



COVID-19 News & Updates

Our webinar will begin promptly at 2 PM CST

- Please keep video off and remain muted to preserve bandwidth and connectivity for all.
- Call quality is best using telephone audio rather than computer audio.
- To ask a question, you'll need to locate and use the Chat feature at the bottom right of the Zoom window.
- Please continue to reach out to your Client Success Manager (CSM) with additional questions.

Thank you for joining us!

COVID-19: Financial Relief Program Update

Speakers:

- *Wendy Katz, CFO Questco*
- *Brandon Hartsaw, COO Questco*

Agenda:

- Paycheck Protection Program Flexibility Act
 - Comparison to CARES Act PPP Loan Program
 - General Insights – PPPFA Implications
 - Forgiveness Period Considerations
- Evolving Reporting Enhancements
- Q & A

PPP Flexibility Act Highlights

Future legislative changes could impact this information.
Please continue to monitor updates from Questco.

June 12, 2020

	CARES Act	PPPFA
Term of Loan	2 years	5 years on loans after date of enactment; with lender approval for loans made before June 5
Covered Period for Loan Forgiveness	8 weeks beginning on date of origination or alternative payroll period	Earlier of 24 weeks after date of origination or December 31, 2020, however pre-PPPFA borrowers may elect an 8-week period
Covered Period of Loan	February 15, 2020 until June 30, 2020	February 15, 2020 until December 31, 2020
FTE/Salary Reduction Safe Harbor Date	June 30, 2020	December 31, 2020
Exception to FTE/Salary Reductions	If reduction in FTE or Salaries between February 15, 2020 and April 26, 2020, then can avoid reduction to loan forgiveness if FTE or Salaries are re-established to February 15, 2020 levels	Same, with additional exceptions <ol style="list-style-type: none">1. Inability to re-hire February 15, 2020 employees and inability to hire similarly qualified employees on or before December 31, 20202. Inability to return to same level of business activity as of before February 15, 2020 due to certain government restrictions

PPP Flexibility Act Highlights

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June 12, 2020

	CARES Act	PPPFA
Limitation on Forgiveness	For full forgiveness, at least 75% of the amount forgiven must be related to payroll costs	For full forgiveness, at least 60% of the amount forgiven must be related to payroll costs
Deferral Period	Deferral of payments of interest, principal and fees for 6 months after origination	Deferral of payments of interest, principal and fees until the date the forgiveness application is approved by SBA, but no later than 10 months after the last day of the covered period if forgiveness application not yet submitted
Payroll Tax Deferral	Taxpayers are eligible for deferral of payroll taxes up to the date that the loan is forgiven, but no later than December 31, 2020	Eliminates PPP forgiveness language thus allowing businesses the ability to defer payment of payroll taxes through December 31, 2020

June 12, 2020

When is the deadline to apply for a PPP Loan?

- June 30, 2020 remains the last date on which a PPP loan application can be approved

Can an existing borrower that elects to use the 24-week PPPFA forgiveness covered period now apply for more funds to cover the extra weeks?

- Absent enabling guidance from the Treasury/SBA, the answer appears to be “no”. Existing guidance specifies that a borrower can only obtain one PPP loan.

Does the existing 8-week forgiveness covered period and the new PPPFA 24-week forgiveness period begin on the same date?

- Yes. It is the date the loan proceeds are disbursed to the borrower; i.e., the loan origination date.

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Does the frequency of the borrower's payroll period raise any issues under the new Act's extended loan forgiveness covered period (24-week period)?

- Absent additional guidance, we see no reason why the same rules allowing for use of an alternative payroll covered period by borrowers with a bi-weekly or more frequent payroll schedule wouldn't continue to apply

If an employer intends to apply for loan forgiveness at the end of their 8-week period (which is before 6/30/20), can it reduce FTE headcount after the 8 weeks and still meet forgiveness?

- If using the 8-week forgiveness covered period option, then the answer is "yes" (because headcount after the close of the covered period appears to be irrelevant). If using the 24-week PPP Flexibility Act loan forgiveness covered period option, statute would suggest FTE headcount would have to be maintained for full 24 weeks (or restored by 12/31/20).

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Did the PPP Flexibility Act limit the ability of employers to get credit for paying an employee who was not working/furloughed due to COVID-19, and only get credit for compensation paid to employees that were actually working?

- No. The CARES Act IFR made clear that eligible payroll costs include payment for non-work (e.g., to bridge employees through any COVID-related business closure). PPP Flexibility Act doesn't change that.

How does the extension of the forgiveness covered period to 24 weeks impact the \$100,000 annual compensation limitation on compensation costs eligible for forgiveness?

- The existing loan forgiveness application materials indicate that when applying the annual \$100k cash compensation maximum, you (1) sum up the amounts actually paid during the covered period, (2) annualize the comp, and (3) if the annualized compensation exceeds \$100k, the borrower will report a maximum of \$15,385 of eligible cash compensation. Presumably, the same method would apply for borrowers using the 24-week PPPFA covered period (i.e., increases the maximum amount of eligible compensation to \$46,155 for the covered period). However, we are awaiting clarifying guidance on this topic.

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If an employer restored workers to full-time hours and pay when the loan was funded, and then ran out of funds and had to lay off workers before the end of the extended 24 weeks, will they be penalized on loan forgiveness?

- Possibly. The FTE reduction factor looks at the FTE score for each employee over the course of the entire loan forgiveness covered period. Thus, if the borrower laid off employees during the covered period, generally there would be a reduction to the loan forgiveness amount. However, if the borrower is able to claim FTE reduction exceptions (e.g., tried to rehire laid off employees, but were unsuccessful), then some or all of the reduction may be negated.

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If the FTE Reduction Safe Harbor and the Salary/Hourly Wage Reduction Safe Harbor are both using an end date of 12/31/20, does that mean loans cannot be forgiven before 12/31/20 if the borrower elects the PPPFA 24-week loan forgiveness period option?

- Absent enabling Treasury/SBA guidance allowing for the use of a different safe harbor period (e.g., date of forgiveness application), it appears that the borrower cannot seek forgiveness until after 12/31/20 if seeking to utilize the safe harbors.

Can a borrower that utilizes the PPPFA's 24-week loan forgiveness covered period seek forgiveness after the PPP funds are used up (but before the close of the 24-week period)?

- The current statute is silent as to an interim forgiveness period and we are waiting for additional guidance. However, given that the 24-week covered period uses December 31, 2020 as the safe harbor date, the expectation is that it will be an “either or” election.

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While loan payments are deferred, does interest accrue during the deferral period?

- Payments, interest and fees are all subject to deferral. However, ***interest does accrue*** beginning on the loan origination date for any portion of the loan that is not forgiven. If the loan is forgiven in full, there will be no interest payment due.

When will the new loan forgiveness application that addresses changes reflected in the PPPFA be available?

- The June 8th joint statement issued by Treasury/SBA states that they “will promptly issue rules and guidance, a modified borrower application form, and a modified loan forgiveness application implementing these legislative amendments to the PPP.” We are still awaiting that guidance to be issued.

Forgiveness Period Considerations

Future legislative changes could impact this information.
Please continue to monitor updates from Questco.

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By extending the covered period to 24 weeks, the PPPFA substantially increases (possibly triples) the total potential forgivable amount and thus minimizes the impact on reductions to forgiveness attributable to reductions in compensation or FTEs.

- In most cases, the increase in forgivable costs will effectively wipe out the impact of reductions in compensation or a reduction in the FTE ratio, even if this extends the time in which the business can experience reductions in wages and/or FTE

Businesses can elect to use either the original 8-week covered period or the extended 24-week period. As a result, we are recommending borrowers consider the following:

1. Prepare a PPP loan forgiveness application based on an eight-week covered period. If this results in full PPP loan forgiveness, submit the application. If not, undertake steps 2 and 3.
2. Prepare a PPP loan forgiveness application based on the 24-week covered period.
3. Submit the PPP loan forgiveness application with the greater forgiveness, electing out of the extended covered period, if necessary.

Note: The above is dependent upon the SBA process for making the election which is still forthcoming

Notify your CSM if you would like to receive PPP Loan Forgiveness Tracking reports for the 24-week covered period.

Evolving Reporting Enhancements

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June 12, 2020

➔ FTE Reporting

- FTE report that compares FTE count during covered period to FTE count during measurement period (2/15/19 - 6/30/19 or 1/1/20 - 2/29/20)
- Designed to measure FTE count at **end of 8-week period** to compute ratio (will provide indication of FTE count during each completed payroll period during 8-week covered period)
- Currently being tested by Questco
- Instructions on how clients can pull the report themselves to be issued during the week of June 15th
- Modifications to adjust FTE calculation for 24-week covered period under development

➔ Loan Forgiveness Calculation / Estimator Spreadsheet

- Developing spreadsheet that can be used to prepare the loan forgiveness application
- Awaiting additional guidance from Treasury/SBA on changes to the application following the enactment of PPPFA
- Will provide instructions referencing information available from reports generated out of PrismHR


➔ PPP Loan Forgiveness Tracking Report

- Loan tracking report being modified to track eligible payroll costs for 24-week covered period


CONTACT US

Thank you!

As always, please reach out to your Client Success Manager with any additional questions.

 **By Phone:** +1-800-256-7823

 **Our Resource Page:** <https://info.questco.net/covid-19-resource-page>

 **Location:** The Woodlands, TX 77380