

PPP... Now What??

Webinar Q&A Transcript

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Center for Cultural Innovation

Presenters: Claire Van Holland & Jill James

PAYROLL EXPENSES

Q. Is there a deadline for when an employee had to have been hired for their payroll to qualify for PPP forgiveness?

A. Yes. They have to be on payroll as of 2/15/20 to consider their wages paid for loan forgiveness.

Q. My payroll includes 25 full time employees and 15 part time employees. Am I understanding correctly that I can only be forgiven for the full time employees?

A. Unfortunately, that is correct.

Q. What is considered a part time employee? Anything under 30 hours per week?

A. In the state of CA, it is someone who works 25 hours or less a week.

Q. We have 3 full time employees. We were thinking of bringing them back to 50% employment for June and 100% for July and rest of the year. Would satisfy the forgiveness requirement?

A. Yes, assuming that this all falls within the 8-week window and constitutes the 75% minimum payroll allocation requirement.

Q. We are a nonprofit, and all of our employees are part time. Are you saying that none of the PPP funds we received can be forgiven?

A. Unfortunately, this is correct.

Q. What if we have school-year hourly employees?

A. As long as these hourly employees were on payroll prior to 2/15/20, you can apply the PPP allocation to their payment.

Q. Bonuses count in the 75%, don't they?

A. Yes

Q. How do I document “owner compensation replacement”? Reports from bookkeeping software?

A. Yes. I would create a new category in your chart of accounts specific to your Owner's compensation during the 8 weeks that you use specifically for this, i.e. PPP - Owner Compensation Replacement.

Q. We got our PPP on the 10th and our regular payroll end date is the 11th with payout the 15th. The hours put in the 11th include hours before the 10th. Does whole payroll count?

A. Yes, as long as the payroll hits after the loan deposit, it will count.

Q. We hired a new employee in mid-February to replace another full time employee. Will she count?

A. If the new employee was on your payroll as of 2/15/20 they will count. If it was after this date, they will not count.

Q. The employee began 2/11 and paid for the first time 2/28. Will they count?

A. Yes. They will count

Q. If we replaced one employee with another, does the new employee's payroll count towards forgiveness if they were hired/replaced the leaving employee after 2/15?

A. Unfortunately not.

Q. If we hire a new part-time employee (and we have not decreased hours on others), can we use PPP funds for this or is that considered "development"?

A. Unfortunately, it has to have been an employee already in place prior to 2/15/20 and cannot be used for development if you want the payment for their wages paid forgiven through the loan.

Q. If we can't meet the 75% for payroll expenses and will need to give some back, can the remaining 25% still be used for other qualifying expenses?

A. Unfortunately, 75% needs to be used for payroll expenses in order for your loan to be considered for forgiveness.

Q. If we received funding mid-payroll cycle, do we need to prorate what we pull out of PPP funding for that cycle?

A. It is ok to make minor adjustments to your payroll schedule so that you can maximize your payroll payouts.

NON-PAYROLL EXPENSES

Q. You explained that payments to independent contractors (1099s) cannot be included in forgivable funds. Is there a chance this could change, or is that pretty much certain?

A. Unfortunately, it's certain as of now.

Q. We need to move program materials and supplies from an employee's home to a rented storage space. Can it be charged in the 25% portion?

A. Were the program materials & supplies storage being expenses prior to 2/15/20? More than likely if this rental storage space is a new expense, no you cannot apply it to the 25% allocation

Q. Can we claim expenses for an office based in the Executive Director's home?

A. It depends on what the office expenses are exactly, and also would require that these expenses were being claimed and paid for by the business as of 2/15/20.

Q. Can you explain your interpretation of what kind of rent expenses are forgivable? In particular, for a freelancer who works from home, can they count their residential rent as forgivable?

A. If you were already claiming your rent in 2019 and as of 2/15/20 through your tax form 1040, then, yes, this is forgivable, regardless of whether or not this rent is residential or for a commercial space

Q. Mortgage payment is not allowed for forgiveness — just the *interest* on the mortgage?

A. Correct!

Q. What about quarterly taxes?

A. This is not an expense allocated for PPP forgiveness.

Q. What if you just started a retirement program on Jan 1, 2020?

A. As long as you had funds covering retirement contributions as of 2/15/20 out of your business account, this can be included.

Q. Is it possible to create a new retirement account and make forgivable contributions after receiving the PPP loan, or are you required to have already been making retirement contributions in 2019 in order for it to be forgivable? Does it have to be a SEP plan?

A. To contribute using PPP funds, the retirement account had to have been in place as of 2/15/20 to be considered for forgiveness, and as long as your SEP was claimed on your 1040 from 2019 it should count.

Q. What if we don't use a separate business bank account and typically pay all of these expenses from a personal account? Would you recommend opening a business account and transferring the PPP \$ to it for record keeping purposes?

A. 100% yes. It will make your forgiveness process much less painful.

Q. What's the best way to document expenses charged to the PPP money? How much documentation, if any, do I need?

A. If you can collect invoices, receipts for any other expenses paid, this would be good backup to leave as little question as possible during the forgiveness review.

Q. We have not yet received our PPP funding. Does the June 30 deadline still comply?

A. No it doesn't. It will be 8 weeks from the time the PPP loan is deposited into your account if you are approved.

EIDL and Main Street Loans

Q. I thought that the EIDL was also going to be a forgivable loan/grant. Can you explain why that is counting against the PPP if it is a forgivable loan?

A. They consider the EIDL grant as double dipping. So the EIDL grant will be offset by that same amount through PPP.

Q. Are Main Street loans just for for-profit businesses?

A. It varies depending on the organization offering the loan.

PPP and Unemployment

Q. I got my PPP loan 3 weeks before being paid any unemployment. Can the PPP funds I used before I received unemployment be taken and forgivable?

A. Yes, as long the funds are allocated to the appropriate expenses and uses within the 8 weeks of receiving your loan.