

# COVID-19 Business Assistance Series

## [WEBCAST] Guide to SBA Paycheck Protection Loan Program (PPP) Forgiveness

**Presented by:**

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SBA  
Paycheck  
Protection  
Program (PPP)  
\$349B  
approved

**What was given out** (round 1):

- **Applications:**
  - HI 11,553 of 20,000
  - USA 1,661,367
- **Loans totaling:**
  - HI \$ 2B (avg \$177K)
  - USA \$ 342B (avg \$206K)
- **Top States:**
  - CA 112,967 \$33.4B
  - TX 134,737 \$28.4B

Per SBA as of Friday April 17, 2020

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\$349B  
approved

## What was given out (HI round 1):

- Applications: **11,553**
- Loans totaling: **\$2.1B**
- Employees: **170,000**

Per SBA as of Friday April 17, 2020

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Forgiveness

## Congratulations on being awarded a PPP Loan!

- You have 8 weeks from award to expend funds, primarily on payroll costs.
- After 8 weeks, you will request forgiveness from your lender while providing adequate documentation.

# SBA Paycheck Protection Program (PPP) Forgiveness

## What are "Allowable Expenses" and "Allowable Uses"?

- You can **only** spend loan funds on “allowable expenses” as defined...
- “Allowable uses” that fall within the forgiveness can be requested for forgiveness to the lending institution.
- What is not forgivable should be considered a loan with a 24-month term, @1% Interest with a 6-month deferment

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## What Expenses are Allowable?

- Payroll Costs
- Health Care
- Mortgage Interest
- Rent
- Utilities

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**“Payroll” is a lot of things:**

- Salaries, Wages, Tips
- Employee Benefits
  - Health Care
  - Retirement contributions
  - State Taxes (UI)
  - Various Leaves (Sick, Vacation, Parental, Family, other)
- Owner Compensation Replacement (2019 Net Profit 8/52)

# SBA Paycheck Protection Program (PPP) Forgiveness

## Payroll Exceptions to the rule:

- Limited to \$100k per employee
- Employee must reside in the USA
- No Double Dipping
  - Sick leave (7002 CARES act tax credit)
  - Family leave (7004 CARES act tax credit)
  - Payroll costs covered by other relief funds
- No independent contractor payments



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**What you can spend the money on.  
Non-Payroll Costs:**

- Business Mortgage Interest Payments
  - Not Principle
- Business Rent Payments
- Business Utility Payments
  - Electricity
  - Gasoline
  - Phone/Internet
  - Other

# The Logic:

This is what you said you were going to do:

Average Monthly Payroll:	\$ \$10,000	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$ \$25,000	Number of Employees:	10
Purpose of the loan (select more than one):	<input checked="" type="checkbox"/> Payroll <input checked="" type="checkbox"/> Lease / Mortgage Interest <input checked="" type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____				

Now prove you did just that. Mindset should be that you will hire back 10 employees for 8 weeks at full benefits. You should expect to expend \$20,000 in total on payroll and payroll related expenditures. The other \$5,000 can be spent on non-payroll costs.

# What if I can only get 5 of 10 employees to come back?

## Original Calculation on Loan Application

Average Monthly Payroll:	\$ <b>\$10,000</b>	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$ <b>\$25,000</b>	Number of Employees:	<b>10</b>
Purpose of the loan (select more than one):	<input checked="" type="checkbox"/> Payroll <input checked="" type="checkbox"/> Lease / Mortgage Interest <input checked="" type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____				

The forgiveness calculation will be a pro-ratio of probably only 50% forgiveness at best, and the balance of the loaned amount remains a loan at 1%, 24 months term, first payment deferred 6 months.

## Updated Calculation @ 50%

Average Monthly Payroll:	\$ <b>\$5,000</b>	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$ <b>\$12,500</b>	Number of Employees:	<b>5</b>
Purpose of the loan (select more than one):	<input checked="" type="checkbox"/> Payroll <input checked="" type="checkbox"/> Lease / Mortgage Interest <input checked="" type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____				

# SBA Paycheck Protection Program (PPP) Forgiveness

## Other things to consider:

- You cannot change salaries or reallocate \$
  - Can't give raises to fewer FTE
  - Can't reduce individual salaries significantly
- 8-week clock starts when you get funding.
- Covered period is Feb 15-June 30, 2020.
- Have you modified your procedures?
- Forgiveness amounts will be reduced by any EIDL Advance amounts
- The lender makes the final forgiveness decision.
- Do you have a plan to track your expenditures?

# Example 1 – Zero Loan

(rollup on next slide)

\$10,000 Monthly Payroll  
\$4,000 Weeks 1&2  
\$4,000 Weeks 3&4  
Healthcare \$2,000/mo.

## Detailed Listing of Qualifying PPP Costs

Item	Class	Amount	Documentation
<b>May 1 Payroll</b>	<b>Payroll</b>	<b>\$ 4,000.00</b>	<b>Payroll Ledger, Checks #101-#110</b>
May Rent	Rent	\$ 2,600.00	Lease Agreement, Check #112
May Electric	Utilities	\$ 400.00	MECO Bill, Check #113
May Internet	Utilities	\$ 100.00	Spectrum Bill, Check #114
<b>May 15 Payroll</b>	<b>Payroll</b>	<b>\$ 4,000.00</b>	<b>Payroll Ledger, Checks #121-#130</b>
<b>May 29 Payroll</b>	<b>Payroll</b>	<b>\$ 4,000.00</b>	<b>Payroll Ledger, Checks #141-#150</b>
<b>May 29 Group Health</b>	<b>Healthcare</b>	<b>\$ 2,000.00</b>	<b>Kaiser Invoice #12347 Check #151</b>
June Rent	Rent	\$ 2,600.00	Lease Agreement, Check #155
June Electric	Utilities	\$ 400.00	MECO Bill, Check #156
June Internet	Utilities	\$ 100.00	Spectrum Bill, Check #157
<b>June 12 Payroll</b>	<b>Payroll</b>	<b>\$ 4,000.00</b>	<b>Payroll Ledger, Checks #161-#170</b>
<b>June 29 Group Health</b>	<b>Healthcare</b>	<b>\$ 2,000.00</b>	<b>Kaiser Invoice #12348 Check #171</b>
Gasoline	Utilities	\$ 466.67	May & June Costco Receipt, Check #172

# Zero Loan Example

## Paycheck Protection Program Loan Calculator

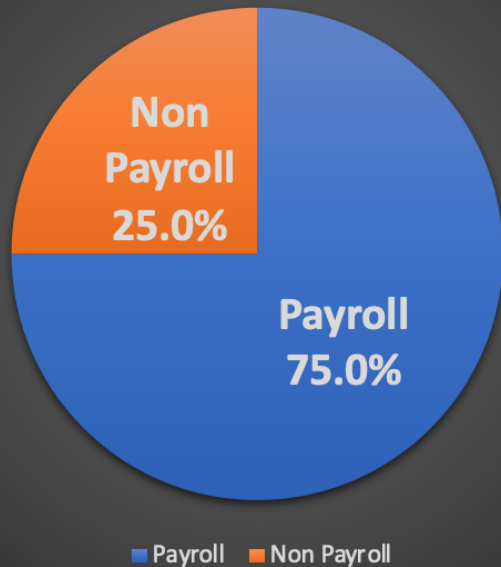
Big Game Fishing Lure Company  
 1234 Main Street  
 Wailuku, HI 96793  
 808-123-4567  
 gerry@bigfish.com



### Dashboard

PPP Award Amount	\$	26,666.67
Total Spent PTD	\$	26,666.67
% of Total Spent		100.0%
Max Non-Payroll	\$	6,666.67
Non-Payroll Percentage		25.0%
<b>Loan Amount</b>	<b>\$</b>	<b>0.00</b>
Allowable Payroll Costs		
Payroll	\$	16,000.00
Healthcare	\$	4,000.00
<b>Subtotal</b>	<b>\$</b>	<b>20,000.00</b>
Non-Payroll Costs		
Interest	\$	-
Rent	\$	5,200.00
Utilities	\$	1,466.67
<b>Subtotal</b>	<b>\$</b>	<b>6,666.67</b>

### Payroll Vs. Non Payroll



All Payroll Costs will be forgiven, assuming all other compliance.

All Non-Payroll Costs will be forgiven, because not more than 25% of total costs are Non-Payroll Costs

# Example Resulting in Loan

## Paycheck Protection Program Loan Calculator

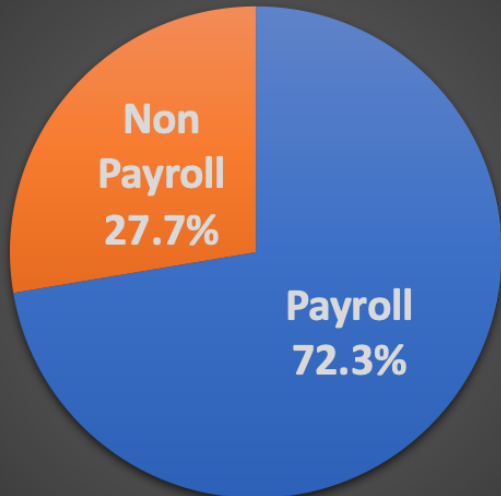
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### Dashboard

PPP Award Amount	\$	65,000.00
Total Spent PTD	\$	41,466.67
% of Total Spent		63.8%
Max Non-Payroll	\$	10,000.00
Non-Payroll Percentage		27.7%
<b>Loan Amount</b>	<b>\$</b>	<b>25,000.00</b>
Allowable Payroll Costs		
Payroll	\$	22,000.00
Healthcare	\$	8,000.00
Subtotal	\$	30,000.00
Non-Payroll Costs		
Interest	\$	-
Rent	\$	10,000.00
Utilities	\$	1,466.67
Subtotal	\$	11,466.67

### Payroll Vs. Non Payroll



■ Payroll ■ Non Payroll

Maximum Non-Payroll  
 =\$10,000  
 Total Costs \$40K  
 \$30K Payroll Costs  
 \$10K = 25% of \$40k

# Example Resulting in Loan

## Paycheck Protection Program Loan Calculator

**Big Game Fishing Lure Company**  
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### Dashboard

PPP Award Amount	\$	65,000.00
Total Spent PTD	\$	41,466.67
% of Total Spent		63.8%
Max Non-Payroll	\$	10,000.00
Non-Payroll Percentage		27.7%
<b>Loan Amount</b>	<b>\$</b>	<b>25,000.00</b>

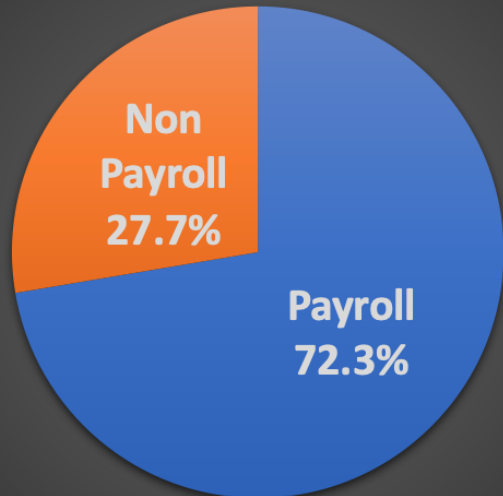
### Allowable Payroll Costs

Payroll	\$	22,000.00
Healthcare	\$	8,000.00
<b>Subtotal</b>	<b>\$</b>	<b>30,000.00</b>

### Non-Payroll Costs

Interest	\$	-
Rent	\$	10,000.00
Utilities	\$	1,466.67
<b>Subtotal</b>	<b>\$</b>	<b>11,466.67</b>

### Payroll Vs. Non Payroll



■ Payroll ■ Non Payroll

Total Costs = \$41,466.67

\$1,466.67 of those non-payroll costs will be unforgiven

\$40,000 Forgiven

Non-Payroll Amount Spent

\$11,466.67

Less Max Non-Payroll

\$10,000

= \$1,466.67 unforgiven



# Example Resulting in Loan

## Paycheck Protection Program Loan Calculator

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 Wailuku, HI 96793  
 808-123-4567  
 gerry@bigfish.com



### Dashboard

PPP Award Amount	\$	65,000.00
Total Spent PTD	\$	41,466.67
% of Total Spent		63.8%
Max Non-Payroll	\$	10,000.00
Non-Payroll Percentage		27.7%
<b>Loan Amount</b>	\$	<b>25,000.00</b>

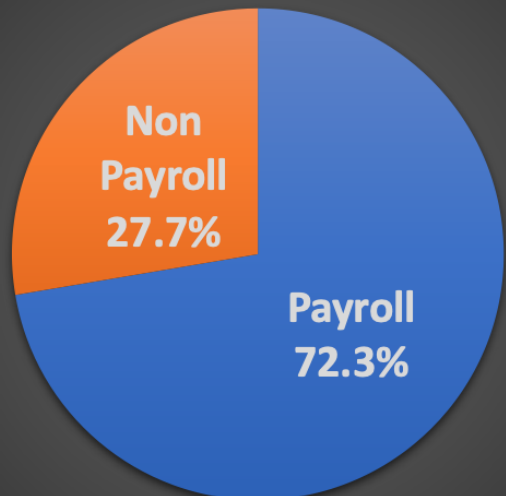
### Allowable Payroll Costs

Payroll	\$	22,000.00
Healthcare	\$	8,000.00
<b>Subtotal</b>	\$	<b>30,000.00</b>

### Non-Payroll Costs

Interest	\$	-
Rent	\$	10,000.00
Utilities	\$	1,466.67
<b>Subtotal</b>	\$	<b>11,466.67</b>

### Payroll Vs. Non Payroll



■ Payroll ■ Non Payroll

Funded Amount  
\$65,000

Amount Spent PTD  
\$41,466.67

NP Costs Unforgiven  
\$1,466.67

PTD Less Unforgiven NP  
\$40,000

Resulting Loan  
\$65,000

-\$40,000  
=\$25,000

# Helpful Links

PPP Application and EIDL Application Videos, Power Points and Q&A

<http://www.mauibizassist.com>

Brain Gain Hawaii

[www.braingainhi.com](http://www.braingainhi.com)

Cares Act Resource Folder:

2020-04-16 v14 v2 Save Hawaii Jobs and Businesses  
Memo for Employers.pdf

Covid-19 Maui Nui Website

[www.covid19mauinui.com](http://www.covid19mauinui.com)

# CONTACTS

For questions, assistance or virtual appointments, email us at:

## **MEDB**

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**MAHALO!**