



## Mercadien Q&A Session – PPP Forgiveness Webinar 7.29.2020

- **Q1: Can you use the loan for 10 or 12 weeks, or must it be exactly 24 weeks?**  
**A:** It does NOT have to be an exact 24 weeks. You can use the proceeds up prior to the 24 weeks, however if you have a salary reduction due to paying an employee less than 75% of their base salary in first quarter of 2020, that reduction calculation has to be carried out over the full 24 week period.
- **Q2: Are Dental & Vision coverage included in healthcare cost calculation?**  
**A:** Yes, they are included.
- **Q3: Are we able to include internet costs in the utility calculation?**  
**A:** Yes, according to the AICPA PPP guidance, internet costs are part of utilities.
- **Q4: For my payroll costs I want to use the 24-week period even though I received loan on May 5th. My salary cost from 5/5 through Oct something will be more than the loan. In the beginning weeks the state was giving us retainer. So as not to double dip. I only want to use a % of the salary cost by person after let's say 7/20 - a) can this be done and b) how do you reflect that on the forgiveness application and backup files?**  
**A:** This question is about allocating payroll costs between funding sources. Many of our nonprofit organization clients have multiple funding sources. If they are on a cost reimbursement contract for a particular funding source, the PPP loan proceeds that are forgiven will be considered a separate revenue source and the same cost (i.e. payroll) cannot be paid from more than one revenue source (i.e. double dipping). In order to avoid this, the question suggests allocating one cost between two funding sources. While this is possible under most cost reimbursement contracts, it is not really feasible in the PPP grant process since the PPP loan forgiveness calculation looks at the “whole” employee. So, the answer to question a is likely to be n” and then to question b - n/a.
- **Q5: Can the loan period be 8 weeks or any period up to 24 weeks, or just 8 weeks or 24 weeks?**  
**A:** See Q1 above.
- **Q6: If you decide to use the 24 weeks instead of the 8 weeks, should you wait until the end of the 24 weeks to apply for the forgiveness?**  
**A:** You don’t have to wait the full 24 weeks to apply for forgiveness, however, if you have a salary reduction to the forgiveness amount or a FTE reduction, either of which is likely to be restored by December 31, 2020, you should wait to file your application so the restoration can be considered in your forgiveness application process.
- **Q7: Can my company still apply for a PPP loan? What is the deadline?**  
**A:** Yes, the deadline to apply for a PPP loan was extended to August 8<sup>th</sup>.



- **Q8: Can a profitable company ask for PPP and be eligible for forgiveness?**  
A: Yes, any company that meets the eligibility criteria and can sign the attestation statements can apply and follow the forgiveness process.
- **Q9: We have contracts with the State of NJ. We continued to receive grant payments, but our fee income is down significantly. If we did not have the PPP loan, our programs would be in a loss. Can we show the PPP money in our contract to avoid a double dip?**  
A: Yes, you would show the PPP funds that are forgiven as a separate grant funding source in your Report of Expenditures (ROE). If the PPP loan will not be forgiven and you will repay it, then you do not need to show the funds used to pay expenses in your ROE (if you took a credit line to pay bills you would not reduce your expenses in the ROE nor would you show the loan as revenue.)
- **Q10: Do we have to include all employees, or can we use PPP only with certain departments? We're a nonprofit that receives funding for different departments from different sources.**  
A: You can use the PPP monies any way you choose as long as you use them on *covered expenses*. Depending on how you use them, your forgiveness calculations may be limited, but remember you can have partial forgiveness. You should run a projected forgiveness calculation using the funds in a particular department only and see what the results look like.
- **Q11: ADP provides a Labor Distribution report with each payroll. We know how much of an employee's salary is grant-funded. Do we use the non-funded portion of the salary for PPP forgiveness?**  
A: See Q4
- **Q12: If you submit forgiveness after year-end how does this affect year-end taxes?**  
A: See Q4
- **Q13: What are the odds of loans below 100k or 150k being automatically forgiven based on what is going on in congress?**  
A: This requires a crystal ball. At this time, we do not have an answer to this question. Follow our LinkedIn page for updates here - <https://www.linkedin.com/company/the-mercadien-group>.
- **Q14: If you are a non-profit and do not receive grants, can you have surplus at the bottom and still apply for PPP forgiveness just like any other different years?**  
A: See Q8
- **Q15: How are staff on leave for FFCRA in head count and salary?**  
A: The salary costs for employees that are being paid under the FFCRA are not to be included in the salary costs that are used for PPP forgiveness. That is because FFCRA salaries are eligible for separate payroll tax credits. The employees who are receiving FFCRA benefits are however counted in the FTE calculation and therefore do not count against you for the forgiveness

reduction.

- **Q16: If staff on FFCRA come back prior to Dec. 31, will that help us meet the payroll requirement?**

**A:** If you are paying wages under FFCRA, those employees are counted in your FTE headcount; you cannot add their wages into your payroll costs.

- **Q17: Do you have a template on your website that we can use to file for forgiveness?**

**A:** The AICPA has a template on their website that is open to the public. Your payroll provider may also have a template available for use in calculating forgiveness.

- **Q18: If the loan forgiveness employees involve two programs, can the amount be split or can one of the fund sources claim it all?**

**A:** See Q4 above

- **Q19: If you spend more than the 60% of loan proceeds on payroll costs, and you have an FTE forgiveness reduction, is it possible that you can still have the entire loan amount forgiven?**

**A:** Yes it is possible to have the entire loan forgiven in this scenario due to the mathematics of the calculation where covered payroll costs are high enough to absorb the effect of the FTE reduction.

- **Q20: Is Workman's Compensation Insurance considered a payroll cost, operating cost or overhead cost?**

**A:** No. The guidance does not provide for workers compensation insurance premiums as a covered payroll cost.

- **Q21: Can benefits for owners of S or C corporations be included in the forgiveness calculation?**

**A:** Yes. There are specific rules of "owner-employees". There are caps for the payroll costs of owner employees and self-employed individuals who file a schedule C on their personal return or are partners in a partnership. S corporation owners by law must include the cost of their healthcare premiums paid by the S corporation in their W-2. Accordingly, these costs are already considered part of their compensation. Owner employee compensation is capped at \$15,384 or \$20,833 (or their 2019 W-2 wages if they earned less than \$100,000) if they use an 8-week or 24-week covered period respectively. S corp owner employees pension costs (like employer share of 401K contributions) can be part of the covered payroll costs up to 2.5 months of their 2019 pension contribution. Example - if an S corporation owner-employee had \$6,000 of employer pension contributions in 2019, and again made pension contributions during the covered period, the max that can be considered payroll costs for forgiveness is \$923 under an 8-week forgiveness period or \$1,250 under a 24-week forgiveness period. So, for S corporation owner employees you add their allowable W-2 wages and allowable pension costs together for the forgiveness calculation of covered payroll expenses.

Owner-employees of C corporations - Similar to S corporation owner-employees, the components of payroll costs are capped and limited to the applicable portion of the 2019



compensation, healthcare costs and pension costs. The difference between an S corp and a C corp owner employee is the healthcare costs. C corp owners do not have to include healthcare premiums in their W-2 so that means that their covered payroll costs can include the cost of healthcare premiums limited of course to what was paid on their behalf during 2019 (pro rata based on the chosen covered period).

This answer clarifies what the Mercadien PPP Implementation Guide update explained. The guide was not clear.

- **Q22: Our organization has a number of employees who are paid on a non-hourly pay metric. They are drivers who are paid per trip or by miles driven. How do I establish a defensible Full Time Equivalent Employee calculation for these members of our team?**

**A:** This sounds like an independent contractor situation and independent contractors cannot be counted for the PPP Loan award amount or forgiveness calculations. Additional information is required to comment on this question.

Contact our COVID-19 Consulting Team for any questions relating to the Paycheck Protection Program, loan and forgiveness applications and calculations, as well as other business advisory services to help your business successfully navigate through these challenging times.

*DISCLAIMER: This advisory resource is for general information purposes only. It does not constitute business or tax advice, and may not be used and relied upon as a substitute for business or tax advice regarding a specific issue or problem. Advice should be obtained from a qualified accountant, tax practitioner or attorney licensed to practice in the jurisdiction where that advice is sought.*