

Paycheck Protection Loan Q&A

“I’ve Received My Loan Funds. Now What?”

At Glenn Burdette, we strive to Go Beyond for our clients every day. We know that the details of the Paycheck Protection Program are constantly changing and can be confusing. We’ve put together this Q&A to help address some of the questions we’ve been hearing from you.

Should you have additional questions, please don’t hesitate to reach out to us.

1. Should I open a separate bank account to track the loan funds?

This is worth considering, but optional, based on your own preference and organizational habits. We do recommend tracking “Potentially Forgivable Expenses”. If opening a separate bank account helps you do that, then do so. But it is not required.

2. What are “Potentially Forgivable Expenses”?

Payroll expenses, which include:

- Payments for wages, tips, commissions, vacation, sick, parental, family and medical leave,
- Severance payments,
- Employer paid group health care benefits,
- Employer paid retirement benefits
- Employer paid state and local taxes

Rent under lease agreements existing prior to 2/15/2020.

Utilities (electric, gas, water, transportation, telephone, and internet).

Interest on covered mortgages (on real or personal property).

EIDL grant that was refinanced into a PPP Loan.

Note: While it is important to track all the above expenses, this does not mean they will all be forgiven at the end of the 8-week period. There are other calculations that must be performed to determine the total forgiven amount.

3. Should I create new general ledger accounts to track the expenses paid for with PPP loan funds?

This is acceptable, unless it creates an undo burden. For example, if you have an automated payroll feed from your payroll processor to your general ledger, breaking that out to new GL accounts for an 8 week period might be more work than it’s worth. In addition, in some cases, expenses paid for with forgiven loan funds from the Federal

Government may not tax deductible. Tracking them in separate GL accounts (or at a minimum in Excel spreadsheets) may be helpful come tax time. Alternatively, QuickBooks users can track these expenses by setting up a new "Class" in QuickBooks.

4. *For forgiveness purposes, do we track costs incurred, paid or both?*

For now, we recommend you track both. The guidance is unclear as to which costs are forgivable (incurred or paid), so to be safe, track both. We expect more guidance before your 8-week period ends.

5. *Is the \$100,000 annual limit on wages still in effect when calculating forgiveness?*

Yes. Keep this in mind when calculating total potential loan forgiveness.

6. *Can I give employees raises during the 8-week period?*

Yes, but keep them reasonable. Don't prepay many months of payroll expense into 8-weeks. Document why the employee is getting a raise (e.g., increased workload due to reduced staff, working in a higher-risk environment, additional job duties not previously assigned, etc.). Also, don't prepay health insurance premiums or retirement costs or rent or utilities. Again, use reasonableness as a guide.

7. *When does the 8-week measurement period start?*

When your loan is funded.

8. *Can I start the 8-week measurement period later than that? It would help to start it later when I get my employees working again.*

No you cannot. It starts with loan funding.

9. *What documentation should I keep?*

Payroll records, health insurance payment records, retirement plan contribution records, bank statements, utility invoices, rental/lease agreements with rental schedules, mortgage/loan statements, cancelled checks if you get them.

10. *How exactly is loan forgiveness calculated?*

We've already seen 4 different forgiveness calculators with 4 different answers, one of which gave no forgiveness at all if payroll wasn't 75% of the total potential forgiveness. There is a lot of interpretation going on right now. The banks and the SBA will most likely need to come to a universally accepted calculation for loan forgiveness. Until then, do the following:

- Track the expenses noted in #2 above
- Realize that you will have loan forgiveness reduced if you don't hire back laid off/furloughed staff by June 30, 2020 (compared to the staff levels

you had before), and if you have reduced an employee's wages by 25% or more and not returned their pay back to their normal level by June 30, 2020.

- You can use the loan funds to pay for interest on other non-mortgage debt obligations incurred before 2/15/20, but those amounts may not be forgiven.
- Remember that you certified that you would follow the program guidelines and that you can be investigated for fraud if you knowingly violate the terms of the loans.

11. I got my loan funds, but due to the shelter-in-place, there is not any work for most of my employees? Do I pay them to stay at home? How will I reach the criteria for loan forgiveness if I don't have enough payroll cost?

This is a real issue at the moment. Here are some ideas:

- You *could* pay your employees to stay at home, that meets the spirit of why the loans were granted, to keep people on payroll.
 - Realize that if they are furloughed and on unemployment, this could jeopardize those unemployment funds for them, especially if this is a long-term SIP.
 - If they are truly laid-off, you should consult your attorney before paying them as they are most likely not active employees.
- For employees still working, use these funds to pay them and consider raises, if need be.
- At the end of the 8-weeks, you can always pay back the unused portion.
- Hold onto those unused portions, leave it as an unforgiven loan, and use it on payroll when the employees do return to work. It won't be forgiven if used after the 8-weeks, but that money could help your business stay afloat.
- Remember that this is a 1% loan over 2 years with 6 months of payment deferrals. It's one of the best financing deals you can find.
- Also remember that this is all based on what we know NOW. The rules have been constantly changing. So stay the course, follow the rules as they exist now, and let's see what the rules are in a couple of weeks or a month.