

So I Have My PPP Funding...Now What?

Sarah M Kitchen EA Inc - Updated 4/21/20

What are allowed expenditures of PPP funds for loan forgiveness?

75% payroll costs, 25% mortgage, rent or utilities. These expenditures must be made in the eight weeks following your funding.

What counts as payroll costs?

Per the SBA Borrower Information, payroll costs include:

- Salary, wages, commissions, or tips (gross wages, capped at \$100,000 on an annualized basis for each employee)
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit
- State and local taxes assessed on compensation (not L&I, since it is based on hours; not Social Security/Medicare; not employee tax withheld)
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee. This does not include S-corporation earnings.

Do I have to re-hire my employees?

To qualify for full forgiveness, you have to maintain the following:

- Fill all of your pre-Feb 15th staff positions. They do not need to be filled with the same individuals and you have until June 30th to re-hire your positions.
- Pay each position at least 75% of their pre-Feb 15th pay
- You can receive partial forgiveness if you are only able to do some of this

You must apply for loan forgiveness eight weeks after you receive your funding.

What sort of documentation do I need to keep?

Important! Please review your loan documents to ensure that you understand all of your rules/covenants. Ask your banker what they will require when it comes time to apply for loan forgiveness.

Based on available guidance at this time, we recommend that you do the following:

- Set up a dedicated bank account and use it for all qualified disbursements
- Make all disbursements via check if possible and download/retain cancelled checks. 3rd party payroll processors using this account are fine.
- Avoid making transfers if possible. If you must transfer money, make sure the destination account can be easily verified and the amount exactly matches a receipt (dollars and cents, don't round).
- Keep all receipts, bank statements, time cards, paystubs and payroll reports
- File your payroll tax returns on time and keep them handy
- Document all re-hiring of employees and properly document hours worked.

This is the actual law regarding documentation

Per The CARES Act, Section 1106 (e): “Documentation verifying the number of full-time equivalent employees on payroll and pay rates for the periods described in subsection (d), including— payroll tax filings reported to the Internal Revenue Service; State income, payroll, and unemployment insurance filings; documentation, including cancelled checks, payment receipts, transcripts of accounts, or other documents verifying payments on covered mortgage obligations, payments on covered lease obligations, and covered utility payments; a certification from a representative of the eligible recipient authorized to make such certifications that— the documentation presented is true and correct; and the amount for which forgiveness is requested was used to retain employees, make interest payments on a covered mortgage obligation, make payments on a covered rent obligation, or make covered utility payments; and any other documentation the Administrator determines necessary.”