



# You've received your PPP loan . . . Now what?

## Day 1:

- ◆ Create a new "PPP loan" account in your accounting system to track receipt of PPP loan funds.
- ◆ Identify the beginning and ending dates for the 8-week period.
- ◆ Set up a spreadsheet, separate bank account, and/or other method to track the PPP loan proceeds and the use of funds for eligible PPP expenditures.<sup>①</sup>
- ◆ Create estimates of total eligible expenditures that will be incurred and paid in the 8-week period following receipt of the loan funds. For full forgiveness, at least 75% of the loan amount must be payroll costs.<sup>②</sup> Other eligible expenditures include rent, utilities, and interest.<sup>③</sup>
- ◆ Identify and document your average Full-Time Equivalent employees for the periods of 2/15/19 – 6/30/19 and 1/1/20 – 2/29/20.<sup>④</sup>
- ◆ Identify and document employee earnings for the last full quarter ended prior to the date the loan funds were received. If possible, pay all employees at least 75% of their regular pay during the 8-week period.<sup>⑤</sup>

## Weekly:

- ◆ Verify that all qualified expenditures are being properly tracked in your spreadsheet or other method. Don't wait until the end of the 8-week period to identify your qualified expenditures.
- ◆ Keep copies of supporting documentation for qualified use of funds. Set up an electronic or physical folder to store these records.

## After 4 Weeks:

- ◆ Contact your CPA, attorney, or banker to see if updated guidance on loan forgiveness has been issued.
- ◆ Review employee pay to verify that pay reductions have not exceeded 25%.
- ◆ Review FTEs to see if the FTE level has been maintained when compared to the periods referenced above.
- ◆ Review the eligible expenditures incurred and paid to date and compare them to your original estimates. Update your projections for the remainder of the 8-week period. Review the split between actual payroll and other costs incurred to date. Reminder to target at least 75% payroll costs.

## After 7 Weeks:

- ◆ Review your eligible expenditures incurred/paid and compare with your estimated amounts.
- ◆ Consider any approved payments that can be made in the final week to maximize loan forgiveness.

## At the end of the 8-Week Period:

- ◆ Review the official current guidance on loan forgiveness. Use your CPA, attorney, or banker as needed.
- ◆ Verify that all eligible expenditures incurred in the 8-week period have been tracked using your spreadsheet, separate bank account, or other internal method.
- ◆ Verify that all supporting documentation for eligible uses of funds is in order.
- ◆ Review FTEs to see if the FTE level has been maintained when compared to the original periods referenced above. If there have been decreases, seek to increase employment by 6/30/20 to maximize forgiveness.
- ◆ Review employee payrolls. Look for employee pay reductions that would result in forgiveness reduction.
- ◆ Prepare and present the loan forgiveness forms to your banker along with your supporting documentation.

<sup>①</sup>Contact us if you would like a copy of a template spreadsheet to use for tracking PPP expenses. Many clients have created a separate bank account to receive PPP loan funds to create a solid audit trail.

<sup>②</sup>Payroll costs include wages & salaries, group health/dental/vision payments by the company, retirement plan payments by the company, and state unemployment tax payments (\$100K annualized salary limit per person).

<sup>③</sup>The CARES Act says that rent payments included must be on lease agreements in place before 2/15/20. There is no specific exclusion of related party rent or equipment rent. Utility payments include things such as electricity, gas, water, telephone, and internet. Interest expense includes any "mortgage interest" for loans taken out prior to 2/15/20. This would include real estate, equipment, and possibly operating lines of credit.

<sup>④</sup>It's important to calculate your FTEs, as your forgiveness may decrease if your number of FTEs is reduced when compared to the earlier periods.

<sup>⑤</sup>It's important to try to pay employees at least 75% of their normal pay during the 8-week period. If pay decreases by more than 25%, there will be a reduction in loan forgiveness.

For more information, please see our website: <http://www.hbcpas.com/resources/>

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