

HELPFUL INFORMATION FOR OUR PPP BORROWERS

COVERED PERIOD

This is the timeframe after you received PPP funds (your note date) and the period following that you were required to spend those funds. If you received your funds prior to June 5th, you have the option of using either an 8-week period or a 24-week period. If you have concerns about spending everything in 8 weeks, you can use the 24-week option; there is no penalty for changing. If your loan was funded AFTER June 5th, you automatically have the 24-week window to use your funds. If your first payroll date was a few days after your PPP loan funding date AND you pay either weekly or bi-weekly, you have the ability to start the Covered Period as of the date of your first payroll after receiving the PPP funds. For example, if you received funds on April 10, but your first payroll processed on April 14, you can start the 8 or 24-week timer as of the 14th. This only applies to PAYROLL costs and DOES NOT apply to non-payroll costs. The non-payroll window has to start on the date you received the PPP funds. (Remember, these are not OUR rules, but the SBA's!)

APPLYING FOR LOAN FORGIVENESS

If you did not reduce staff or hours in your covered period, you can use the EZ Form, which is available on our website as discussed previously. We will need you to fill out the form and sign it. We will be required to submit that application to the SBA. There is a demographic sheet that accompanies the EZ Form that is not required. If you had a reduction of staff and/or hours, you will be required to complete and submit the full forgiveness application, which can also be found on our website.

SUPPORTING DOCUMENTATION NEEDED:

PAYROLL COSTS:

Bank acct statements or 3rd party payroll reports for the covered period (discussed above) documenting the amount of cash compensation to employees. Please ensure your documentation is clearly marked for our review. You can also provide the IRS Form 941 as an alternative. If you are also using the state/local payroll taxes paid by the you as part of your refund request, we will need copies of those statements as well.

For employer paid health insurance and retirement contributions, we need payment receipts, cancelled checks or account statements that show the amount you are claiming for the refund.

If you are a Schedule C or F borrower (self-employed or farmer), your payroll will be calculated by taking the net profit from the appropriate tax schedule, dividing by 12 and times 2.5 which is the exact way your loan amount was calculated. We recommend that you use the 24-week window to maximize your refund amount. If you used your Schedule C or F to apply for the PPP loan, all we should need for your proof of payroll is the same schedule out of your 2019 tax return. Once their 8 or 24-week window is complete, you can apply for the refund.

NON-PAYROLL COSTS (Obligation/service must have been in place prior to Feb 15, 2020):

Business Mortgage Interest: Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period or lender account statements from Feb 2020 and the months of the Covered Period through one month after the Covered Period ended verifying the interest amounts and eligible payments. Remember that interest on unsecured borrowings IS NOT eligible.

Business Rent/Lease Payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from Feb 2020 and from the Covered Period through one month after the Covered Period verifying eligible payments.

Business Utility Payments: Copy of invoices from Feb 2020 and those paid during the Covered Period and receipts, cancelled checks or account statements verifying those eligible payments.

EIDL ADVANCES:

We understand that these were portrayed from the start by the SBA as a 'grant' and would not have to be paid back. In the instructions provided to the banks that funded these PPP loan, it states that the amount received in an EIDL Advance will NOT be forgiven from your PPP loan amount. All indications at this point show that however much you received as an EIDL advance (From \$1-10,000) will be netted out of your PPP refund. This will result in that balance being set up as a loan with us and not forgiven! If you received your PPP loan prior to June 5 it will be payable over a 2-year term at 1%. If you received your PPP loan after June 5, it will be payable over a 5-year term at 1%. If you received your PPP funds prior to June 5 and would like to extend the repayment to 5 years, please contact your loan officer. We understand that this may be surprising news to our borrowers who received an EIDL advance! It was surprising news to the banks as well! We did not anticipate having extended loan terms on our balance sheets at 1%! Understand we are also frustrated, but this is a government program! The banks were used as the provider; we had no input into the program rules or requirements! The forgiveness application requests your EIDL loan number and the amount of the advance. That amount will be subtracted from the funds advanced to the bank to reduce your loan and you will be left to pay that amount as outlined above (2 or 5 years at 1%). Your loan officer will work with you on how those payments can be structured.

TAX IMPLICATIONS:

The IRS originally declared that the PPP loan proceeds would not be taxed as income. They have now indicated that any expense a business claims for a PPP refund can't be claimed as a business expense on your 2020 tax return. So, while it's technically not taxed as income, it will still impact your tax situation since you won't be able to claim that expense to reduce your income. Please note that there are banking associations advocating to the SBA/IRS to correct this issue but at this time, those expenses will not be deductible. We encourage you to reach out to your congressional delegates on this issue to put pressure on them to change their stance on this issue!