

PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

Hosted by:





YOUR LAKE COUNTY PARTNER FOR BUSINESS

Expert Panel:

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- Information included and discussed is general in nature and should not be considered regulatory, tax or legal advice. Content presented is for informational purposes only.
- Guidance and policies continue to change. Future SBA guidance could have material impact on the information presented.
- Consult with your own regulatory agency, tax and legal advisors before proceeding with forgiveness.



AGENDA



- PPP Background and Status
- Process for Forgiveness
- Applications summary
- Simple Application
- EZ Application
- Full Application
- Calculation Example
- > Tax implications





FORGIVENESS PROCESS

Borrower Has 10 Months to Submit Forgiveness Application After Covered Period



- Follow Lender's Instructions Carefully
- Be Patient and Responsive



GENERAL RULES OF FORGIVENESS



- If EIDL grant was received, amount of grant will be deducted from amount forgivable
- The amount of the loan can be fully forgiven if the borrower uses all loan proceeds for:
 - At least 60% of payroll costs and 40% of other ELIGIBLE costs
 - Maintains or restores employee headcount
 - Maintains or restores individual employee compensation amounts
- Borrowers need to prove up calculation with appropriate documentation, EXCEPT for loans under \$50,000
- New IFR regarding sale or merger of business.
- Any amounts not forgiven will be payable over a two or five year period (with payments deferred until SBA remits any forgiven portion to lender) at an interest rate of 1%.





Incurred and/or paid during the covered period

- Compensation (not exceeding \$46,154 per employee) in the form of:
 - gross salary, gross wages, gross commissions, and gross tips
 - vacation, parental, family, medical, or sick leave
 - allowance for separation or dismissal
- > Employer contribution for employee group health care coverage
- Employer contribution for employee retirement plans
- Payment of state and local taxes





- For a 24 week Covered Period, this amount is capped at \$20,833 (the 2.5-month equivalent of \$100,000 per year) for each individual or the 2.5-month equivalent of their application compensation in 2019, whichever is less.
- For a 8 week Covered Period, this amount is capped at 8/52 of 2019 compensation (up to \$15,385)
- Owner-employees are capped by the amount of their employee cash compensation and employer retirement and health care contributions made on their behalf
- Schedule C filers are capped by owner compensation replacement
- General partners are capped by their 2019 net earning from self-employment multiplied by .9235

FORGIVENESS DETAILS NON PAYROLL COSTS

- Mortgage interest payments
- Rent or lease payments (leases must be in force before February 15th)
- Utility payments for the business: electricity, gas, water, telephone, or internet access (services began before February 15th)

- Must be paid during covered period
- Can also be incurred during the covered period and paid on the next regular billing
- Cannot advance payments for costs such as mortgage interest or leases
- * Owner-employee you must have claimed or be entitled to claim a deduction for the expenses on your 2019 Schedule C in order to claim them as eligible for PPP forgiveness





COMPARISION OF APPLICATIONS





<u>3508-S</u>

Use for all PPP loans \$50,000 and under

This will include all borrowers that are selfemployed individuals, independent contractors, or sole proprietors.

3508-EZ

Use for all PPP loans over \$50,000 that meet one of the eligibility criteria

<u>3508</u>

Use for PPP loans over \$50,000 that do not qualify for the EZ form.



3508-S APPLICATION

- Identifying information for the business/loan
- PPP Amount
- Employee count at the time of loan application and forgiveness
- EIDL Advance Amount
- Forgiveness Amount
- Sign off on Attestations

NO CALCULATIONS

BORROWER MAY USE THIS FORM ONLY IF T Borrower that, together with its affiliates, received P				
Business Legal Name ("Borrower")		DBA or Tradename, if applicable		
Business Address		Business TIN (EIN, SSN)		Business Phone
		Primary Con	tact	E-mail Address
BA PPP Loan Number:	Lender P	PP Loan Number:		
PP Loan Amount:	PPP Loar	n Disbursement Date		
mployees at Time of Loan Application:	Employee	es at Time of Forgive	ness Applie	eation:
IDL Advance Amount:	EIDL Ap	plication Number:		
orgiveness Amount:				
y Signing Below, You Make the Following Represent	ations and Cer	rtifications on Behali	of the Bor	rower:
he Authorized Representative of the Borrower certifies t	o all of the belo	ow by initialing next	o each one.	
was used to pay costs that are eligible payments; butness rent or leave paym includes payroll costs equal to at least if a 24-week. Covered Period applies, employee or self-employed individual if the Borrower has elected an 3-week any owner-employee or self-employed understand that if the funds were knowingly use loan amounts and/or civil or criminal fraud charg The Borrower has accurately verified the payme requesting forgiveness, and has accurately calcul Ihave submitted to the Lender the required docu applicable) prior to February 15, 2020, and eligib butiness utility payments. The information provided in this application a and correct in all material respects. I understarg guaranteed loan is pumishable under the law, ince and/or fibe of the Stop(000, under 15 USC 66	sents; or busine 60% of the for 60% of the for Vgeneral partne c Covered Peric d individual/ges ed for unauthor res. ents for the elii ated the forgive mentation verif ale business mo and the informa d that knowing huding 18 USC 15 by imprison	ss utility payments); giveness amount; ed 2.5 months' wordt ar, capped at \$20,833 od, does not exceed 8 gible payroll and non meas amount requests fying payroll costs, the tragge interest payme tion provided in all s gly making a fibe stat 1001 and 3571 by in ment of not more than	a of 2019 co per individu weeks' wor it \$15,385 p aral governu payroll cost d. existence co ats, business upporting d ement to ob prisonment two years as	ompensation for any owner al; and th of 2019 compensation for er individual. ent may pursue recovery or 5 for which the Borrower i of obligations and service (a rent or lease payments, an ocuments and forms is tru tain forgiveness of an SBA of not more than five yeas of an of not more than
\$5,000; and, if submitted to a Federally insured in and/or a fine of not more than \$1,000,000. The tax documents I have submitted to the Le the IRS and/or state tax or workforce agency. tax information with SBA's authorized repre- Inspector General, for the purpose of ensuring	nder are consi I also underst esentatives, in	stent with those the l and, acknowledge, a cluding authorized 1	Borrower h nd agree th epresentati	as submitted/will submit t at the Lender can share th ves of the SBA Office o
Inspector General, for the purpose of ensuring I understand, acknowledge, and agree that SB Borrower's eligibility for the PPP loan and for requested by SBA may result in a determinant Borrower's loan forgiveness application.	A may request loan forgiven	t additional informat less, and that the Bor	ion for the rower's fail	purposes of evaluating th lure to provide information
he Borrower's eligibility for loan forgiveness will be eva rough the date of this application. SBA may direct a ler termines that the Borrower was ineligible for the PPP lo	nder to disappro			
		Date		
gnature of Authorized Representative of Borrower		Date		
gnature of Authorized Representative of Borrower		Date		



3508EZ – ELIGIBILITY CRITERIA

<u>Attesting to one of the following 2:</u>

- Borrower did not reduce salary or wages by more than 25% AND did not reduce number of employees during covered period
- 2. Borrower did not reduce salary or wages by more than 25% AND was unable to operate during covered period at the same level due to COVID Government mandates

*guidance still needed on how this will be measured

	Expiration Date: 10/31/2020
PPP LOAN FORGIVENESS APPLICATION FORM 3508EZ INSTRUCTIONS FOR	BORROWERS
Checklist for Using SBA Form 3508EZ	
Borrower) can apply for forgiveness of your Paycheck Protection Program (PPP) loan u heck at least one of the three boxes below. Do not submit this Checklist with your SBA	
The Borrower is a self-employed individual, independent contractor, or sole proprietor v of the PPP loan application and did not include any employee salaries in the computation the Borrower Application Form (SBA Form 2483).	
The Borrower did not reduce annual salary or hourly wages of any employee by more the Period or the Alternative Payroll Covered Period (as defined below) compared to the per March 31, 2020 (for purposes of this statement, "employees" means only those employe single period during 2019, wages or salary at an annualized rate of pay in an annount mo AND	riod between January 1, 2020 and es that did not receive, during any
The Borrower did not reduce the number of employees or the average paid hours of emp and the end of the Covered Period. (Ignore reductions that arose from an inability to rehi employees on February 15, 2020 if the Borrower was unable to hire similarly qualified e on or before December 31, 2020. Also ignore reductions in an employee's hours that the the employee refused. See <u>§5 FR 33004</u> , 33007 (June 1, 2020) for more details.	ire individuals who were mployees for unfilled positions
The Borrower did not reduce annual salary or hourly wages of any employee by more th Period or the Alternative Payroll Covered Period (as defined below) compared to the per March 31, 2020 (for purposes of this statement, "employees" means only those employe single period during 2019, wages or salary at an annualized rate of pay in an amount mo AND	riod between January 1, 2020 and es that did not receive, during any
The Borrower was unable to operate during the Covered Period at the same level of busi 15, 2020, due to compliance with requirements established or guidance issued between A 2020 by the Secretary of Health and Human Services, the Director of the Centers for Dis the Occupational Safety and Health Administration, related to the maintenance of standa distancing, or any other work or customer safety requirement related to COVID-19.	March 1, 2020 and December 31, sease Control and Prevention, or
	Checklist for Using SBA Form 3508EZ Borrower) can apply for forgiveness of your Paycheck Protection Program (PPP) loan u heck at least one of the three boxes below. Do not submit this Checklist with your SBA The Borrower is a self-employed individual, independent contractor, or sole proprietor w for the PPP loan application and did not include any employee salaries in the computation he Borrower Application Form (SBA Form 2483). The Borrower did not reduce annual salary or hourly wages of any employee by more th Period or the Alternative Payroll Covered Period (as defined below) compared to the per March 31, 2020 (for purposes of this statement, "employees" means only those employe single period during 2019, wages or salary at an annualized rate of pay in an amount mo AND The Borrower did not reduce the number of employees or the average paid hours of emp mployees on February 15, 2020 if the Borrower was unable to hire similarly qualified e on or before December 31, 2020. Also ignore reductions in an employee's hours that th he employee reduced the Alternative Payroll Covered Period (as defined below) compared to the per March 31, 2020 (for purposes of this statement, "menployees" means only those employe ingle period on the Alternative Payroll Covered Period (as defined below) compared to the per March 31, 2020 (for purposes of this statement, "employees on a manuality to reh Period or the Alternative Payroll Covered Period (as defined below) compared to the per March 31, 2020 (for purposes of this statement, "employees" and so those employe ingle period during 2019, wages or salary at an annualized rate of pay in an amount mo <u>AND</u> The Borrower was unable to operate during the Covered Period at the same level of busi 15, 2020, due to compliance with requirements established or guidance issued between I 2020 by the Secretary of Health and Human Services, the Director of the Centers for Dir he Occupational Safety and Health Administration, related to the manitenance of stand

Instructions for PPP Loan Forgivaness Calculation Form 3508F7.





FTE reductions between February 15, 2020 and April 26, 2020 a borrower can:

- Re-hire to February 15 levels
- Restore wages to February 15 levels
- > The following occurrences will not effect the FTE requirement
 - Individuals terminated for cause
 - Rejected rehire offers
 - Voluntary departures
 - Voluntary reduction in hours



3508EZ – APPLICATION

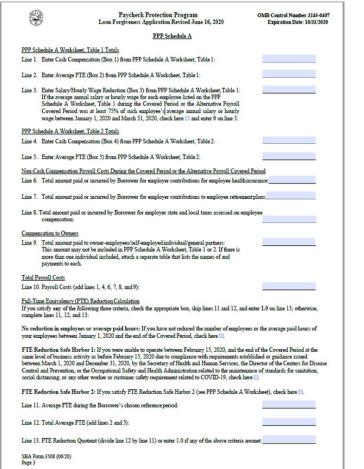
- Identifying information for the business/loan
- PPP Amount
- Employee count at the time of loan application and forgiveness
- EIDL Advance Amount
- Payroll Schedule
- Covered Period
- Calculation of Forgiveness Amount
- Sign off on Attestations

PP	Paycheck Protection Progr P Loan Forgiveness Application F		OMB Control No. 3245-0407 Expiration date: 10/31/2020
Business Legal Nam	e ("Borrower")	DBA or Trade	name, if applicable
Business A	ddress	Business TIN (EIN, SSN)	Business Phone
		Primary Contact	() - E-mail Address
SBA PPP Loan Number:	Lender PPP Lo	an Number:	
PPP Loan Amount:	PPP Loan Disb	ursement Date:	
Employees at Time of Loan Applicatio	n: Employees at T	ime of Forgiveness Appl	ication:
EIDL Advance Amount:	EIDL Application	ion Number:	
Payroll Schedule: The frequency with v	which payroll is paid to employees is	5:	
□ Weekly □ Biweekly (every o	other week) 🛛 Twice a mor	ath 🛛 Monthly	Other
Covered Period:	to		
Alternative Payroll Covered Period, if	applicable:	to	
If Borrower (together with affiliates, if	f applicable) received PPP loans in	excess of \$2 million, che	ck here: 🗆
Forgiveness Amount Calculation:			
Payroll and Nonpayroll Costs Line 1. Payroll Costs:			
Line 2. Business Mortgage Interest Pay	ments:		
Line 3. Business Rent or Lease Paymen	its:		
Line 4. Business Utility Payments:			
Potential Forgiveness Amounts Line 5. Add the amounts on lines 1, 2, 2	3, and 4:		
Line 6. PPP Loan Amount:			
Line 7. Payroll Cost 60% Requirement	(divide Line 1 by 0.60):		
Forgiveness Amount Line 8. Forgiveness Amount (enter the	smallest of Lines 5, 6, and 7):		
BA Form 3508EZ (06/20)			



PPP FORGIVENESS APPLICATION FORM 3508

Schedule A – Step by step calculation for reduction of FTE and wages.



	PPP	Schedule A Worksheet	t	
 ble 1: List employees who: Were employed by the Bor 	rower at any point du	ing the Covered Period	or the Alternative I	avroll Covered Period whose
 principal place of residence Received compensation from 	e is in the United State om the Borrower at an	es; and annualized rate of less t		
2019 or were not employed	by the Borrower at a Employee	ny point in 2019.		Salary / Hourly Wage
Employee's Name	Identifier	Cash Compensation	Average FTE	Reduction
FTE Reduction Exceptions Totals:		Box 1	Bex 2	Box 3
 Were employed by the Bor principal place of residence 	e is in the United State	es; and		-
 Received compensation from 		annualized rate of more	than \$100,000 for	any pay period in 2019.
Employee's Name	Employee Identifier	Cash Compensation	Average FTE	
				_
Totals:		Box 4	Box 5	_
E Reduction Safe Harbor 2:	ntal average FTE betw		and April 26, 2020.	Follow the same method that
Step 1. Enter the borrower's to was used to calculate A				ss all employees and enter:
	Average FTE in the PF	P Schedule A Workshe	et Tables. Sum acro	oss all employees and enter:
was used to calculate A Step 2. Enter the borrower's to that was used in step 1 Step 3. If the entry for step 2 i	Average FTE in the PF otal FTE in the Borrov 	PP Schedule A Workshe ver's pay period inclusiv proceed to step 4. Others	et Tables. Sum acro re of February 15, 2 vise, FTE Reductio	oss all employees and enter: 020. Follow the same method
was used to calculate A Step 2. Enter the borrower's to that was used in step 1 Step 3. If the entry for step 2 i	Average FTE in the Pf otal FTE in the Borrow is greater than step 1, 1 rower must complete	PP Schedule A Workshe wer's pay period inclusiv proceed to step 4. Other line 13 of PPP Schedule	et Tables. Sum acro re of February 15, 2 vise, FTE Reductio A by dividing line	ess all employees and enter: 020. Follow the same method n Safe Harbor 2 is not 12 by line 11 of that schedule.
Vas used to calculate <i>i</i> Step 2. Enter the borrower's to that was used in step 1 Step 3. If the entry for step 2 i applicable and the Bor Step 4. Enter the borrower's to Step 5. If the entry for step 4 i Harbor 2 has been sati	Average FTE in the Pf total FTE in the Borrow s greater than step 1, 1 rower must complete total FTE as of the earli s greater than or equal Sided. Otherwise, FTE	PP Schedule A Workshe ver's pay period inclusiv proceed to step 4. Other line 13 of PPP Schedule ier of December 31, 202 l to step 2, enter 1.0 on 1	et Tables. Sum acro re of February 15, 2 wise, FTE Reductio A by dividing line 0, and the date this ine 13 of PPP Sche 2 does not apply a	ss all employees and enter: 020. Follow the same method n Safe Harbor 2 is not 12 by line 11 of that schedule. application is submitted.

Schedule A Worksheet – details related to each employee

First Bank of Highland Park

WIPFLI

First Bank of Highland Park



Payroll: Documentation verifying the eligible cash compensation and non-cash benefits:

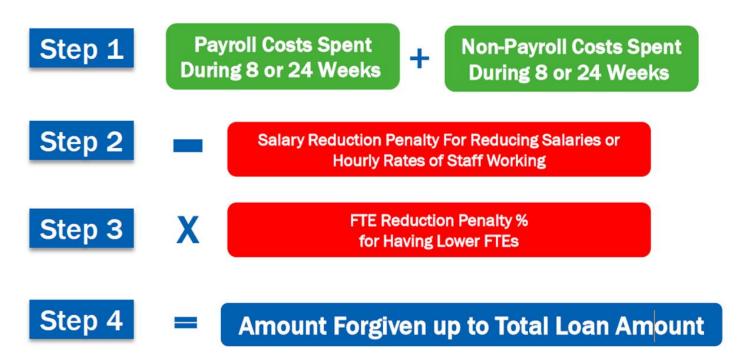
- Bank account statement or third-party payroll provider reports documenting the amount of cash paid to each employees
- Tax Forms: Payroll tax filings reported or that will be reported (Form 941) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings
- Payment receipts, canceled checks, or account statements documenting the amount of any employer contribution to employee health insurance and retirement plans that were included int the forgiveness amount.
- Records reflecting average number of fulltime equivalent employees on payroll on February 15th and at the end of the covered period.
- Sole Prop and Independent Contractors will need to resubmit their 2019 Schedule C
- Non Payroll: Documentation verifying existence of the obligation/services prior to February 15, 2020 and eligible payments from covered period:
 - Business mortgage interest payments: copy of lender amortization schedule, receipts, canceled checks
 - Business Rent or Lease: copy of lease agreements, receipts, canceled checks
 - Business Utility payments: copy of invoices, canceled checks, or bank account statements



BASIC CALCULATION



Assuming you spend at least 60% on allowable payroll...



**Amount of a EIDL Grant will automatically reduce the amount of loan forgiveness



Received a \$200,000 PPP loan.

Average FTEs during the reference period were 15

No FTEs cut or reduced salary during covered period

\$188,000 in payroll related costs / \$12,000 in non-payroll costs

\$188,000 + \$12,000 = \$200,000Step 1 [add together payroll and non-payroll costs] \$200,000 - \$0.00 = \$200,000 Step 2 [subtract wage reduction] Step 3 [multiply by FTE reduction quotient] \$200,000 X 1.0 = \$200,000

Loan is fully forgiven!!!



WIPFII

LESS THAN 60% ON PAYROLL

Received a \$200,000 PPP loan.

Average FTEs during the reference period were 15

No FTEs cut or reduced salary during covered period

\$110,000 in payroll related costs / \$90,000 in non-payroll costs

 Step 1 [add together payroll and non-payroll costs]
 \$110,000 + \$90,000 = \$200,000

 Step 2 [subtract wage reduction]
 \$200,000-\$0.00 = \$200,000

 Step 3 [multiply by FTE reduction quotient]
 \$200,000 X 1.0 = \$200,000

 Step 4 [apply 60% requirement]
 \$110,000 / .60 = \$183,333.33

Loan is only forgiven up to \$183,333.33 \$16,666.66 will remain as a payable loan





SALARY REDUCTION

Received a \$200,000 PPP loan.

Average FTEs during the reference period were 15

Salaries for FTEs making under \$100,000 was reduced by more than 25% equivalent to \$5,000 but FTE headcount remained

\$188,000 in payroll related costs / \$12,000 in non-payroll costs

 Step 1 [add together payroll and non-payroll costs]
 \$188,000 + \$12,000 = \$200,000

 Step 2 [subtract wage reduction]
 \$200,000 - \$5,000 = \$195,000

 Step 3 [multiply by FTE reduction quotient]
 \$200,000 X 1.0 = \$200,000

Loan is forgivable up to \$195,000 \$5,000 will remain as a payable loan





FTE REDUCTIONS

Received a \$200,000 PPP loan.

Average FTEs during the reference period were 15

FTEs reduced to 12 during covered period

\$188,000 in payroll relate costs / \$12,000 in non-payroll costs

 Step 1 [add together payroll and non-payroll costs]
 \$188,000 + \$12,000 = \$200,000

 Step 2 [subtract wage reduction]
 \$200,000-\$0.00= \$200,000

 Step 3 [multiply by FTE reduction quotient]
 \$200,000 X .8 = \$160,000

Loan is forgivable up to \$160,000 \$40,000 will remain as a payable loan





Received a \$200,000 PPP loan.

Average FTEs during the reference period were 15

FTEs reduced to 12 during covered period

\$300,000 in payroll related costs / \$12,000 in non-payroll costs

 Step 1 [add together payroll and non-payroll costs]
 \$300,000 + \$12,000 = \$312,000

 Step 2 [subtract wage reduction]
 \$200,000-\$0.00 = \$200,000

 Step 3 [multiply by FTE reduction quotient]
 \$312,000 X .8 = \$249,600

Loan is fully forgiven!!





- CARES Act Section 1106(i) provides an exclusion from gross income for amounts otherwise taxable
- IRS issued Notice 2020-32 applying IRC 265 to disallow expenses to the extent they were funded with PPP loan amounts that were forgiven
- Proposed legislation (SB 3612 and identical HR 6821) would overrule IRS Notice 2020-32
 - No action yet on this in the Senate or House, and the PPP Flexibility Act failed to include it



- How to maximize loan forgiveness work the calculations for both 8 and 24 week period
- Reminder that the EIDL grant is automatically deducted from forgiveness total
- Utilize information coming from payroll source...but be careful!!!
- Put together a schedule that ties your paperwork together...spoon feed your Lender / SBA
- Take your time, there is no rush.



QUESTIONS







THANK YOU

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www.clcillinois.edu/sbdc-itc



www.lakecountypartners.com