

**SBA Paycheck Protection Program (PPP) Loans  
Paycheck Protection Program (PPP) Flexibility Act  
Archdiocese of Boston Frequently Asked Questions (FAQ's)  
As of July 2, 2020**

These FAQ's serve as a follow up to the last round that was distributed on June 24<sup>th</sup> related to the Paycheck Protection Program (PPP) Flexibility Act, which provides greater flexibility as to how businesses may spend PPP loan proceeds and also provides a simplified forgiveness application (Form 3508EZ).

Separate webinars will be presented in the future on the PPP loan forgiveness application process and accounting procedures relating to the PPP funds once additional (and hopefully final) guidance is received. We'll also provide updated FAQ's as necessary.

*Certain FAQ's below are carried over from the last update, but are certainly worth reviewing again.*

**1. Has the SBA provided an updated version of the loan forgiveness application?**

Yes. The SBA has provided an updated version of the previously issued application. They've also issued a new Form 3508EZ. We'll focus on the 3508EZ form (EZ form), which is three pages in length. That form will benefit the majority of our parishes and schools. Meeting both criteria below allows us to use the EZ form.

A. The Borrower did not reduce annual salary or hourly wages of any individual employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, "employees" means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

**AND**

B. The Borrower was unable to operate during 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 of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

In summary, if you reduced an individual employee's salary or hourly rate (excluding those earning more than \$100,000) by more than 25% during the covered period, you can't use the EZ form. If you feel that you fall into that category, please send an email to the [SBA@rcab.org](mailto:SBA@rcab.org) mailbox for additional guidance. Based on the re-opening guidelines and restrictions that have been placed on houses of worship and schools, all parishes and schools should satisfy the second criteria (see B above) due to the inability to operate at the same level of business activity during the covered period (8 weeks or 24 weeks).

**2. Will the EZ form loan forgiveness be impacted by a reduced FTE count during the covered period?**

With the new guidance, no. The EZ form does not include a penalty for a reduction in FTE's during the covered period (8 weeks, 24 weeks or a period in between) so long as both criteria in Question 1 above are met (see A and B). We believe all parishes and schools would satisfy the second criteria above due to the impact on the "business activity" of those locations as a result of the ongoing Massachusetts restrictions on operations. You are required to include the number employees at the time of loan application and at the time of forgiveness application. However, those numbers have no impact on the forgiveness calculation.

**3. If we elect to use the funds over a period of between 8 and 24 weeks, but we are implementing layoffs before we expend all PPP funds, what impact would this have on our PPP forgiveness?**

We believe that parishes and schools should maintain their staffing levels as they were in February 2020 for any weeks during which PPP funds are available. We recommend that parishes and schools estimate their PPP fund utilization levels prior to making any staff reductions (please see questions #10 and 11 below for information). If your parish has not reduced any employee's salary or hourly rate by more than 25%, we believe you can lay off employees after PPP funds have been exhausted. However, since the SBA has not published final guidance on this issue, the parish or school should understand that it is possible that not all of the PPP funds will be forgiven if layoffs occur.

**4. Our school has hourly staff who would normally not be paid after the June 12 (or June 26) pay date. If PPP funds have not been exhausted and/or the 8-week period continues past these dates, must the school continue to pay these individuals?**

In light of the updated guidance and the Form EZ application language, we believe these employees do not need to be paid past their normal final pay date of the school year.

**5. If a parish or school has returned employees to payroll who are not working (either due to lack of work or continued social distancing limits), must they continue to pay them if the location is still within the 8-week period? Ex: musicians, cafeteria workers.**

We believe that for the 8-week period and beyond, PPP funds should be used to pay these employees just as they are used for those employees who are still working. Once PPP funds have been exhausted, we believe these employees do not need to continue to be paid.

**6. Do we still need to choose between an 8-week and 24-week covered period?**

Based on the current guidance, you must choose either period. However, the updated Interim Rule that was distributed last week included the following language:

***When must a borrower apply for loan forgiveness or start making payments on a loan?  
A borrower may submit a loan forgiveness application any time on or before the maturity date of the loan – including before the end of the covered period – if the borrower has used all of the loan proceeds for which the borrower is requesting forgiveness.***

This is great news. This allows you to use a covered period somewhere between the 8 and 24 weeks to fully expend the loan proceeds and maximize forgiveness. We're awaiting additional guidance from the SBA and our lenders regarding this change and the timing of submitting the forgiveness application. We'll keep you posted.

Please continue to use the PrimePay PPP codes beyond the 8-week period in order to ensure that you utilize all your loan proceeds. While we wait for additional guidance from the SBA and our lenders, we'll work to create an efficient forgiveness application and documentation process.

**7. Can we choose to use 100% of the funds for “payroll costs”?**

Technically, a parish or school can choose to do so. However, at this time, we recommend that the funds be spent as quickly as possible through payroll costs and non-payroll costs to enable the parish to be prepared to apply for forgiveness as soon as the final guidance is received. As we have seen, the SBA continues to change its rules and guidance. This appears to be the best approach at this time. The thought process could change depending upon the impact of new guidance and updated forgiveness application requirements.

**8. What is included in the definition of “payroll costs”?**

Payroll costs include gross wages for lay employees and priests (except those in a religious order, who are paid by their order); the 401(k) Plan match (for both lay employees and priests); and the employer portion of health insurance coverage, which includes reimbursement of Medicare Part B premiums to employees or priests enrolled in the Medicare Primary Payer program. Payroll fees charged by Prime Pay do not count as “payroll costs,” nor does the employer share of FICA/MHI or the employer portion of dental insurance.

**9. If I misclassified hours in Prime Pay as regular instead of PPP, how can I fix them? Why does the coding matter?**

Please call Prime Pay to have them assist with a year-to-date adjustment. We will be using reports from Prime Pay run at an enterprise level to calculate forgiveness application totals, so these adjustments are needed to ensure the reporting is correct.

**10. Can you provide an example of the EZ form forgiveness calculation?**

Yes. Using a \$64,000 loan as an example, below is the related forgiveness calculation. This is a perfect case scenario. No layoffs or terminations were experienced during the covered period and nonpayroll costs (lines 3 & 4) were expended up to the original loan amount. Please remember that the loan was calculated based upon 2.5 times calendar year 2019 average monthly payroll costs (including the employer portion of healthcare cost and 401k match). In this case, \$51,200 represents two months of payroll costs at \$25,600 per month. \$12,800 (50% of one month’s payroll cost) was provided for nonpayroll cost coverage.

|   |        |
|---|--------|
| <b><u>Payroll and Nonpayroll Costs</u></b>                          |        |
| Line 1. Payroll Costs   | 51,200 |
| Line 2. Business Mtg. Interest Payments                             |        |
| Line 3. Business Rent or Lease Payments                             | 2,000  |
| Line 4. Business Utility Payments                                   | 10,800 |
|   |        |
| <b><u>Potential Forgiveness Amounts</u></b>                         |        |
| Line 5. Add the amounts on lines 1, 2, 3 and 4                      | 64,000 |
| Line 6. PPP Loan Amount   | 64,000 |
| Line 7. Payroll Cost 60% Requirement ( divide Line 1 by 0.60)       | 85,333 |
|   |        |
| <b><u>Forgiveness Amount</u></b>                                    |        |
| Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6 and 7) | 64,000 |
|   |        |
| <b>Loan Payback</b>   | -      |

Forgiveness is calculated based upon the lowest value registered in lines 5 – 7. Obviously, forgiveness will never exceed the original PPP loan amount on line 6. However, your actual spend and the payroll cost 60% requirement will have an impact. In the above scenario, the loan is entirely forgiven.

This could be accomplished using the 8-week period, assuming you haven't had any layoffs or terminations impacting the covered period. However, since we don't typically incur external mortgage interest (Revolving Loan Fund interest is excluded), it may take longer than 8 weeks to expend the nonpayroll portion of the loan proceeds in order to enjoy full forgiveness. The change highlighted in question 6 allows you to extend beyond the 8 weeks while not going the entire 24 weeks in order to accomplish that.

### **11. Can you provide an EZ form forgiveness calculator that we can use to monitor our spending of the loan proceeds?**

Yes. We've attached a simple EZ form Excel calculator that will allow you to enter the allowable costs under the SBA PPP loan program. The first tab/sheet is the template that you'll use. The second tab/sheet includes sample calculation using the information in question 10 above. Please note that you most likely won't have entries in all the rows that pertain to payroll and nonpayroll costs. The usage will depend on how long it takes you to expend the loan proceeds.

You should continue to enter payroll and nonpayroll costs until the total amount expended on row 95 meets or exceeds the SBA PPP loan amount on row 13. To assist in monitoring this, we've included a flag on row 15. Until you've expended 110% of the loan proceeds, the cell will read "Continue to Enter Allowable Expenses". Once you've expended 110% of the loan proceeds, the cell will read "You've Expended the Loan Proceeds – No Further Entries Required". Hopefully, when you're done, row 102 "Loan Payback" should calculate to zero. If it doesn't, you may not have met the payroll cost 60% of loan requirement (row 96) or you may have experienced an input error. Please be sure to review your entries.

While this forgiveness calculator provides a solid measure of your loan forgiveness, it may not be exact and your actual forgiveness will be determined when the final forgiveness application is prepared and submitted to your lender. The additional 10% provides a necessary cushion to ensure that you've expended the loan proceeds. Also, please note that future SBA and lender guidance could possibly change the calculation.

Your inputs will include (yellow highlighted cells):

- **Row 8 and 9...** Enter your parish/school name and city/town.
- **Row 11...** Enter the date you received the loan proceeds from your lender. For Century loans, please remember that we provided you with the date your loan proceeds were received in the RCAB clearing account. That is that start of your covered period. If you don't have that date available, please email [SBA@rcab.org](mailto:SBA@rcab.org).
- **Row 13...** Enter your SBA PPP loan amount (loan proceeds received).
- **Rows 19 – 43...** Payroll costs
  - **Please refer to the attached "SBA PPP Loans - Calculating Payroll Costs Used to Date" guidance that the Benefits Office has provided that will assist you in determining your gross payroll, 401k match and employer share of healthcare costs by pay period and/or month.**
  - **Rows 19 – 28...** Enter the pay date and gross payroll for each period. Please note that the gross payroll for the first pay date on row 12 should include the payroll for the day your loan proceeds were received (row 11). Please note that the gross payroll for anyone earning over \$100,000 annually must be reduced down to the \$100,000 level for this

purpose. The maximum bi-weekly gross payroll for someone earning over \$100,000 would be \$3,846.

- **Rows 29 – 38...** Enter the pay date and 401k match for each pay period.
- **Rows 39 – 43...** Enter the combined monthly Clergy and Lay employer share of healthcare costs.
- **Row 46...** Business mortgage interest payments. Those don't apply to us. Please ignore.
- **Rows 49 – 68...** Enter the "week of" and your weekly business lease payments (copiers etc.) from your non-payroll tracking spread that was provided by FinPAX.
- **Rows 72 – 91...** Enter the "week of" and your weekly business utility payments from your non-payroll tracking spread that was provided by FinPAX. Utilities include electricity, gas, water, telephone, internet and oil. We've attached an updated tracker that includes added rows for additional weeks beyond the 8 weeks in the original version. You should include non-payroll expenses incurred and/or paid during your PPP covered period.
- **Rows 92 - 104...** No entries are necessary. The cell values in those rows calculate automatically.

If you encounter any issues gathering information related to PrimePay payroll reports or employer share of healthcare costs, please contact the Benefits Office. However, please be sure to follow the attached guidance first. Your regional Parish Services Consultant is also available to assist with general questions relating to the forgiveness calculator. As always, questions may also be sent to the [SBA@rcab.org](mailto:SBA@rcab.org) mailbox.

When you've expended the funds and completed the forgiveness calculator spreadsheet, please send a copy to [SBA@rcab.org](mailto:SBA@rcab.org). Also, please include your id#, parish or school name and city/town in the file name.

**12. What if our parish or school reduced an individual's salary or hourly rate by more than 25% during the covered period as compared to the period between January 1, 2020 and March 31, 2020? We have otherwise followed the PPP guidance. Can we apply for PPP loan forgiveness?**

Yes, your parish can apply, but you will need to use the Form 3508 forgiveness application (not the Form 3508EZ), which requires an FTE calculation that could impact loan forgiveness. Please contact your regional Parish Services Consultant if this situation applies to your parish.

**13. Since the SBA PPP loan program still has funds available, are parishes and schools permitted to apply for a second loan?**

At this time, only one application is permitted per organization. If the SBA relaxes these rules, we will let you know.

**14. What are the next steps?**

We await additional guidance from the SBA. We hope an update will be forthcoming with the release of the new EZ form and the ability to submit a forgiveness application prior to the end of the 24-week covered period. Please do not file a forgiveness form at this time.

We're also waiting for our lenders to receive the loan documentation requirements from the SBA. That will determine their process and requirements. As of yesterday, Century Bank hadn't received an update from the SBA. If you receive updates from your lender, please forward to [SBA@rcab.org](mailto:SBA@rcab.org).

Also, as noted above, we'll schedule webinars in the future on the PPP loan forgiveness application process and accounting procedures relating to the PPP funds once additional information is received and digested.

Please stay tuned.