



Quick PPP Forgiveness Video Series
Qualifying Payroll Expenses and Documentation

Disclaimer

PPP Forgiveness is an evolving process, subject to change as further guidance comes out from the SBA and US Treasury.

This presentation is for general information purposes only and should not be relied upon as a substitute for obtaining independent advice or undertaking independent research before starting the process to apply for PPP forgiveness. This presentation does not take into account any particular borrower's situation or needs.

All PPP Borrowers should obtain professional advice based on their unique situation before proceeding with the forgiving process. In addition, any implied projections or views of the hosts are their own personal opinions and are not the official position of CenterState Bank, N.A., Cherry Bekaert LLP or their respective directors or successors or assigns, and may not prove to be accurate. While the information contained herein is believed to be accurate as of the date of production, the information is subject to change and revision.

Speakers

Host



Chris Nichols
CenterState Bank

Subject Matter Experts



Josh Harris, CPA
Credit
Administrator
CenterState Bank



John Carpenter
Principal
Cherry Bekaert LLP

Supporting 100% Forgiveness

60%+ Payroll

- Salaries, wages, tips, bonuses, etc.
- Hazard pay
- Vacation & sick pay
- Parental and family leave (not FFCRA wages)
- Group medical (not employee's portion)
- Retirement benefits (e.g. 401k match, SIMPLE IRA) paid by employer

40% or less in Other

- Mortgage payments
- Business Lease/rental payments
- Utilities (gas, water, power, etc.)
- Internet
- Transportation costs (e.g. gas for delivery vehicles)

Summary: Qualifying Payroll Expenses

- Salaries and Wages (even if paid through a PEO)
- Tips
- Bonuses, commissions, & incentives
- Hazard pay
- Vacation pay
- Parental and family leave (not FFCRA wages)
- Sick leave
- Group Medical benefits paid by employer (not the employee's portion)
- Retirement benefits (e.g. 401K match, SIMPLE IRA) paid by employer

Summary: **Non-Qualifying** Payroll Expenses

- 1099 contract workers
- Employees that are paid by another company
- Social security taxes
- Medicare taxes
- Cost of managing payroll (third-party expenses to payroll firms, bookkeepers, etc.)

Payroll Costs Incurred or Paid

- ▶ Must be at least **60% of loan forgiveness** amount for maximum forgiveness
- ▶ Option of **56 days OR 168 days** of wages paid and incurred for employees whose primary residence is in the US, beginning either:

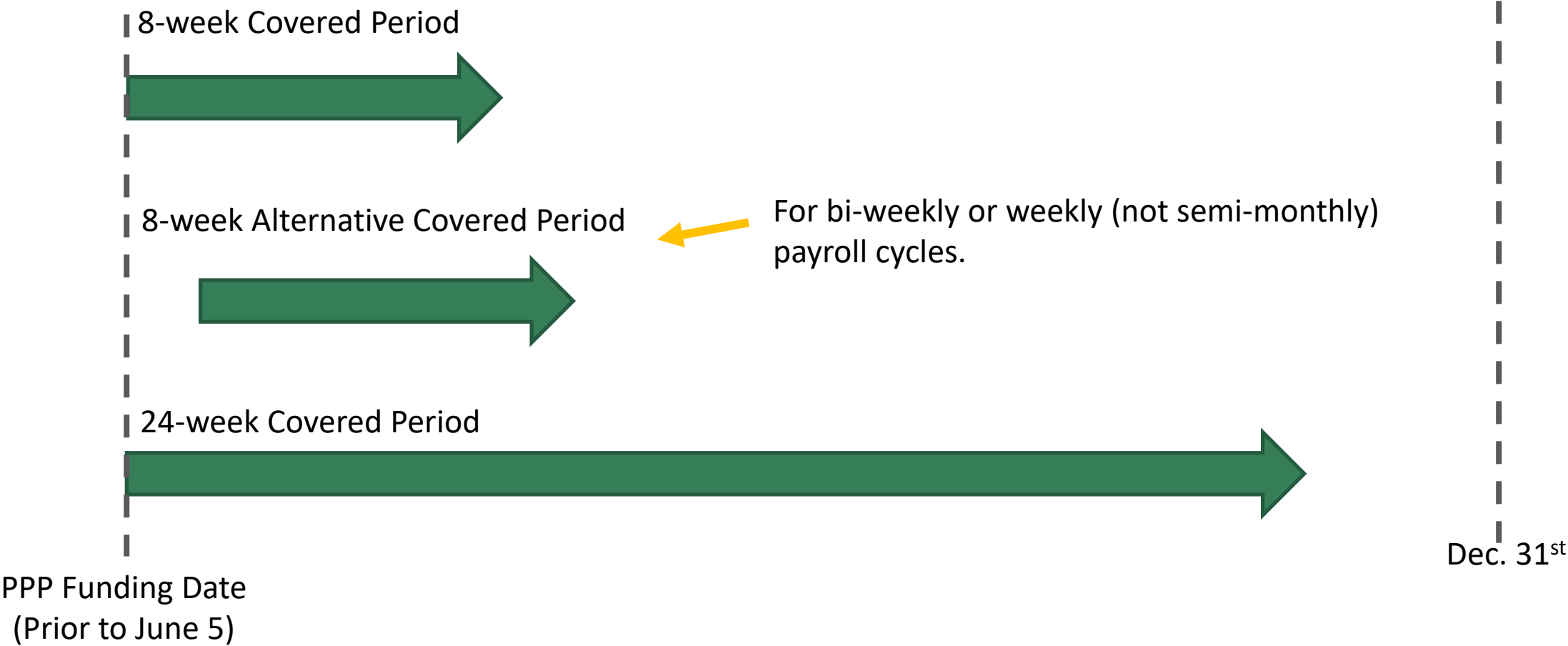
On the PPP loan funding date, or for borrowers with bi-weekly or more frequent payroll, day of first pay period after loan funding

Wages incurred in forgiveness period and paid after forgiveness period ends are included

Payrolls are effective as of date of distribution of paychecks or effective date that ACH deposits are originated

For employees other than owner- employees, no more than \$15,385 per person (8 weeks) OR \$46,154 (24 week option)

Starting and Ending Your Payroll Calculations



Payroll Costs Incurred or Paid

- ▶ **8 weeks OR 24 weeks** of wages beginning when the loan is funded for employees whose principal residence is in the US
 - Severance pay for terminated employees included
 - Earned payrolls paid in first payroll after loan funding included
 - By starting period on day of loan funding, may include more than **56 days (or 168 days)** of wages
 - Payrolls paid on first payroll date following covered period may be also be included where applicable to payroll periods occurring during covered period

Payroll Costs Incurred or Paid

- Reasonable bonus payments can be paid provided that no single employee receives more than **\$15,385 during the 8 week period** OR **\$46,154 during the 24 week period**
- For owner-employees no more than **\$15,385 during the 8 week period** OR **\$20,833 during the 24 week period**, capped at the 2.5 month equivalent of their 2019 compensation (including health benefits and retirement plan contributions)
- Mandated paid leave wages cannot be included

Other Payroll Costs Incurred or Paid

- ▶ Qualified health care costs for employees only
 - Employer share of costs paid during the 8 (or 24) week period
 - Pre-tax amounts included in gross wages
 - Includes health care premiums and costs of a self-insured plan
 - Includes dental, vision, HDHPs, HRAs, FSAs and other usual health coverages (but not HSAs or QSEHRAs)
 - Self-insured health benefits paid from the employer's general assets or a special health plan bank account will be included
 - Prepaid premiums and contributions to health plans may be allowed
 - Can create funded trust to receive prepayments of self-insured benefits if necessary

Other Payroll Costs Incurred or Paid

- ▶ Retirement plan contributions for employees only
 - Employer share of costs paid during the 8-week (or 24-week) period
 - Pre-tax amounts included in gross wages
 - 2019 contributions not previously paid if funded in the 8-week (or 24 week) period
 - 2020 contributions for employer match, discretionary profit sharing contributions and maximum allowable defined benefit plan contributions if funded in the 8-week (or 24-week) period
 - Contributions may perhaps be prepaid and allocated to employee accounts as required later in 2020
 - Need to be sure you comply with plan provisions regarding maximum contribution

Restrictions for Owner-Employee Forgiveness Amounts

- ▶ Owner-employees includes any shareholder of a C corporation or S corporation, any member of an LLC, any partner of a partnership and all sole proprietors
- ▶ Amount forgiven is limited to lesser of \$15,385 during the 8 week period or \$20,833 during the 24 week period, capped at the 2.5 month equivalent of their 2019 compensation (including health benefits and retirement plan contributions)
 - Amounts included in gross wages, SE income or Schedule C or F amounts
 - Group health plan benefits and retirement contribution not included in gross wages added to compensation before limitation (with the effect of reducing the maximum salary amount attributable to Owner-employees).

How To Document Qualifying Payroll Expenses

For payroll (in order of preference):

1. IRS Quarterly Form 941's that overlap the entire covered period
2. Payroll reports/schedules from payroll provider
3. Bank statements showing payroll debits
4. Cancelled checks or other evidence of payments
5. Schedule of employees with name, employee number, compensation and period of time

How To Document Safe Harbor Exemptions

For Safe Harbor evidence:

- Position declines, resignations, termination, etc. evidence
- Notices of reduction of hours
- Offer letters/emails or advertising (LinkedIn, local ads, etc.)
trying to hire back the position
- Narrative documenting what occurred including names, dates,
and details on the position

How To Document Qualifying Benefits Expenses

For benefits-related expenses:

- Healthcare or retirement benefit statements
- Bank statements showing healthcare and retirement benefit debits
- Payment receipts, cancelled checks, etc. for health & benefit expenses

What Questions Do You Have?

**Chris Nichols, Director of Capital Markets
CenterState Bank**

cnichols@centerstatebank.com

**Josh Harris, SVP Credit Administration
CenterState Bank**

jaharris@centerstatebank.com

**John Carpenter, Principal
Cherry Bekaert LLP**

jcarpenter@cbh.com

