

Webinar Question 1	Webinar Response 1
Are FTE's retiring or leaving employment on their own accord (who quit) during the reporting period considered a "terminated" FTE?	The FTE test is a bright line test as written so the answer is yes pending further guidance
How are employees who go out on disability during the 8-week period handled?	If you have an employee on any kind of allowable leave to me, they are still counted as an FTE. However, there is no official guidance to support this other than common sense.
Are you aware of any pending rules and/or legislation which will affect the amount of loan forgiveness based a YOY comparison of gross receipts?	None
We give annual bonuses in mid-March. Are bonus amounts included in determining if the employee was paid at least 75% of their Q1 compensation?	Unfortunately, as written this would be true. However, we are hoping that guidance will take a more common-sense approach and exclude annual payouts from Q1 comp.

For the PPP forgiveness, do you calculate a reduction in Employee Count (FTE) AND a reduction in forgiveness for salary/wage reductions? For example, let's say an employee goes on Short Term Disability three weeks before the Covered Period is to end. Does his reduction in salary reduce our forgiveness and reduce our FTE? Or is it one or the other. This person makes less than \$100k.

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They are two separate reductions. You have to hit the FTE count and also hit the compensation target. Therefore, you can take a double hit. However, in the fact pattern presented I would say the employee on leave is still an FTE until guidance is issued to the contrary. Also, I think it is reasonable to look at the class of workers making less than 100k on an annual basis and test if you hit the 75% for the class as opposed to employee by employee unless and until guidance would be issued to the contrary.

<p>our forgiveness and reduce our FTE? Or is it one or the other. This person makes less than \$100k.</p> <p>Sent prior to webinar too.</p>	
<p>The two rules for forgiveness - FTE and salary reduction - are those both counted against you or only one can be counted against you?</p> <p>For example, if someone leaves the Company, does that count against us and the salary reduction counts against us too? or someone goes from full time to part-time?</p>	<p>They are two separate reductions. You have to hit the FTE count and also hit the compensation target. Therefore, you can take a double hit. However, in the fact pattern presented I would say the employee who leaves the company presents a deficit that you must make up unless they are in guidance issued to the contrary. As to the second part of the question, I think it is reasonable to look at the class of workers making less than 100k on an annual basis and test if you hit the 75% for the class as opposed to employee by employee unless and until guidance would be issued to the contrary.</p>

<p>Q1 consists of 12 weeks; and the covered period is 8 weeks. Is the 10,000 examples over 12 weeks or the 75% adjusted for the 8 week covered period?</p>	<p>There is no guidance and the statute is unclear. However, we are assuming that we are comparing 8/13ths of Q1 to the 8 weeks post-closing in applying the 75% test.</p>
<p>So, we can include 1099 employees in our payroll costs? The banks told us several times we could not include our 1099 employee payments in our payroll costs.</p>	<p>No, sorry if I implied that somehow.</p>
<p>Can we include our monthly Profit-Sharing accrual if we don't pay it until the end of the year?</p>	<p>The statute specifically requires paid and incurred. However, this language is subject to a lot of interpretation and hopefully we will be receiving guidance soon.</p>
<p>We will have any employee to claim short term disability due to his non-COVID-19 related health issue, do we need include him for FTE reduction count and the salary reduction count?</p>	<p>However, I would say the employee on leave is still an FTE until guidance is issued to the contrary. Also, I think it is reasonable to look at the class of workers making less than 100k on an annual basis and test if you hit the 75% for the protected class as opposed to employee by employee unless and until guidance would be issued to the contrary.</p>

<p>Even if one individual's pay does not reach the 75% salary threshold, couldn't the shortfall be made up by wages to other employees?</p>	<p>The statute language implies the test is employee by employee. However, we don't see how that is workable in the real world. We think it is reasonable to look at the class of workers making less than 100k on an annual basis and test if you hit the 75% for the protected class as opposed to employee by employee unless and until guidance would be issued to the contrary.</p>
<p>Can you use the funds to pay owners/partner who typically take guarantee payments? Does the partner payment count towards the forgiveness amount?</p>	<p>Yes, and Yes, but the guaranteed payments must be paid in the 8 week covered period and there are capped at \$15,385 per partner</p>
<p>If we make a Profit-Sharing contribution pro-rated for the 8-week PPP Forgiveness period are we obligated to continue the same profit-sharing contribution for the rest of tax year 2020?</p>	<p>We are referring to an accrual of profit sharing for 2019 that has not been paid before the covered period began. It makes total sense that you could pay 8/52nds of 2019 accrual within the covered period with the PPP money and it would qualify for forgiveness. You may be able to take the entire payment but that seems aggressive without further guidance.</p>
<p>When we applied for this loan, none of these were known. Does that make any difference?</p>	<p>I am not certain of the exact nature of the question as to what was not known?</p>

<p>How likely the tax impacts and OH impacts are going to be removed?</p>	<p>That's a great question, but the hope is with organizations like the CPA society and certain Senators pushing back on the tax issue that that one will get resolved quickly. Since the OH issue is more specific to your industry that might not be resolved as soon, but through the efforts of ACEC, we are still hopeful that it will get clarified for the better.</p>
<p>employee sponsored life insurance plans?</p>	<p>If it is employer paid group life coverage, then it seems reasonable to us that would be an includable fringe benefit. However, the statute specifically refers to health benefits and there has been no guidance on the subject.</p>
<p>Can we accelerate our 1st June payroll to fall within the 8 weeks in order to meet the 75%?</p>	<p>Yes, we believe that you can, but that might get messy and instead paying a bonus might be a "cleaner" option.</p>
<p>Not the profit sharing, but our 8-week period ends 6/12 so we want to move the 6/15 payroll up to 6/12.</p>	<p>Yes, based on how it is currently written, you can do that.</p>
<p>Since we are just comparing FTE's between a base period and current period, does the method of calculating FTE's really matter as long as consistent?</p>	<p>I don't believe that it will matter as long as you are consistent.</p>
<p>Is the entire salary of employees making over 100K eliminated from calcs or its just capped at 100K for calcs?</p>	<p>It's just capped, not totally thrown out. So, over the 8 week period an employee can only make \$15,385.</p>

<p>How is a contribution to a profit-sharing plan treated in relation to the \$100,000 max?</p>	<p>It is not included in the \$100k max, it is in addition to.</p>
<p>For forgiveness, do expenses need to be accrued and paid within the 2-month period?</p>	<p>Based on the current guidance, yes, the costs need to be paid within the 2 month period.</p>
<p>I paid 1st qtr. unemployment after we received our loan. Will that count? It was accrued before the loan but paid during the period.</p>	<p>Yes, we believe that it will count towards forgiveness since it was paid during the period.</p>
<p>Could you please summarize what is included in payroll: State Taxes, Fed Taxes, 401k employer contributions, health insurance employer contributions?</p>	<p>Wages (salary, bonus, tips, PTO, etc.); Employer paid health care costs; employer paid retirement benefits; payments of state/local taxes based on compensation (unemployment taxes)</p>
<p>If one of our offices is owned by the owner of the company, does all of the rent paid count towards the 25% of non-payroll, or is there some sort of "common control" reduction?</p>	<p>There currently is no "common control" reduction within the act.</p>

<p>If we do the calculation and see that we are below the 75% threshold for payroll, can we give a bonus to reach the 75%?</p>	<p>Yes, bonuses have been a popular item that many firms are considering.</p>
<p>For forgiveness, do you have to demonstrate that you would have had a reduction in FTEs if you did not get the loan? Can client late payments be a need justification?</p>	<p>That is not explicitly stated but would be a good idea to document this as support for the "need" for the loan.</p>
<p>we got money on April 20th, eight weeks start from then?</p>	<p>The first day of the 8-week period is the day you got the money in your bank account.</p>
<p>What is the base period for comparison</p>	<p>There are two different periods that you may use for the base period: 2/15/19 through 6/30/19 or 1/1/20 through 2/29/20</p>
<p>Are social security, federal payroll tax portions unallowable?</p>	<p>Yes they are not included in the allowable amount as they are not included in the definition of payroll.</p>
<p>The act says costs "incurred AND paid" within the 8 weeks, so any 2019 retirement/profit sharing should NOT count since the cost did not incur over the 8 weeks. is this not the right way of reading the CARES Act??</p>	<p>This is a good example of needing further guidance as this is being interpreted many different ways currently. Based on our conversations with multiple lenders, we feel like as long as it's paid then it will count (even if it was "incurred" in the prior year).</p>

<p>Does the FTE coincide with the max loan calculation or can we use one or the other? eg, if we used 2019 wages, can we use feb 15-jun30 FTEs?</p>	<p>You can pick which ever base period you want, it is not dependent on the period you used for the loan calculaion (calendar 2019 or prior rolling 12 months).</p>
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