



PrestigePEO

July 29, 2020

COVID-19

We Are Here For You

Today's Presenters



Jason Flinn

Today's Host,
Director of
PrestigePEO Client
Services



Andrew Lubash

Founder and
Principal
PrestigePEO



Seth Perretta

Principal
Groom Law Group



Carol Sawyer

Tax Manager
PrestigePEO



Ryan Yannalfo

Director of Process
Improvement
PrestigePEO

Today's Topics



- Timeline of COVID-19 Relief Legislation
- Phase 4 Stimulus Proposals
- Comparison of Key Components for HEROES Act & HEALS Act
- COVID 4.0 Legislation – What's Next?
- PPP Loan Forgiveness Application Worksheets

- ❖ Webinar Forum
 - All participants are muted.
 - Please type questions in the side navigation panel and we will try to address most questions.
 - Today's presentation will be posted prestigepeo.com/covid-19.

Welcome Update Presented by Andrew Lubash



- Andrew (Andy) Lubash is Founder and Principal of Prestige Employee Administrators.
- Andy currently holds several positions at the National Association of Professional Employer Organizations (NAPEO);
 - Chairman of the Board of Directors
 - Member of the Federal Government Affairs Committee
 - Member of the Healthcare Committee
- Previously, Andy was Chairman of the State Government Affairs Committee for five years.

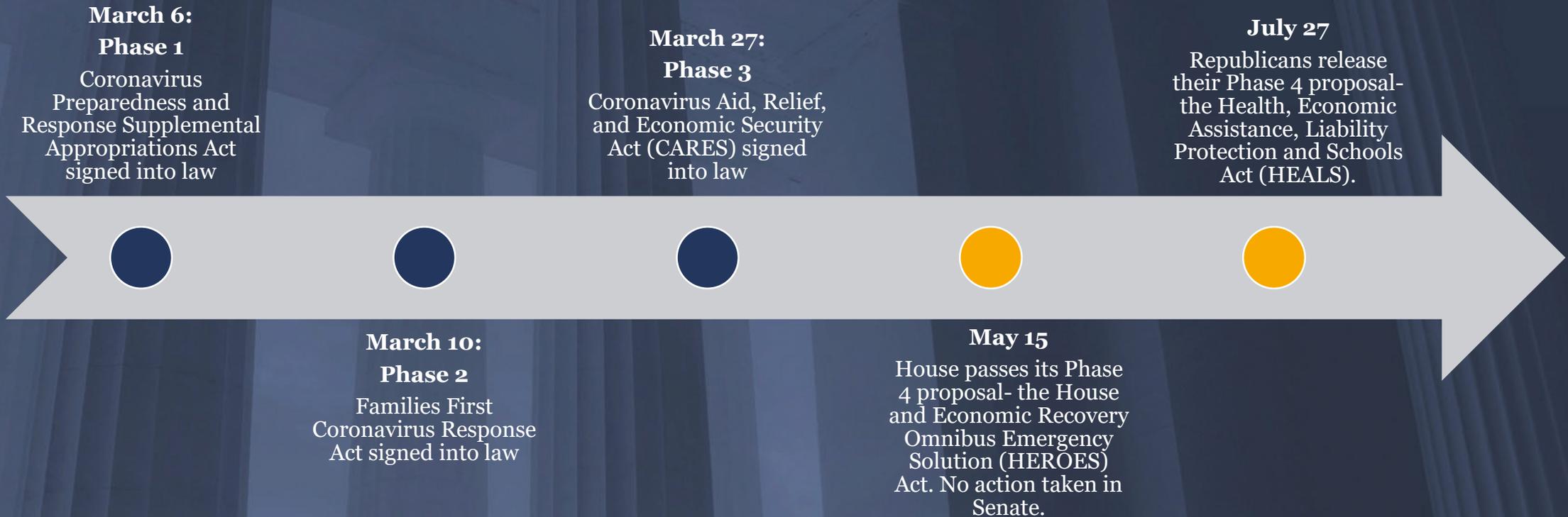
Legislative Updates Presented by Seth Perretta



- Seth Perretta is Principal at Groom Law Group, where he focuses his practice on employee benefit matters
- Based out of Washington, D.C., Seth interfaces regularly with regulators at the federal agencies and has been carefully following the federal legislative and regulatory developments
- Seth is outside counsel to NAPEO, the organization that represents the PEO industry, as well as American Benefits Council (ABC).
- Seth is a graduate of NYU School of Law and Cornell University

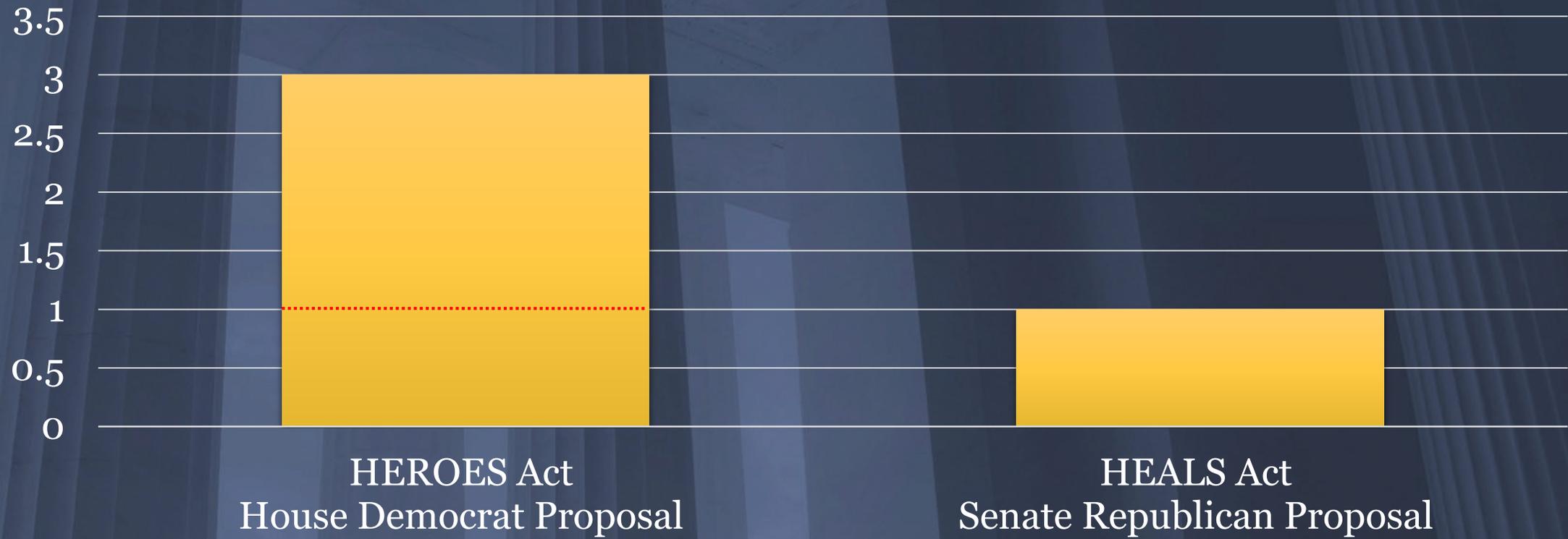
Legislative Updates

Timeline of COVID-19 Relief Legislation



Phase 4 Stimulus Proposals

Proposed Funding in Trillions of Dollars



Comparison of Key Components

HEROES Act

HEALS Act

Paycheck Protection Program (PPP)

- Allows recipients to spend PPP relief funds through the end of 2020 and gives employers 24 week timeline to spend the funds, rather than 8 weeks
- Provides for a minimum maturity on PPP loans of 5 years, allowing borrowers to amortize loans over a longer period of time and lower monthly payments.
- Carves out 25% of existing funds upon date of enactment of HEROES to be used for businesses with 10 or fewer employees
- Removes the requirement that no more than X% of funds from a PPP loan can be spent on non-payroll expenses

- \$190 billion for second draw loans from the PPP for firms with fewer than 300 employees that have experienced at least 50% reduction in gross revenue.
- Firms would be allowed to take out a second loan equal to 2.5 times total monthly payroll costs (up to \$2 million), and loans are forgivable if at least 60% is used to cover payroll costs.
- \$60 billion for long-term, low interest loans
- Expands forgivable expenses to include worker protection costs, such as PPE expenses
- Simplifies forgiveness process for smaller loans

Comparison of Key Components

HEROES Act

HEALS Act

COBRA Subsidy

- Subsidizes COBRA continuation premiums for laid-off workers and furloughed employees from March 1, 2020 to January 31, 2021

- None

Employer Liability Shield

- None

- Liability protection for and businesses from claims regarding exposure to COVID-19, so long as the entity takes “reasonable” precautions and doesn’t act with “gross negligence” or “intentional misconduct”

EIDLs

- Provides additional \$10 billion in funding

- None

Comparison of Key Components

HEROES Act

HEALS Act

Payroll Tax Credit

- None

- Creates a new refundable payroll tax credit equal to 50% of an employer's qualified employee protection expenses, including PPE expenses and cleaning supplies
 - Maximum amount of qualified expenses is \$1,000 for each of the first 500 employees
 - Credit applies to expenses paid after March 12, 2020 and before January 1, 2021
-

Unemployment Benefits

- \$600 per week supplement to state unemployment benefits continued through January 31, 2021

- \$200 per week supplement to state unemployment benefit through September 2020, and then beginning October 2020 provides a payment that replaces 70 percent of recipient's lost wages when combined with state UI, up to \$500 per week
- \$2 billion to upgrade state unemployment systems

Comparison of Key Components

HEROES Act

- Increases the refundable payroll tax credit to 80% of qualifying wage, up from 50 %
- Increases the per-employee limit to \$45,000 per year
- Phases in the credit for firms with gross receipts for the year that are between 50% and 90% of prior levels

Employee Retention Tax Credit (ERTC)

HEALS Act

- Increases the refundable payroll tax credit to 65% of qualifying wages, up from 50%
- Gross receipts threshold to qualify reduced from 50% to 25% compared to the same calendar quarter in the previous year
- Wages that can be claimed increased to \$30,00 per year, but \$10,000 per quarter.

COVID 4.0 Legislation – What's Next?

- Now the fun begins! Senate and House leaders from both parties will commence the negotiations process
- Expectation is that a final deal will be reached, with a bipartisan bill voted on before Congress leaves town for summer recess (ideally by 8/15, but could push later)
- However, several thorny issues in play, such as employer liability shield; thus, no foregone conclusion that a deal will be ultimately struck

PPP Loan Forgiveness

PPP Loan Forgiveness

- No Rush to apply for Forgiveness
- Banks have not yet received guidance from SBA for the processing of the forgiveness applications
- SBA expects to release this guidance to the banks and lenders in August
- Loan forgiveness application is available on the Covid-19 section at www.prestigepeo.com

PPP Loan Forgiveness Application

Application components

- There are four components to the loan application (however, only items 1 and 2 need to be submitted):
 1. PPP Loan Forgiveness Calculation Form
 2. PPP Schedule A
 3. PPP Schedule A Worksheet – Table 1 & 2 (must be retained for 6 years)
- Borrower must also submit and retain specified supporting documentation

PPP Loan Forgiveness Calculation Form (Form 1) with a yellow box containing the number 1 at the bottom right.

PPP Schedule A Worksheet (Form 2) with a yellow box containing the number 2 at the bottom right.

PPP Schedule A Worksheet (Form 3) with a yellow box containing the number 3 at the bottom right.

PPP Loan Forgiveness Application

Prestige Schedule A Worksheet - Table 1

- Employees paid less than or equal to \$100,000 annually in 2019 or not employed at any point in 2019

Prestige Schedule A Worksheet - Table 1				
Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
Angela Admin	1234	\$7,000.00	0.8	800
Betty Bookkeeper	5678	\$9,600.00	1.0	0
Carla Controller	9012	\$10,000.00	1.0	1000
Debbie Director	3456	\$15,385.00	1.0	0
Eleanor Electrician	7890	\$9,900.00	0.9	0

PPP Loan Forgiveness Application

Prestige Schedule A Worksheet - Table 2

- Employees paid at an annualized rate of more than \$100,000 for any pay period in 2019

Prestige Schedule A Worksheet - Table 2			
Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Felicia Finance	9876	\$15,385.00	1.0
Gladys Graphicdesign	5432	\$14,000.00	1.0



Prestige PPP Schedule A

- The Prestige report will have schedules for:
 - Line 6 – benefits
 - Line 7 – retirement plan expenses
 - Line 8 – state & local taxes
 - Line 9 – wage compensation paid to owners

PrestigePEO™ <u>PPP Schedule A Worksheet, Table 1 Totals</u>	
Line 1.	Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1: \$51,885.00
Line 2.	Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1: 4.7
Line 3.	Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1: If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here and enter 0 on line 3. \$1,800.00
<u>PPP Schedule A Worksheet, Table 2 Totals</u>	
Line 4.	Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2: \$29,385.00
Line 5.	Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2: 2.0
<u>Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period</u>	
Line 6.	Total amount paid by Borrower for employer contributions for employee health insurance: \$15,000.00
Line 7.	Total amount paid by Borrower for employer contributions to employee retirement plans: \$1,600.00
Line 8.	Total amount paid by Borrower for employer state and local taxes assessed on employee compensation: \$3,500.00
<u>Compensation to Owners</u>	
Line 9.	Total amount paid to owner-employees/self-employed individual/general partners: \$15,385 This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual include, attach a separate table that lists the names of and payments to each.
<u>Total Payroll Costs</u>	
Line 10.	Payroll Costs (add lines 1, 4, 6, 7, 8, and 9): \$116,755.00
<u>Full-Time Equivalency (FTE) Reduction Calculation</u>	
If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here, skip lines 11 and 12 and enter 1.0 on line 13.	
Line 11.	Average FTE during the Borrower's chosen reference period: 7.0
Line 12.	Total Average FTE (add lines 2 and 5): 6.7
Line 13.	FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met: 95.71%



PPP Loan Forgiveness Application

Full-time Equivalency (FTE) Reduction calculation on Schedule A

Full-Time Equivalency (FTE) Reduction Calculation

If you satisfy any of the following three criteria, check the appropriate box, skip lines 11 and 12, and enter 1.0 on line 13; otherwise, complete lines 11, 12, and 13:

No reduction in employees or average paid hours: If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here .

FTE Reduction Safe Harbor 1: If you were unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19, check here .

FTE Reduction Safe Harbor 2: If you satisfy FTE Reduction Safe Harbor 2 (see PPP Schedule A Worksheet), check here .

Line 11. Average FTE during the Borrower's chosen reference period: _____

Line 12. Total Average FTE (add lines 2 and 5): _____

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if any of the above criteria are met: _____

PPP Loan Forgiveness Application

FTE Reduction Safe Harbor 1

- If you were unable to operate between 2/15/20 and the end of the covered period at the same level as before 2/15/20 due to compliance with requirements established or guidance issued between 3/1/20 and 12/31/2020 by Secretary of HHS, CDC, or OSHA, then check the next box on Schedule A:

FTE Reduction Safe Harbor 1: If you were unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19, check here .

PPP Loan Forgiveness Application

Prestige Schedule A Worksheet - FTE Reduction Safe Harbor 2

- Prestige report to calculate the second FTE Safe Harbor at the bottom of Schedule A

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Step 1.	Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter:	<u>6.8</u>
Step 2.	Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1:	<u>7.0</u>
Step 3.	If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, the FTE Reduction Safe Harbor is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.	
Step 4.	Enter the borrower's total FTE as of the end of your covered period:	<u>6.5</u>
Step 5.	If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor has been satisfied. Otherwise, the FTE Reduction Safe Harbor does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of the schedule.	

PPP Loan Forgiveness Application

PPP Loan Forgiveness Calculation Form

- Amounts provided by Prestige complete the lines highlighted in yellow

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
		() -	
		Primary Contact	E-mail Address

SBA PPP Loan Number: _____ **Lender PPP Loan Number:** _____
PPP Loan Amount: _____ **PPP Loan Disbursement Date:** _____
Employees at Time of Loan Application: _____ **Employees at Time of Forgiveness Application:** _____
EIDL Advance Amount: _____ **EIDL Application Number:** _____
Payroll Schedule: The frequency with which payroll is paid to employees is:
 Weekly Biweekly (every other week) Twice a month Monthly Other _____
Covered Period: _____ to _____
Alternative Payroll Covered Period, if applicable: _____ to _____
If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

Line 2. Business Mortgage Interest Payments: _____

Line 3. Business Rent or Lease Payments: _____

Line 4. Business Utility Payments: _____

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: _____

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7): _____

Line 9. PPP Loan Amount: _____

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60): _____

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): _____

PPP Loan Forgiveness Application

- Prestige reports have not been finalized. We will notify all clients when they are available for release.
- Banks cannot accept forgiveness applications until SBA issues official guidance for processing.
- SBA has said they will release guidance to banks in “August”.

Client Communications

Prestige Communications

Today's presentation will be posted in our [COVID-19 resource center](#). Visit our resource center at prestigepeo.com/covid-19 for all things COVID-19.

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