



**MORRISON**

## **MAXIMIZING YOUR PAYCHECK PROTECTION PROGRAM LOAN**

If you are one of the small businesses that was fortunate enough to receive approval on your SBA Paycheck Protection Program Loan, you're probably facing a combination of both celebration and confusion. The process by which the program regulations were adopted was nothing short of chaotic and many small businesses were put in the position of submitting applications for funding before fully knowing what the PPP parameters would be. Though guidance is still changing, one thing is for certain: you want to make sure you are in the best position to ensure that your loan is forgiven. Here are some key tips to help you best plan for spending your PPP loan and strengthen your position toward obtaining loan forgiveness.

### **1 Calculate your eligible PPP costs on a weekly basis, for the eight weeks beginning from the date your loan is funded.**

Small businesses can use their PPP loan to pay for eligible costs related to payroll (with restriction for personnel with wages and bonuses over \$100,000 annually); certain health and pension benefits; state and local taxes on payroll; interest on any covered mortgages; rent; and utilities during the eight week period that the loan covers (beginning from the date your loan is funded). Many of these costs are incurred by businesses monthly, or bi-monthly, rather than on a weekly basis. To help you get an accurate picture of what your eligible costs for forgiveness may be, determine what your costs are for eligible items on a weekly basis. This may involve converting what you spend on annual salaries and employee benefits and monthly rent costs into a weekly amount, each week for the eight weeks of the loan period.

### **2 Ensure that personnel costs comprise at least 75 percent of the total PPP loan funding you spend.**

SBA guidance notes that for PPP loans to be eligible for forgiveness, at least 75 percent of the PPP funding you spend must be on eligible personnel costs. Businesses need to be sure this is 75 percent of the eligible funding spent. Calculating your costs on a weekly basis will help you to determine if you are meeting this threshold.

### 3

## **Understand and know your FTEs before the PPP Program and at the end of the eight-week eligible time period.**

The total amount of your PPP loan that is eligible for forgiveness can be reduced if your full-time equivalents (FTEs) are lower at the end of the loan period compared to prior history. To determine if you may potentially face a reduction in your forgiveness amount, it's important to understand your FTEs. Make sure you calculate your projected average number of FTEs per month during the eight week loan period. You'll also want to determine your FTEs for both 1) the period beginning on February 15, 2019 and ending on June 30, 2019 as well as 2) the period beginning January 1, 2020 and ending on February 29, 2020. You will only be required to compare your FTEs at the end of the loan period to one of those two prior periods, so it's best to see what time period is most advantageous to your business.

### 4

## **Plan for how to manage any funding that remains after paying eligible PPP costs.**

As the total amount of the PPP loan your business received was based on average monthly payroll expenses, multiplied by 2.5, businesses may find themselves with loan amounts that exceed eligible expenses. Once you forecast your eligible PPP expenses for the eight-week period, you will be able to determine this. Make sure you know that going in and understand that what you spend on ineligible expenses will not be forgiven – you can spend funds on other expenses, but it may become part of the 2-year 1 percent loan.



*Overlooking expenses during the 8-week period that may be eligible for forgiveness can leave money on the table. If you want to chat through defining and forecasting your costs during the next eight weeks, developing any needed budgets & financial modeling, creating cash flow models for the next several months, or ensuring you have the proper internal controls and procedures to manage your PPP loan or any other federal funding our Morrison team may be able to help. Feel free to reach out to us directly at 530-809-4686 or [office@morrisonco.net](mailto:office@morrisonco.net) and we can schedule a time to chat.*

