1. Answered: Your PPP Loan Forgiveness Questions | Bench Accounting - YouTube

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Transcript:

okay hi folks my name's oscar i'm from bench accounting and this is another video about ppp forgiveness now we've done a few on this topic over the last sort of week or so um around sort of the rules of rehiring employees the general terms of forgiveness what that looks like for people who are self-employed easy things you can do to get your loans forgiven and you've all had a lot of good questions and we've been working through the questions in the sort of comments below the videos but i thought it would be a

good idea just to kind of put out a quick video running through a few um good questions that i've pulled out from a lot of the comments sections and hopefully clearing up a few kind of key areas when it comes to the forgiveness of ppp loans so let's dive right into it i've got them i've got a few of them up here now this first question is can my boss add an additional amount of money weekly with wages and then get that forgiven as part of his ppp loan so this has come up a few times and certainly from our own clients and

also sort of in in the webinars and videos that we've done is what about things like hazard pay bonuses any additional money that i want to pay employees that as they're working through through this kind of through this period now whilst it's a a very admirable thing to be doing particularly things like bonuses and hazard pay we think they're great ideas when we're looking at the ppp itself now it's it's it's quite clear in the fact that the purpose of the loan is designed to kind of maintain

salaries and pay rates as as they were before the pandemic and in intended to keep that average payroll cost so at the moment we see nothing to indicate that any additional funds over that average are going to be eligible for forgiveness we think that the forgiveness will just cover up to the point that's the same pay level before the pandemic so kind of pre-february the 15th 2020.

um so any additional funds that you want to pay employees whilst you think it's a great idea and you know we encourage it in the right circumstances don't necessarily think it's going to be eligible for forgiveness next question is to do with when does the forgiveness period start so that eight weeks of the loan that we've been talking about in all these videos is it from when i applied for the loan or when i got approved for the loan or is it when i actually received the funds and this the answer is clear it's from

when those funds hit your bank account so the actual disbursement of the loan itself that's what kind of sets the clock running on on the eight week period so that's when all your expenses on in that eight week period those are the ones that are going to qualify for forgiveness um the next question is to do with folks who are self-employed and and actually to do with the owner compen the owner compensation replacement scheme so just to kind of reiterate what that what that is as a self-employed person if you've

applied for the ppp you can actually automatically have eight weeks worth of your 2019 net profit automatically forgiven and all you need to do is just to be able to show that figure on your 2019 tax return even if it's not filed just prepared tax return that that that line 31 on the schedule c um and you can qualify for this owner compensation replacement now this question is if i'm able to get back to work in the coming weeks and so i actually um have income over those sort of eight week period do i lose the ability to have this ppp

forgiven as i will actually be generating income again and and to that node the answer is no it's not going to affect your eligibility at all so just because you are earning money aside from the ppp you can still have that amount that you've applied for and you can still have um eight weeks worth of your 2019 net profit automatically forgiven so it won't be affected by your current the current status of your business and whether or not you're generating revenue the next question that um i'm going to go over is just to

do with employees and their and their working status now this person that's asked this question has 11 employees however the 11th one is currently stuck overseas and has not been receiving pay since february now he's still not back and i don't expect him to be back by the next 60 days which you know given a lot of borders are closed isn't surprising do i still have to show him getting paid to be eligible for hitting a 100 employee rate to get the maximum forgiveness now again here are sort of guidance is fairly clear you don't

have to have that employee actually in work doing a job in order to have them on payroll again the idea of the of the ppp is just to kind of protect those payrolls um to put money in people's pockets so even if they're stuck overseas and actually come and can't do the job that you're paying them for the best idea is to still put them on payroll still pay them still show that you're transferring money into the bank account um and then you'll stand the best chance of actually qualifying for full forgiveness okay

then next question do you recommend opening a separate new bank account and transfer the loan there with the bank that helped you get the loan so it's easier to show proof of expenses on it yes that is a cracking idea that's an excellent question we strongly recommend opening a new bank account it makes everything to do with tracking your expenses knowing where the money went being able to document the expenses the whole bookkeeping surrounding it makes it a whole lot easier so we definitely think that's a good idea if

you can do it without too much hassle next question this has come up a bunch um i've certainly had a few people ask this in a few different places is can the ppp loan retroactively cover back pay and people have asked this in a variety of questions you know can i use ppp funds to pay rent or lease agreements that arose in february or march for example at the moment no the guidance we expect to kind of change in the um in the coming days you know i'm giving you these answers on today the thursday the 14th of may and but we

expect you know imminent updates on on the subject of forgiveness so here's a a great opportunity for me to plug the blog so forward www.bench.com blog if anything's updated we're going to be constantly updating the articles that we've got on there um we'll we'll give you links in the description below to all the relevant articles so do check that out but going back to the subject of can the loan cover back pay at the moment no um at the moment it's designed to just cover expenses that arise

in the eight week period and that are paid in that eight week period so um but obviously if that changes we will let you know the next question again another brilliant question is to do with the eight-week owner compensation replacement scheme for self-employed people in the ppp now if you actually do the maths sorry the math and you um work out eight weeks of your 2019 net income multiply that um well sorry you work out your weekly amount you multiply that by eight if you've applied for the maximum amount

as a as a um self-employed person through the ppp you may find that that eight weeks worth of payroll or of owner compensation replacement actually comes out to 74 of the total of the loan now we've spoken in the past about how you need to use at least 75 of the loan um on payroll costs and then the remainder for the sort of other approved expenses people ask this question great question it's not explicitly said anywhere however what is explicitly said is that calculation for the owner compensation replacement we know it's eight weeks

worth of 2019 net income so just because that causes a slight conflict of a one percentage point we don't expect that to be an issue and the other thing that i would say having looked through the guidance that's come out of the treasury having looked through the the act itself the cares act a lot of the language around um uh around the amount is actually slightly more approximate the treasury have come out and say that we think you know it'll be roughly eight weeks worth of salary so that's sort of 74

percent being so close to 75 cut off that's actually on the ppp application itself as one of the attestations we don't think it's going to be an issue obviously if we get any more clarification we will certainly update the blog obviously again the next question is my business is an escort my salary is over 10 000 monthly um does the owner wages or do the owner wages included are they included in the 75 and what's the maximum i can pay myself um in those eight weeks answer this question is so long as your salary is

recorded through the payroll through your payroll that's eligible to be included in the 75 so as the owner of an s corp owner draws or um or the net income calculation that we've been doing for other sort of self-employed people that doesn't count towards ppp calculations so it's only it's only money you're earning through payroll so salaried earnings and this is capped at a hundred thousand um for the year so the total per month you're eligible for is is that eight three three three point

three three recurring because of the cap so in terms of what qualifies as forgiveness what you do is you you um you divide that 100 000 by 52 to get to a weekly amount you multiply that by 8 and the number that you get to is fifteen three eight four point six four so fifteen thousand three hundred eighty four dollars that's the amount that you um automatically have forgiven in that situation okay then um this is an interesting question about um about rehiring employees now we touch on this in another video but

um the rules around rehiring employees and head count obviously you need to maintain the same level as head count um pre-pandemics so for a lot of people they're gonna be looking at either the period of february 15th to june the 30th of of last year 2019 or they're going to be looking at sorry january the 1st to february 29th of this year looking at your headcount numbers in either of those two periods and um you're going to want to maintain that level of headcount in order to qualify for forgiveness now if some people have been

laid off and they're on an unemployment and they don't want to come back to work and you've offered that um as long as you've got proof of their rejection of your um letter of employment or offer employment you won't have your forgiveness affected that's been set out in treasury guidance now the question here is does this need to be a physical letter and physical signature or is email response is that okay to count as legal legal documentation and here an email is absolutely fine as long as

you've got it recorded no problem at all so the next one do they look at payroll costs per employee before or after tax deductions um and this is a pretty simple answer so they're looking at pre-tax so pre-any withholding tax deductions anything like that so we're looking actually gross payroll costs per employee and the last question here's a good one which is oh my god i miscalculated and i used my gross income instead of my net income from my schedule c what do i do now now we don't think

you're the only person that that did this but if you if you believe your ppp loan amount is incorrect and you figure that out we strongly recommend getting in touch with your lender as soon as possible um being super clear making sure you document those communications your lender make sure you showed that you do you did everything in your power to kind of flag this mistake it was an honest mistake um and and work with them there we do actually have a blog blog article on the subject we'll link it below it's it's actually called what

what it's all about um what to do when you get the wrong amount on the ppp great that's that's a a bunch of great questions that have been asked through the course of these forgiveness videos if you have any more if there's something i didn't cover feel free to stick in the comments below we will do our best to get back to you with answers as soon as possible and just one kind of final caveat to all these answers is they are correct as of today which is thursday the 14th of may we are expecting imminent

guidance out on on on forgiveness more generally of course we'll be doing more videos with any key findings that we have from that we'll constantly keep you guys updated and again my final shout out to the blog to check it out as all the up-to-date information is there and do subscribe if you want um any of those updates that'll be coming out in the next few weeks as we get more information but for now thanks very much for watching