



ELM PPP Quick Points Part 2

As more and more clients are getting through the application process and beginning to get feedback from their banks, we wanted to take a minute and point out a few thoughts and ideas we had along with answering a couple questions we are beginning to get.

1) How do I start an application for a PPP loan if I haven't already done so?

You need to contact your financial institution to begin the process. They will provide you with a list of necessary documents and either hand you an application or point you towards their website to do the application online. Much of the confusion surrounding ELM being a PEO and requesting client tax forms has already been addressed. All banks should now know that they must accept payroll reports we give you in place of actual filed tax documents. We have added a few reports that give them specific tax data which some have requested. If you need more reports please contact your ELM payroll processor.

2) What period of time should I use for calculating my average monthly wages?

The vast majority of banks are asking that you calculate your monthly average by using all of 2019 as your measuring stick. So, you will need to take a Jan 1, 2019 to December 31, 2019 payroll report and add together the following to get your total payroll cost.

Gross Wages

State Unemployment (SUTA)

Local Employer Taxes if applicable

Client share of Health Insurance

Client contribution to 401 (k) or other company retirement plan.

This number will then be divided by 12 to get your monthly average. Take the monthly average figure and multiply by 2.50 to get your loan amount. If your bank requests a different time period, then the same rules apply but with just different starting and ending dates. There are special rules for seasonal employers but if you fall into that category and need guidance just give us a call.

3) What do I do with the money once I receive those funds?

We are recommending to every client that they set up a completely separate bank account and use that to fund payroll. All you will need to do is give us either a voided check or something from your bank that gives us the routing number and account number. We will then begin drafting your payroll invoices from that account once you tell us to start. You will need to let us know when we need to stop and go back to the original account. This will just make the reconciliation process easier and avoid the risk of co-mingling funds. Please note: Not everything that you will be billed through your ELM invoice will qualify for forgiveness but it will cover a large percentage.

4) The top question we have been receiving lately from clients that have completed their application and are waiting in line is when do I have to hire my employee's back or begin using the PPP funds?

Up until late yesterday this was wide open for conjecture and guessing. The U.S. Treasury and the S.B.A just released a set of Frequently Asked Questions (FAQ) and this is addressed on question 20. It is not the answer that many were hoping to receive but it does follow the original intent of the loan program. Maybe additional guidance will come out that addresses many of the questions that will obviously come from this decision. Do I have to pay people to stay home? We are under quarantine so I can't even open, does this still apply to me? We don't have anything for them to do and we have to practice social distancing protocol, what do I do then?

We wish we had a better answer and more clarity on how to implement it but this pretty much follows along with how everything else has gone recently. Please don't shoot the messenger.

Reminder: In order for a loan to be forgiven 75% of the loan needs to go to payroll costs and the company needs to maintain at least 75% of their workforce. If you are unsure of these amounts, please refer back to your application. The other 25% can be used for rent/mortgage and utilities if you noted that on your application.

5) What if I have employees that refuse to come back to work because they want stay on unemployment?

Once an employee is asked to return to work, they are no longer eligible for unemployment. We will be getting out information shortly on how that needs to be documented and what steps will be taken to deal with this. The only possible exception

would be an employee that is eligible for FMLA leave. Those cases need to be handled individually with our HR department.

As of April 8,

2020 PAYCHECK PROTECTION PROGRAM LOANS Frequently Asked Questions (FAQs)

The Small Business Administration (SBA), in consultation with the Department of the Treasury, intends to provide timely additional guidance to address borrower and lender questions concerning the implementation of the Paycheck Protection Program (PPP), established by section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act or the Act). This document will be updated on a regular basis. Borrowers and lenders may rely on the guidance provided in this document as SBA's interpretation of the CARES Act and of the Paycheck Protection Program Interim Final Rule ("PPP Interim Final Rule") ([link](#)). The U.S. government will not challenge lender PPP actions that conform to this guidance, 1 and to the PPP Interim Final Rule and any subsequent rulemaking in effect at the time.

Question 20: The amount of forgiveness of a PPP loan depends on the borrower's payroll costs over an eight-week period; when does that eight-week period begin?

Answer: The eight-week period begins on the date the lender makes the first disbursement of the PPP loan to the borrower. The lender must make the first disbursement of the loan no later than ten calendar days from the date of loan approval.

Here is a link to the complete document: <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>