Michigan Golf Course Association

PAYCHECK PROTECTION PROGRAM

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Paycheck Protection Program

• **Loans** to companies to keep their workforce employed
• **Eligibility**
  • Employers with 500 or fewer employees
  • Self Employed individuals, sole proprietors, independent contractors
  • 501(c)3 organizations
  • In business as of **February 15, 2020**
  • Additional eligibility for Accommodations and Food Sector
Was your business established on or before February 15, 2020?

No – You are not eligible for the Paycheck Protection Program

Yes - Do you have more than 500 Employees?

No – Are you a non-profit organization?

Yes – Are you a 501(c)(3) Organization?

No – You are not eligible for the Paycheck Protection Program

Yes – go to the PPP Loan Calc

No – go to the PPP Loan Calc

Yes – Are you accommodations or food services (NAICS 72)?

No – You are not eligible for the Paycheck Protection Program

The 500 employee limit is per physical location, go to the PPP Loan Calc
Paycheck Protection Program

- Calculation Includes: (April 2019 – March 2020)
  - Compensation to employees
    - 2.5 months average compensation
    - Seasonal – consecutive 12 week period 5/1/19-9/15/19
  - Payments to independent contractors (separate submission)

- Calculation Does not include:
  - Compensation of employee in excess of $100,000
  - Compensation for non US residents
  - Qualified sick and family leave under Families First Coronavirus Response Act
### Qualified Loan Amount

**Loan Calculation Period 4/1/19 - 3/31/20**

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<thead>
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</thead>
<tbody>
<tr>
<td>Payroll - salaries &amp; wages (including commissions and cash tips)</td>
<td>$1,200,000</td>
<td>$100,000</td>
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<tr>
<td>Employee Benefits</td>
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<tr>
<td>Group health care</td>
<td>$60,000</td>
<td>$5,000</td>
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<tr>
<td>Dental insurance</td>
<td>$4,500</td>
<td>$375</td>
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<tr>
<td>Workers compensation insurance</td>
<td>$1,200</td>
<td>$100</td>
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<tr>
<td>Payment for vacation, parental, family, medical or sick leave</td>
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<td>Allowance for dismissal or separation</td>
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<td>Retirement benefit</td>
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<tr>
<td>Other</td>
<td>$-</td>
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<tr>
<td><strong>Totals</strong></td>
<td>$65,700</td>
<td>$5,475</td>
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<tr>
<td>State or local tax assessed on compensation</td>
<td>$1,200</td>
<td>$100</td>
<td>$100</td>
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<td>Eligible EIDL to be refinanced into the covered loan</td>
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<td>Reductions</td>
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<tr>
<td>Wages &amp; subcontractors Over $100k</td>
<td>$50,000</td>
<td>$4,167</td>
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<tr>
<td>Taxes imposed or withheld under Chapters 21 or 24 of the IRC</td>
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<td>Foreign wages</td>
<td>$-</td>
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<tr>
<td>Qualified FFCRA wages</td>
<td>$-</td>
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<tr>
<td><strong>Totals</strong></td>
<td>$50,000</td>
<td>$4,167</td>
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<tr>
<td><strong>Total</strong></td>
<td>$1,216,900</td>
<td>$101,408</td>
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<tr>
<td><strong>Average Monthly</strong></td>
<td>$101,408</td>
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<tr>
<td><strong>Total Qualified Loan Amount</strong></td>
<td>$253,521</td>
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Paycheck Protection Program

• Fund Use
  • Payroll costs
  • Group health care
  • Interest on mortgage incurred prior to covered period
  • Interest on other debt incurred prior to covered period
  • Utilities – including electricity, gas, water, phone, internet, transportation
  • Rent
Expected Loan Forgiveness

• Amounts forgiven are canceled indebtedness by the lender within 90 days of amount determination

• Amounts of the loan used during the 8 weeks from the receipt of proceeds
  • Payroll costs
  • Amounts to pay for obligations in effect on 2/15/2020 for mortgage interest, rent, utilities

• What you need:
  • Gross payroll (wages, bonuses, tips, PTO)
  • Health care costs for employees
  • Contributions to qualified retirement plans
  • Payments of state/local taxes based on compensation
  • Self-employment income of partners or owners operating as self-employed individuals
  • Amount paid on leases, mortgages and utility contracts that predate 2/15/2020
Reductions in Expected Forgiveness

• NONE – if all proceeds are used for allowable purposes and FTE count and compensation levels are maintained

• Reduction if:
  • FTE count during the covered period is fewer than pre-COVID-19 levels
  • Wages paid to employees is less than 75% of that paid for the next earliest calendar quarter (for those <$100,000)
Definitions

• Covered period – 8 weeks from the loan funding
• FTE – Full Time Equivalent, full time is someone who averages at least 40 hrs per week
Covered Period Costs

• Payroll – gross wages, health insurance, state and local ER tax, 401(k) match, pension
• Mortgage interest
• Lease payments
• Utilities – electricity, gas, water, telephone, internet, trash, fuel for business vehicles, other
FTE Data Needed

• PR Calendar, FTE per PR Period, Total Non FT Hrs
  • For 2/15/19 - 6/30/19 (2019 comparison period)
  • For 1/1/20 - 2/29/20 (2020 comparison period)
  • For 2/15/20 - 4/26/20 (rehire eligibility period)
  • For date of loan – 8 weeks later (covered period)
• FTE increases 4/26/20 - 6/30/20
FTE Calculations

• Number of employees working full time by pay period
• Sum of all hours worked by part time employees by pay period
• Calculate the average part time (total hours/40 hrs per week) FTE
• Calculate averages for each period
Wage and Salary Reductions

• Review gross wages for employees (in total) that are paid under $100,000 for Q1 2020
  • Reduction in forgiveness if they are paid less than 75% of Q1 wages

• Review total funds used
  • Reduction in forgiveness if <75% is payroll (this includes payroll related)
Portion of Loan Not Forgiven

• Interest rate 1%
• Payable over 2 years
• Deferral of principal, interest and fees for 6 months
What Does the Bank Need?

- Supporting payroll documentation for average monthly payroll calculation (PR tax filings, 1099s issued, payroll journals)
- 2019 YE Financial Statements (some are requesting the Profit and Loss Statement Only)
- Support for insurance premiums, retirement payments
- NAICS Code
- Ownership information for any owners over 20%
- Detail listing of anticipated funding use

** Request list appears to still be fluid at this time – check with your financial institution for specifics **
Employer Payroll Tax Deferral

- Applies to ER Social Security AND Self Employment Tax
- ER portion of Social Security on wages paid in 2020 can be delayed
  - 50% not due until December 31, 2021
  - 50% not due until December 31, 2022
Employee Retention Credit

• Refundable PR tax credit equal to 50% of qualified wages during a calendar quarter

• Applies to the first $10,000 compensation per employee

• Applies to ER share of Social Security payroll tax obligations, excess credit is refundable to the employer
Employee Retention Credit

- Qualified Wages (salary and qualified health plan exp)
  - **Over 100 FTE** in 2019 – wages paid to employees that are not providing services due to the COVID-19 circumstances
  - **100 or Fewer FTE** in 2019 – all wages qualify during the period, as long as the business continues in operations following

- Wages taken into account under Families First Act NOT included
- Includes wages paid after 3/12/2020 and before 1/1/2021
Employee Retention Credit

- All Companies, including those with over 500 employees

Eligibility:
- In business during 2020
- Decline in business because of COVID-19
  - Required by government to shut down or suspend operations OR
  - Experienced significant decline in receipts
    - Any calendar quarter is 50% lower in gross receipts than same quarter in the prior year AND
    - Gross receipts recover to 80% of gross receipts of same quarter in the prior year in the first calendar quarter thereafter
Things are ever changing...

Material discussed in this webinar is based on information available as of the date of the webinar (May 26, 2020). Maner Costerisan is not under obligation to update theis material if changes occur. The information is meant to provide general information and should not be acted on without professional advice tailored to your individual needs.
Questions?

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