred expense. The payment made for May 2020 rent would be considered paid and incurred in the same period. The rent paid for June 2020 could be considered allowable as it is paid within the covered period.

Q: Did I hear you correctly that for non-payroll costs, you can report what was paid during the covered period? You do not have to adjust those based upon the actual time period the cost incurred?

A: Current guidance outlines cost paid and cost incurred during the covered period are allowable forgivable cost.

Q: Can you please go through the utilities again? For example, can I use PPP funds to pay my Comcast (internet) bill that was for the month of March and April if my coverage period starts May 10?

A: Utilities include electricity, gas, water, transportation, telephone or internet for which services were in existence on February 15, 2020. Also, non-payroll costs that are paid and incurred within the covered period can be claimed as forgivable costs. If the services for March and April were billed to you and paid in the covered period starting May 10th they would be considered includible forgivable costs.

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FTE

Q: Owner/Employee is compensated through regular payroll process based on 1 FTE (40 hours). Do we include the owner in our FTE calculations and headcount?

A: Owner-employees are not included in the FTE or headcount calculations.

Q: If an employee receives paid out PTO or severance but doesn't work, do they still count as an FTE?

A: Payroll cost as defined includes cash payments for PTO and severance payments. PPP Schedule A Worksheet requires that all cash compensation paid during the covered period be included on either Table 1 or Table 2. This would include PTO and severance payments. Because compensation was paid, an FTE count would be required as according to the application.

Q: Can I choose a different period now that may be better regarding FTE?

A: Full Time Equivalents (FTE) and Headcount are two different calculations. When the loan was applied for, the application required the headcount number for the application. The forgiveness calculation is based upon average FTE's during the covered period versus either the period of February 15, 2019 - June 30, 2019; January 1, 2020 - February 29, 2020; or if a seasonal employer, a consecutive 12-week period between May 1, 2020 - September 15, 2020. FTE's during the covered period would be compared against one of these periods (preferably the lower FTE count period) to determine loan forgiveness.

Q: What if an employee is out on Workers Comp during the covered period? Can we still count them as an FTE?

A: Workers Compensation is not considered an allowable payroll cost for forgiveness. Since this is not considered a payroll cost, the associated FTE would not be considered for the covered period.

Q: Does the employee count at application and forgiveness application on Page 1 include owners?

A: Owner-employees are not included in the FTE or headcount calculations.

Q: How would you count an hourly employee if they are scheduled to work 40 hours a week, but they habitually only work let's say 39 hours because they are late 15 minutes every day, can you still count them as a full-time employee or would they be reduced to a part-time employee?

A: If they are an hourly employee and being paid less than 40 hours a week, then they would be considered a part-time employee.

Q: Does each FTE need to be the same person at the end of period as at the beginning or can some of them be newly hired employees?

A: It does not need to be the same FTE's at the beginning of the period versus the end of the period. New hires can clearly be included in the FTE and payroll/salary forgiveness calculations.

Q: If an employee voluntarily quits prior to furlough, how is the FTE revised from the calculation on Page 9 and/or Page 6? There is no specific line for FTE Reduction Exemption.

A: FTE Reduction Exception states that if the employee voluntarily resigns during the covered period and the position is not rehired, the FTE would be accounted for as one FTE if they were 40 or more hours a week, or the fractional equivalent or .5 as outlined in the application.

Q: By our Personnel Policy, full-time is defined as 35 hours. The the Exec. Director is full-time at 40 hours. Do we use 35 hrs for everyone else (9 people) and then add "one" to the FTE calculation?

A: Per the application, FTE is defined as 40 hours. This was also clarified in further guidance issued on Friday May 22nd by the SBA. In the instance provided, 35 hours would be considered .875 FTE (35/40).

Q: If you meet the safe harbor, there is no reduction to loan forgiveness. Does this mean other calculations are negated and the organization will automatically receive full loan forgiveness?

A: No, the organization will still need to meet the salary/wage requirement analysis as well as meet the minimum 75% of the loan forgiveness amount for payroll and no more than 25% of this same amount for non-payroll cost. In order to achieve full loan forgiveness all three requirements must be met.

Q: If you are a sole owner with one full-time employee, is the FTE one or two?

A: Owner-employees are not included in the FTE or headcount calculations.

PPP Loan Forgiveness Application FAQs

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FTE, CONT'D.

Q: Are FTEs counted for employees brought back before June 30th even if your covered period ended let's say June 6th?

A: If at the end of the covered period FTE's are not re-established to the average of one of the "chosen periods," the organization then has the ability to still receive loan forgiveness related to FTE counts if FTE counts are re-established no later than June 30, 2020. See FTE reduction safe harbor on page 8 of the application.

Q: If our FTE is short, how would the exemption apply for June 30th rehiring the same amount of employees.

A: FTE reduction safe harbor outlines that if the FTE count is not met at the end of the loan forgiveness period, the borrower can still be exempt from the reduction in loan forgiveness if 1.) the borrower reduced its FTE employee levels in the period of February 15, 2020 and ending April 2, 2020; and 2.) the borrower then restored its FTE employee levels no later than June 30, 2020 to its FTE employee levels in the borrower's pay period that included February 15, 2020.

Q: What do you do if full-time employees are 37.5 hours a week?

A: Per the application, FTE is defined as 40 hours. This was also clarified in further guidance issued on Friday May 22nd by the SBA. In the instance provided, 37.5 hours would be considered .938 FTE (37.5/40).

Q: If you are paying salary to a previous employee (severance) during this period, under the simplified method are they .5 still even though technically they worked 0 hours during this time?

A: The calculation of FTE will be dependent upon how they are being paid. For instance, if their severance payment is consistent with what their full-time (40) hours worked were during normal employment, the FTE count would be considered 1. This same analysis would go for part-time employees as well.

Q: So if we did not change the hourly rate, or salary rate of any of our employees, it doesn't matter for FTE if their hours were reduced?

A: No. No reduction in hourly rate or salary rate would impact the hour/wage analysis. However, a reduction in hours might impact the average calculation of FTE's and therefore impact loan forgiveness through the FTE Reduction Quotient on page 6 of the application. Further calculations would need to be performed to determine this impact.

Q: How do new hires during the 56-day period affect this process?

A: New hires during the covered period will be included as part of the FTE and salary/wage analysis calculations for loan forgiveness.

Q: Can PTO be included in the 40 hours/week for FTE?

A: Yes. PTO is considered an eligible payroll cost and would be included on Schedule A Worksheet Tables 1 or 2.

Q: The FTE reduction exception for voluntary resignation - does that apply if EE left at the end of February rather than in March to current? Their position is counted for EE counts at 2/28 vs. current EE counts.

A: No. The FTE reduction exception applies for any employee who during the Covered Period or the Alternative Payroll Covered Period a.) were fired for cause, b.) voluntarily resigned, c.) voluntarily requested and received a reduction of their hours. If the action did not occur during the covered period then the FTE reduction exception does not apply.

Q: We work a standard work week of 37.50. Salaried employees typically work 40 or more hours per week. But our payroll report only shows 75 hours for the bi-week period. How do we support that they work 40 hours per week? Do you feel we should go back to look at OT for the hourly employees which we do have payroll reports approved by the hourly employees' manager to substantiate that they work more than 40 hours per week?

A: For your salaried employees, it would be suggested that you discuss this with your bank as to the fact that they work more than 40 hours a week but your internal policy outlines a standard work week as 37.5 hours in order to be able to capture the 1 FTE calculation for purposes of loan forgiveness. For hourly employees, it would be suggested that if they are working 40 hours or more a week, OT reports should be reviewed and documented to provide the substantiation to your lender for the 1 FTE calculation.

Q: We have a couple of substitute teachers that would fall in our initial FTE count, but during the covered period they would no longer be on payroll as school is over. Is there any exemption for something like this?

A: Unfortunately no. The FTE reduction exceptions provide for relief for employees 1) fired for cause, 2) voluntarily resign, or 3) voluntarily request and receive a reduction in their hours.

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OTHER

Q: Do I need to account for how the loan balance portion is spent?

A: The loan balance portion that is not forgiven will turn into a 2-year loan at 1% interest with payments deferred for the first six months. Currently there is no guidance from the SBA whether they will have perimeters around how that can be spent.

Q: Don't you have to look back at the period where you got the loan from?

A: The look back period or "covered period" is defined as the 8-week period from the date the loan is funded to your account for 56 days thereafter. The look back periods before the date of the loan are the periods for review of FTE counts and hourly and wage matters as outlined on the application. They would be the only look back periods that would impact the forgiveness calculation for the covered period.

Q: There is nothing in the Loan Forgiveness Application which states the 75% payroll requirement rather it does state there is a 25% maximum for non-payroll related items.

A: Correct. All Interim Final Guidance from the SBA states the 75% rule. The forgiveness application was set up to remind all borrowers that no more than 25% of the forgivable loan can be used for other costs outside of payroll cost as defined within the CARES Act.

Q: If I received the Loan Funds on 5/15/20, can I go ahead and apply expenses retroactively to make the 8 weeks allowable?

A: The application and additional guidance provided by the SBA outlines cost paid and incurred. This is being interpreted to mean any cost paid within the 56-day covered period and cost incurred within the 56-day covered period but payable at the next normal payroll or invoice date. Only costs paid and incurred within the covered period are eligible for forgiveness. Retroactive application of costs paid before the covered period cannot be include within the forgiveness calculation.

Q: How is the covered period determined?

A: It is the period from the date you are funded by your lender for the loan for 56 days from that time or 8 weeks.

Q: Since Congress is looking at revising the term for forgiveness, could all of this change again?

A: Yes. We are still waiting on further word from Congress as of the writing of this response.

Q: If loan disbursement occurred this week, must we still spend down the funds by June 30th or does the countdown begin the day the funds are received?

A: The 56-day covered period begins on the date that your account is funded by your lender. In a recent example provided by the SBA, the covered period was allowed to extend past the June 30th deadline. The example uses a funding date of June 1st with the 8-week period ending July 26th. Therefore, if the loan is funded this week your 8-week covered period could extend into July as the initial June 30th deadline.

Q: Isn't there a safe harbor on the certification that loans under \$2m were made in good faith?

A: Yes, that was outlined in previous Interim Final Rulings. It should be noted that in a most recent Interim Final Ruling from Friday, May 22, 2020, the SBA noted that they still reserve the right to review any loan whether over or under the \$2,000,000 threshold. It is advised that all borrowers ensure proper documentation and calculations to ensure loan forgiveness.

Q: How are lenders prorating interest charges on the loan between forgiven and non forgiven amounts?

A: Unforgiven loan balances are charged interest at 1% from the date of receipt of funds within your bank account. Interest and principal payments are not due until 6 months after receipt of funds.

Q: What is the difference between the forgivable amount compared to the total loan amount?

A: The forgivable amount is what is calculated after review of FTE's and any possible reduction for loan forgiveness related to not meeting the FTE requirement; hourly and salary wage analysis requirements and the overall 75% payroll and 25% other cost requirement. After all calculations are run, this is considered the forgivable balance. This could be different from the full loan balance. The difference between the two will become a term loan for 2 years at a 1 % interest rate with the first six months deferred.

PPP Loan Forgiveness Application FAQs

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OTHER, CONT'D.

Q: We just gave the total number of employees on the application, we did not split between part-time and full-time; will this be a problem when we fill out the forgiveness application?

A: Total employees is different than the calculation of FTE's. Total employee headcount will not impact loan forgiveness. What will impact loan forgiveness is the FTE counts as compared to prior periods as outlined within the application.

Q: When does the period start? When it hits your bank account?

A: Yes.

Q: Employees at Time of Loan application? Pre-layoff or at the time of application?

A: Time of application.

Q: Is it clear how the forgiveness rules will apply to schools? Our day school ends its term in the middle of June, and our covered period ends in July.

A: Schools will be under the same guidance as all other businesses and organizations as it relates to the PPP loan.