Seeking Forgiveness: Planning Your PPP Forgiveness Application

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# PPP Loans in Maine

PPP Loans to New England States – approved through 6/20/20

<table>
<thead>
<tr>
<th>State</th>
<th># Loans</th>
<th>Total $$ Loans</th>
<th>Avg $$/Loan</th>
<th>Population</th>
<th>#/100</th>
<th>$$/100</th>
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</thead>
<tbody>
<tr>
<td>ME</td>
<td>26,400</td>
<td>$2,228,185,817</td>
<td>$84,401</td>
<td>1,345,790</td>
<td>1.96</td>
<td>$165,567</td>
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<tr>
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<td>CT</td>
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<td>$186,041</td>
</tr>
</tbody>
</table>

**NE Total** | 244,686 | $28,621,523,647 | $116,972 | 14,940,932 |

**NE Average** | | | 1.64 | $191,565 |
LOAN FORGIVENESS: THREE BASIC QUESTIONS

To oversimplify:

• Did you spend the entire loan amount?
• Is your average FTE headcount lower than the first half of 2019?
• Have you reduced your employees’ salary/wage rates?

More precisely:

• Did you incur sufficient covered costs during your Covered Period?
• To what extent is your average FTE headcount during your Covered Period lower than your average FTE headcount during your Comparator Period?
• During your Covered Period, by what amount (in dollars) did salary/wage rates of your covered employees fail to reach at least 75% of their salary/wage rates in Q1 2020?
LOAN FORGIVENESS: KEY CONCEPTS

Covered Period

• Starts on PPP funding date

• Ends 24 weeks later (October’ish)
  • If your loan funded before June 5, you can elect the original 8-week period (June’ish)

• If you fund payroll weekly or biweekly, you can adopt an Alternative Covered Period for just “payroll costs” – allows you to line up better with your normal payroll periods
LOAN FORGIVENESS: KEY CONCEPTS

Average FTE Headcount

• For each hourly wage earner:
  
  Hours Paid per Pay Period ÷ Days in Period × 7 ÷ 40

  round to the nearest 0.1 - can’t be more than 1.0 even if she regularly works overtime

• Shortcut Method: every employee who works 40+ hours per week counts as 1.0; every employee who works fewer than 40 hours per week counts as 0.5
  
  ➢ Typically a lower number, but lower too for the Comparator Period
Salary/Wage Reduction

• If you reduce employee pay by cutting their hours, that is an FTE issue

• If you reduce employee pay by cutting their rate of pay to less than 75% of their average Q1 2020 rate, you must track and add up the total dollar deficit below 75% for the entire Covered Period

  • In the case of an employee who often works overtime but who has variable hours, this can be an especially intricate calculation

  • If your payroll company offers a special PPP payroll report, start there – this could save you a lot of time and effort
Scenario #1: So far so good

- Payroll costs exceed 60% of total loan amount
- Remaining amount of loan spent on covered rent, utilities, and mortgage interest
- No drop in FTEs since January-February
- No major drop in salaries/wages
- Some owners and executives have salaries exceeding $100,000 per year
Scenario #2: Almost out of the woods

- No wage/salary cuts except for higher-paid executives whose salaries in 2019 exceeded $100,000
- But steep cuts in FTE headcount during March - May
- As a result, payroll costs over 8 weeks were under 60% of loan amount
- But business is better now, headcount has almost recovered, and payroll costs now exceed 60% of loan amount
- Remainder of loan amount spent on covered rent, utilities, and mortgage interest
Scenario #3: Shared sacrificed

- No layoffs, but 33% cuts in wages and salaries in March/April across the board - several employees quit in response
- Payroll costs did not meet the 60% level in the 8 weeks
- Business is now improving but “iffy”
  - On August 1, restored wages/salaries to February 15 levels
  - Two employees who quit were rehired; some of the departed employees have been replaced
  - But headcount is still down somewhat compared to February 15 and 2019
QUESTIONS?

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