

# CARES SBA: PPP Loan Forgiveness Reports FAQs – RUN Powered by ADP®

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## PPP Loan Forgiveness Information

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### Q1: Are PPP loans forgivable? How much of the PPP loan is forgivable?

A: Yes. Loans under the PPP are up to 100% forgivable. However, there are conditions associated with this forgiveness, including requirements that the loan proceeds be spent, or qualifying costs incurred, within the applicable covered period following your receipt of the loan proceeds (Covered Period)\* and that at least 60% of the loan proceeds be spent on payroll costs (and no more than 40% be spent on certain specified non-payroll costs including mortgage interest, rent, utility payments or interest on debt incurred prior to February 15, 2020). In addition, loan forgiveness may be impacted by reductions in the number of your employees and reductions in employee wages. The Department of Treasury has issued the PPP Loan Forgiveness Application form, available [here](#).

\* Loan proceeds must be spent during the 24-week period immediately following disbursement of the loan or by December 31, 2020, whichever is earlier (the Covered Period). If you received your loan prior to June 5, 2020, you may choose the 8-week period following disbursement of your loan as your Covered Period. Also, if you pay your employees on a biweekly or more frequent schedule, you may choose to begin the covered period on the first day of the first pay period following disbursement of the loan ("Alternative Payroll Covered Period") for qualifying payroll costs only.

### Q2: Do all payroll costs need to be paid within the Covered Period or Alternative Payroll Covered Period?

A: No. The latest guidance from the government indicates that borrowers are eligible for forgiveness for payroll costs paid and payroll costs incurred, but not yet paid, during the applicable Covered Period or Alternative Payroll Covered Period. Payroll costs are considered paid on the date of distribution of paychecks or origination of an ACH credit transaction. Payroll costs are considered incurred on the day that the employee's pay is earned. Payroll costs incurred but not paid within the Covered Period or Alternative Payroll Covered Period must be paid by the next regular payroll date to be counted for forgiveness purposes.

**Q3: Can I spend all of the PPP loan proceeds on payroll costs?**

A: Yes, you can use all of the loan proceeds for “payroll costs,” as defined in the PPP. Payroll costs mean:

- Employee gross pay, including salary, wages, commissions, bonuses and tips, capped at the annualized value of \$100,000 for the length of the applicable Covered Period or Alternative Payroll Covered Period (for example, for a 24-week Covered Period, this cap is \$46,154; for companies that obtained loans prior to June 5, 2020, and choose an 8-week Covered Period, the cap is \$15,385)
- All employer state and local taxes paid on employee gross pay, such as state unemployment insurance and employer-paid state disability insurance (in applicable states)
- Employer health care benefits, including insurance premiums
- Employer-paid retirement benefits, including defined-benefit or defined-contribution retirement plans and employer 401(k) contributions

NOTE: Loan proceeds may not be used to pay employer Social Security / Medicare or Federal Unemployment taxes. The definition of payroll costs also excludes workers compensation premiums, payments to independent contractors, and payments to employees for leave covered under the Families First Coronavirus Response Act.

**Q4: Does the annualized cap (for example, \$46,154 for 24-week Covered Periods; \$15,385 for 8-week Covered Periods) apply to all categories of “payroll costs”?**

A: No, the annualized \$100,000 cap applies only to employee gross pay. Employer-paid state and local taxes, health care benefits and retirement benefits are uncapped.

**Q5: Is paid sick leave covered in “payroll costs”?**

A: Yes, covered “payroll costs” include paid sick, family, vacation and medical leaves, except for payments to employees for leave covered under the Families First Coronavirus Response Act.

**Q6: Can I spend all of the PPP loan proceeds on non-payroll costs?**

A: Although loan proceeds under the PPP can be used for certain specified non-payroll costs including mortgage interest, rent, utility payments or interest on debt incurred prior to February 15, 2020, this amount is capped at 40% of the forgiveness amount. This means that if you spend more than 40% on such non-payroll costs, the amount of your loan forgiveness will be impacted. (Prior to the passage of the Payroll Protection Program

Flexibility Act (PPPFA) on June 5, 2020, the maximum amount a borrower could spend on non-payroll costs was 25% of the forgiveness amount. The PPPFA raised this limit to 40%.)

**Q7: What do the percentages of 60% and 40% mean for purposes of PPP loan forgiveness?**

A: Loan proceeds under the PPP may be used for certain specified non-payroll costs, including mortgage interest, rent, utility payments or interest on debt, if the respective obligations were incurred prior to February 15, 2020. However, at least 60% of the forgiveness amount must be for covered payroll costs. Accordingly, the maximum amount that can be spent on such specified non-payroll costs is 40% of the forgiveness amount. For example, if during the period used to determine loan forgiveness, your payroll costs are \$300,000, the maximum loan forgiveness amount you could receive is \$500,000. (\$300,000 is 60% of \$500,000). Therefore, your maximum forgivable non-payroll costs are \$200,000. (Prior to the passage of the Payroll Protection Program Flexibility Act (PPPFA) on June 5, 2020, the maximum amount a borrower could spend on non-payroll costs was 25% of the forgiveness amount. The PPPFA raised this limit to 40%.)

**Q8: What happens if I use less than 60 percent of the PPP loan on payroll costs?**

A: The Paycheck Protection Program Flexibility Act provides that at least 60% of the covered loan amount must be used for payroll costs. The Treasury Department has indicated that a borrower may “be eligible for partial loan forgiveness, subject to at least 60 percent of the loan forgiveness amount having been used for payroll costs.”

**Q9: I received my PPP loan. Do I have to enter anything differently or in a special way for payroll going forward?**

A: No. You can continue to run your payroll in the ordinary course. However, when running Forgiveness Payroll Cost Reports at the end of your applicable Covered Period or Alternative Covered Period, you may need to run separate reports for days at the end of the period during which you have incurred but not yet paid wages. See the question “What dates should I use for the Covered Period when running my reports?” below for more information.

**Q10: What happens if I reduce my staff? Do I have to repay my PPP loan?**

A: If you reduce the number of employees, the amount of loan forgiveness may be decreased. Loan forgiveness will be reduced based on the failure to maintain the average number of full-time-equivalent employees (FTEEs) during the Covered Period or Alternative Payroll Covered Period compared to either the period from February 15, 2019, to June 30, 2019, or

the period from January through February 2020. Seasonal employers may compare the average FTEEs employed during the Covered Period or Alternative Payroll Covered Period to either of these two periods or to any consecutive 12-week period between May 1 and September 15, 2019.

However, your forgiveness amount will not be reduced by a failure to maintain staffing levels during the Covered Period or Alternative Payroll Covered Period if (a) your average FTEEs between February 15 and April 26, 2020 is lower than your FTEEs as of February 15, 2020, and (b) you restored the level of FTEEs by December 31, 2020, to be equal or higher to the FTEE levels as of February 15, 2020. Your forgiveness amount may not be reduced for employees who decline offers of rehire, voluntarily resign or reduce their hours, or are terminated for cause or for employees who you cannot rehire due to restrictions imposed by certain government agencies related to COVID-19. See the question "My company previously laid off an employee, but later offered to rehire the employee. If the employee declined the rehire offer, will my PPP loan forgiveness amount still be reduced?" below for more information.

**Q11: What happens if I reduce pay amounts over the Covered Period or Alternative Payroll Covered Period?**

A: If you reduce the amount you pay to your employees (excluding those earning more than \$100,000 on an annualized basis in any single pay period in 2019), the amount of loan forgiveness may be decreased. Specifically, if you reduce the average annual salary (for salaried employees) or average hourly rate (for hourly employees) of one or more employees (other than those who earned on an annualized basis more than \$100,000 in any single pay period in 2019) by more than 25 percent, measured against the period of January 1 through March 31, 2020, a proportionate amount of your loan may need to be repaid.

However, if (a) a given employee's wage levels (annual salary level for salaried employees and hourly wages for hourly employees) between February 15 and April 26, 2020, are lower than as of February 15, 2020, and (b) you restore the wage levels by December 31, 2020, to be the same or higher than as of February 15, 2020, there will be no reduction in forgiveness based on that employee's wage levels.

**Q12: What happens if I maintain my employee levels for the full covered period, but then need to reduce headcount after that?**

A: This is not addressed in the CARES Act; however, we expect further guidance on this question from the Treasury Department/Small Business Administration. Further information will be provided when available.

**Q13: My company previously laid off an employee, but later offered to rehire the employee. If the employee declined the rehire offer, will my PPP loan forgiveness amount still be reduced?**

A: Loan forgiveness will not be reduced based on an inability to rehire employees if the employer can document (1) written offers to rehire individuals who were employees of the organization on February 15, 2020; or (2) an inability to hire similarly qualified employees for unfilled positions by December 31, 2020.

Additionally, forgiveness will not be reduced for failure to maintain employment levels if the organization is able to document an inability to return to the same level of business activity as existed prior to February 15, 2020, due to compliance with COVID-19-related guidance for sanitation, social distancing, or worker or customer safety requirements from the Health and Human Services (HHS), the Centers for Disease Control and Prevention (CDC), or the Occupational Safety and Health Administration (OSHA) between March 1 and December 31, 2020.

The SBA has suggested that the documentation required above would be satisfied if an employer made a good faith, written offer of rehire at the same salary/wages and for the same number of hours, the employee rejected the offer of rehire, and the employer notified the applicable state unemployment insurance office of the employee's rejection of rehire within 30 days. Employees who are terminated for cause, voluntarily resign, or voluntarily request and receive a reduction of hours may also be excluded from the FTEE reduction calculations.

**Q14: How will ADP help me with PPP loan forgiveness?**

A: ADP is developing reports and other guidance, such as these FAQs, to support its clients with respect to loan forgiveness. See the section below entitled "Forgiveness Reports" for more information.

**Q15: Can I use loan money to pay FFCRA Sick or Family Leave without affecting my PPP loan forgiveness?**

A: No, you are not allowed to use PPP loan proceeds to pay for any COVID-19 related leaves required to be paid under the Families First Coronavirus Relief Act (FFCRA). Instead, your FFCRA leave payments should be covered by the tax credits that you can receive under the FFCRA. Further, FFCRA sick/family leave payments for which you received FFCRA credits cannot be included in payroll costs for loan forgiveness.

**Q16: How do I know what to pay tipped employees with money from the PPP loan?**

A: Payments of cash tips are included in payroll costs for which you can use your PPP loan and seek forgiveness. In addition to cash tips, employers can pay employees equivalent amounts to account for lost tips based upon records of past tips or, in the absence of such records, a reasonable, good faith estimate of the tip amount.

**Q17: I deferred my employer Social Security tax deposits. How does this affect my PPP loan forgiveness?**

A: Employers that defer employer Social Security taxes under the CARES Act are still eligible for PPP loans and for forgiveness of their PPP loan. If an employer takes advantage of the employer Social Security tax deferral, it may continue that deferral until December 31, 2020. Amounts deferred are due in the two specified installments (12/31/2021 and 12/31/2022). (Note that prior to the passage of the Payroll Protection Program Flexibility Act (PPPFA) on June 5, 2020, borrowers were required to cease Social Security tax deferrals once any portion of the borrower's loan was forgiven. The PPPFA eliminates this requirement.)

**Q18: My bank would like ADP to sign an attestation confirming that all calculations in the PPP Payroll Cost Report are correct. Will ADP sign an attestation for me?**

A: Unfortunately, ADP will not be able to sign an attestation for your bank. ADP is not aware of any requirement that lenders secure an attestation from the payroll provider. In fact, SBA guidance provides that lenders need only conduct "minimal review of calculations based on a payroll report by a recognized third-party payroll processor."

**Q19: When can I apply for PPP loan forgiveness?**

A: The government enacted the Payroll Protection Program Flexibility Act (PPPFA) on June 5, 2020, which makes important changes to the PPP loan forgiveness process. Among the changes made by the PPPFA is an extension of the Covered Period or Alternative Payroll Covered Period from 8 to 24 weeks, though borrowers that obtained their PPP loan prior to June 5, 2020, may elect to use the original 8-week Covered Period or Alternative Payroll Covered Period. The Department of Treasury has issued updated loan forgiveness applications and interim final rules, which are available [here](#). Borrowers may apply for forgiveness as soon as their Covered Period expires or once they have exhausted loan funds, if earlier. Check with your lender to determine if they are currently accepting forgiveness applications. Borrowers have 10 months from the end of their covered period to apply for forgiveness before they will need to start repaying their PPP loan. However, if you have experienced wage or FTEE reductions, it may be advantageous to wait to apply for

forgiveness if you intend to try to restore your wage/FTEE reductions on or before December 31, 2020. Lenders have 60 days to make a decision on loan forgiveness.

**Q20: Is there a deadline for my company to apply for PPP loan forgiveness?**

A: There is not a fixed deadline for borrowers to apply for forgiveness. However, the Payroll Protection Program Flexibility Act (PPPFA) provides that loan recipients can defer repayment of principal and interest of their PPP loan until the time when the SBA compensates their lender for forgiven amounts of the loan. (Prior to the enactment of the PPPFA, principal and interest payments were deferred only for 6 months from the date of loan origination.) The PPPFA also provides that borrowers who do not apply for forgiveness within 10 months of the end of their applicable Covered Period or Alternative Payroll Covered Period must begin repaying their loan. PPP loans have an interest rate of 1 percent. Loans issued on or after June 5, 2020, have a maturity date of 5 years. Interest accrues from the origination date. Check with your lender to determine if they are currently accepting forgiveness applications.

**Q21: Can the payroll cost and headcount/employee detail reports used for the loan application be used for purposes of PPP loan forgiveness?**

A: No, the loan application reports cannot be used for loan forgiveness purposes. As examples of important differences in the forgiveness calculations, there is a specific employee retention (headcount) measure for the loan forgiveness that is different than the count for the loan application purposes, and specific dates and timeframes needed to calculate payroll costs for forgiveness purposes.

**Q22: Can I use the new EZ Loan Forgiveness Application form that the SBA released?**

A: The Treasury Department and Small Business Administration have issued a new “EZ” version of the Loan Forgiveness Application form and Instructions, which are available here. The EZ form contains simplified calculations and reduced reporting requirements for eligible borrowers. In order to use the EZ form, borrowers must be able to certify that one of the following three scenarios apply:

1. The borrower is self-employed individual, an independent contractor, or a sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the PPP loan application.
2. The borrower did not reduce the annual salary or hourly wages of any employee by more than 25 percent during the applicable Covered Period or the Alternative

Payroll Covered Period as compared to the period between January 1, 2020 and March 31, 2020 (excluding any employee who, during any single period in 2019, received wages or salary at an annualized rate greater than \$100,000)

**AND**

The borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period, excluding reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020 and also excluding reductions in an employee's hours that the Borrower offered to restore and the employee refused.

3. The borrower did not reduce the annual salary or hourly wages of any employee by more than 25 percent during the applicable Covered Period or the Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020 (excluding any employee who, during any single period in 2019, received wages or salary at an annualized rate greater than \$100,000)

**AND**

The borrower could not operate during the applicable Covered Period at the same business activity level 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.

## **PPP Loan Forgiveness Reports**

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### **Q23: What PPP loan forgiveness reports are available?**

- A: There are six total reports available to assist clients with PPP loan forgiveness.
- i) PPP: Loan Forgiveness Payroll Cost. This report provides the total payroll cost for all pay dates during the covered period. Employees are listed alphabetically in two separate groups: first are employees who did not earn more than \$100,000 on an annualized basis in any single pay period in 2019 and employees who were not employed in 2019; and second are employees who earned, in at least one pay period in 2019, gross pay in excess of \$100,000 on an annualized basis. For the Loan Forgiveness Application, these two groups of employees will need to be listed separately. The SBA payroll cost must be at least 60% of the total forgiveness amount. This report is available for borrowers using a 24-week Covered Period or, if



- they received their loan prior to June 5, 2020, an 8-week Covered Period. If you are applying for forgiveness before the end of your covered period, you can adjust the number of weeks that will be included in the report.
- ii) PPP: Loan Forgiveness Payroll Cost Details. This report provides the total payroll cost for all pay dates during the covered period by employee. The SBA payroll cost must be at least 60% of the total forgiveness amount. This report is available for borrowers using a 24-week Covered Period or, if they received their loan prior to June 5, 2020, an 8-week Covered Period. If you are applying for forgiveness before the end of your covered period, you can adjust the number of weeks that will be included in the report.
  - iii) PPP: Loan Forgiveness Employee Wage Comparison. This report lists gross wages processed for each employee for the selected covered period and the lookback period and shows average annual salary (for employees on salary for any portion of either period) or average hourly rate (for hourly employees) for each period. This report can be used to show if there has been a reduction of wages for any employee of more than 25% between the selected covered period and the lookback period. Note that employees earning more than \$100,000 on a prorated basis in any single pay period in 2019 are excluded from the wage comparison requirement. This report is available for borrowers using a 24-week Covered Period or, if they received their loan prior to June 5, 2020, an 8-week Covered Period. If you are applying for forgiveness before the end of your covered period, you can adjust the number of weeks that will be included in the report. Note that if you processed unpaid hours for any hourly employee, such as for unpaid leave, during one of the listed periods, you may need to manually adjust the employee's calculated hourly rate.
  - iv) PPP: Loan Forgiveness FTEE Comparison. This report provides Full Time Equivalent Employee values for the FTEE calculation options and can be used to show if there has been a reduction of FTEEs between the selected covered period and the lookback period you choose. This report is available for borrowers using a 24-week Covered Period or, if they received their loan prior to June 5, 2020, an 8-week Covered Period. If you are applying for forgiveness before the end of your covered period, you can adjust the number of weeks that will be included in the report.
  - v) PPP: Loan Forgiveness Wage Safe Harbor. If you determine there has been a reduction of wages, this report is used to determine whether wages have been restored by December 31, 2020, in order to restore the full loan forgiveness amount.
  - vi) PPP: Loan Forgiveness FTEE Safe Harbor. If you determine there has been a reduction of FTEEs, this report is used to determine whether FTEEs have been restored by December 31, 2020, in order to restore the full loan forgiveness amount.

## **Q24: How do I use the forgiveness reports that ADP is creating to complete the PPP Loan Forgiveness Application?**

A: The PPP Loan Forgiveness reports that ADP has set up for you can be helpful in completing your PPP Loan Forgiveness Application. For detailed information about how you will use specific data fields in these reports to fill out your PPP Loan Forgiveness Application, please see these video tutorials:

- i) [CARES Act - PPP Loan Forgiveness: ADP Report for Payroll Cost](#)
- ii) [CARES Act - PPP Loan Forgiveness: ADP Report for Wage Comparison](#)
- iii) [CARES Act - PPP Loan Forgiveness: ADP Report for FTEE Comparison](#)

Remember, the information in these reports is based on ADP's best reading of the CARES Act and current government-issued guidance and is based upon the information in ADP's systems and records. If you believe another reading or calculation would be appropriate, we recommend you make adjustments to the information contained in the reports. You may also have other information pertaining to your employees that is not in ADP's systems that may impact the calculations in important ways. Remember, you are responsible for all information you submit to the SBA or any lender to obtain a loan and forgiveness from repayment of a loan; therefore, it is important that you review and confirm the accuracy of the information contained in the reports, as well as all other information you provide regarding your loan. In addition, the information provided in this report is at the ADP Company Code Level(s) you select, which may not be the same as the business that applied for a loan under the PPP.

## **Q25: What dates should I use for the Covered Period when running my reports?**

A: Select the beginning date of the covered period based upon the date of first disbursement of loan proceeds or, if you pay employees bi-weekly or more frequently (such as weekly), you may use an "Alternative Payroll Covered Period," beginning on the first day of the first pay period following disbursement of your loan. Whichever period you select, you must apply the same period for purposes of calculating all payroll costs, wage levels and FTEE amounts and determining the amount of any reduction of any loan forgiveness loan amounts.

If there are any days between the last pay date in your selected covered period and the end of the covered period, this report will not include the wages incurred during those days. However, the latest guidance from the government permits you to include the amount for employee wages incurred but not paid before the end of your selected covered period in your payroll costs. For pay after the end of your covered period that includes wages incurred during the covered period, we recommend running a separate Payroll Cost Report for this

period and adding the proportionate share of incurred payroll costs to the totals before submitting the Forgiveness Application.

NOTE: The Covered Period for PPP loans is the 24-week period immediately following disbursement of the loan or a period ending on December 31, 2020, whichever is shorter. If you received your loan prior to June 5, 2020, you may choose the 8-week period following disbursement of your loan as your Covered Period. Also, if you pay your employees on a biweekly or more frequent schedule, you may choose to begin the covered period on the first day of the first pay period following disbursement of the loan ("Alternative Payroll Covered Period") for qualifying payroll costs only. The reports are available for borrowers using a 24-week Covered Period or, if they received their loan prior to June 5, 2020, an 8-week Covered Period. If you are applying for forgiveness before the end of your covered period, you can adjust the number of weeks that will be included in the reports.

**Q26: How do I run a PPP Loan Forgiveness Payroll Cost Report?**

A: Running a report is simple. When you sign into RUN, please follow the pop-up screen, which will take you directly to the report. You can also access the report by going to our Reports Tab. The Report can be found in the Payroll Reports section. Select the beginning date of the covered period and whether you will use a 24-week Covered Period or, if you received your loan prior to June 5, 2020, an 8-week Covered Period. The Covered Period will default to the Covered Period length you selected unless you choose to modify the length of the covered period.

**Q27: How do I run a PPP Loan Forgiveness Payroll Cost report for Accountant Connect Users?**

A: For Accountant Connect users, navigate to Reports & Tax Forms. Select the applicable client, the report or reports, and the period for which you would like to run the report. Note, the end date on the report period will automatically default to 8-weeks or 24-weeks from the start date entered, depending on the Covered Period length you select.

**Q28: Why are the PPP Payroll Costs in the report different from my normal payroll information?**

A: The CARES Act has very specific requirements about what payroll costs are included and excluded for purposes of determining the loan forgiveness amount. As a result, there may be costs included in your normal payroll information that are not treated as payroll costs for purposes of determining the loan forgiveness amount. Please see the answer to the question "What is included in the calculation of Payroll Costs during the Covered Period?" regarding what costs are included and excluded.

## Q29: What is included in the calculation of PPP Payroll Costs during the Covered Period?

A: Payroll Costs Include:

- Employee gross pay (salary, wage, commission, bonuses, tips or similar compensation) up to \$100,000 on a prorated basis (for example, for 24-week Covered Periods, this cap is \$46,154; for companies that obtained loans prior to June 5, 2020, and choose an 8-week Covered Period, the cap is \$15,385)
- Payment for vacation, parental, family, medical, or sick leave
  - Except for paid sick or family leave under the Families First Coronavirus Response Act (FFCRA)
- Severance payments
- Employer payments required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit, including defined-benefit or defined-contribution retirement plans and employer 401(k) contributions
- Payment of all employer state or local tax assessed on employee gross pay, such as state unemployment insurance and employer-paid state disability insurance (where applicable)

Excluded from the calculation of Payroll Costs are:

- Employee gross pay above \$100,000 on a prorated basis (for example, for 24-week Covered Periods, this cap is \$46,154; for companies that obtained loans prior to June 5, 2020, and choose an 8-week Covered Period, the cap is \$15,385)
- Payments to Independent Contractors
- Compensation to employees whose principal place of residence is outside of the United States
- Qualified paid sick or family leave under the FFCRA for which FFCRA tax credits are available
- Employer Social Security / Medicare or Federal Unemployment taxes

## Q30: Why is employee pay capped in the PPP Loan Forgiveness Payroll Cost Report?

A: Under the CARES Act, employee gross pay (salary, wage, commission, bonuses, tips, or similar compensation) can only be forgiven for employee earnings up to \$100,000 on a prorated basis. For example, the prorated amount for 24-week Covered Periods is \$46,154 (i.e., \$100,000 divided by 52 (weeks in a year) times 24 (weeks in Covered Period) = \$46,154); for borrowers who obtained their loan prior to June 5, 2020 and elect to use an 8-week Covered Period, the prorated amount is \$15,385 (i.e., \$100,000 divided by 52 (weeks in a year) times 8 (weeks in Covered Period) = \$15,385).

## Q31: Are bonuses included in payroll costs for loan forgiveness purposes?

A: Yes, the government has determined that bonuses, hazard pay, and tips (or estimated tips) paid during the applicable covered period are eligible for forgiveness, provided the payroll costs for the individual do not exceed the annualized value of the \$100,000 cap for the applicable Covered Period (for example, for 24-week Covered Periods, this cap is \$46,154; for companies that obtained loans prior to June 5, 2020, and choose an 8-week Covered Period, the cap is \$15,385).

**Q32: Are there special rules for payroll costs for owner-employees, self-employed individual or general partners?**

A: Yes, for borrowers who obtained their loan prior to June 5, 2020 and elect to use an 8-week Covered Period, forgivable payroll costs for self-employed individuals and owner-employees are limited to the lesser of 8/52nd of the 2019 compensation across all businesses or \$15,385. For borrowers using a 24-week Covered Period, the government indicated that owner compensation is limited to 2.5 months (2.5/12) of 2019 net profit, up to \$20,833. See section III.3.c. of the Small Business Administration's Loan Forgiveness Interim Final Rules, available [here](#), for more detailed information about limitations on payroll costs, employee benefits costs, and employee retirement costs for individuals in this situation. These employees are typically listed among other employees on the Payroll Cost reports. You may need to make manual adjustments to the SBA Gross Pay and other values on the Payroll Cost reports to reflect the limitations applied to these individuals under the Interim Final Rule.

**Q33: Why are employees on the Payroll Cost Report split between "Employees under \$100,000 in 2019" and "Employees over \$100,000 in 2019"?**

A: Employees on the Loan Forgiveness Payroll Cost Report are listed alphabetically in two separate groups – (1) those who did not earn, in any single pay period in 2019, wages in excess of \$100,000 on an annualized basis (including those who you did not employ in 2019); and (2) those who earned over \$100,000 on an annualized basis in at least one regular pay period in 2019. This is done for administrative convenience because you will need to group employees this way when completing the Paycheck Protection Program Loan Forgiveness Application (SBA Form 3508). The Schedule A Worksheet, Table 1 and Table 2, requires employees to be listed separately depending on whether the employee earned greater than \$100,000 on an annualized basis in at least one regular pay period in 2019.

**Q34: When does the Covered Period begin?**

A: The Covered Period begins when any loan proceeds are first disbursed to the borrower. The government has issued additional guidance that permits employers who pay employees bi-

weekly or more frequently (i.e., weekly) to use an “Alternative Payroll Covered Period” that begins on the first day of the first pay period following disbursement of your loan. Whichever period you select, you must apply the same period for purposes of calculating all payroll costs and FTEE amounts and determining the amount of any reduction of any loan forgiveness loan amounts.

In addition, if there are any days between the last pay date in your Covered Period and the end of your Covered Period (or Alternative Payroll Covered Period, if applicable), the latest government guidance permits you to add the pay for employee wages incurred but not paid before the end of your Covered Period.

**Q35: What is included in “Employer Health Benefit Cost”?**

A: Employer Health Benefit Cost includes employer-paid amounts for group health care benefits, including insurance premiums, such as the employer's share of medical, dental and vision premiums, employer-paid short-term disability and long-term disability, and employer contributions for Health Savings Accounts. Any additional employer benefit cost captured by the memo codes selected by you are also included in Employer Health Benefit Costs.

**Q36: What is included in “Employer Retirement Plan Cost”?**

A: Employer Retirement Plan Cost includes employer-paid amounts for Employer 401(k) contributions and any other available employer retirement plan contributions.

**Q37: What if I use independent contractors (i.e., 1099s)?**

A: As discussed in the FAQ above titled “What is included in the calculation of a payroll costs during the Cover Period?”, independent contractors should be excluded from your payroll costs. If you use independent contractors, you can run a Monthly Payroll Costs Details Report, which includes payroll costs by individual, in order to identify independent contractors included in the payroll costs in the report. Once you have identified them, you should exclude them from your payroll costs.

**Q38: I have an employee who is not currently being paid but for whom I am still paying benefits. Will those costs be reflected in the PPP Payroll Costs Report?**

A: You may also have incurred payroll costs taken into account for purposes of the loan that are not reflected in ADP's payroll systems and records, and those would not be included in this report; for example, if you have an employee for whom you are paying benefits, but the individual is not currently on your payroll. You will need to add your benefits costs for this

individual after running your report. You may want to reach out to your insurance carriers or broker to confirm costs for an individual in this situation.

**Q39: My business has a state or local employer tax that is calculated on a quarterly basis, not payroll-by-payroll. Will these quarterly taxes be shown on the PPP Loan Forgiveness Payroll Cost Report?**

- A: For state and local taxes that are not calculated by RUN, you will need to manually calculate and add these costs once they are available at the end of the applicable quarter. The following state and local taxes are not calculated in RUN:
- Jersey City, NJ local tax
  - Massachusetts Employer Medical Assistance Contribution (EMAC) (a.k.a. Massachusetts Health Care tax)
  - Massachusetts Employer Medical Assistance Contribution (EMAC) Supplement
  - Nevada Modified Business Tax
  - Newark, NJ local tax
  - Oregon Tri-Met, Lane, Wilsonville, South Clackamas, Sandy and Canby Transit taxes

**Q40: Why are wage reduction amounts not shown for certain employees on the Employee Wage Comparison Report?**

- A: For this calculation, any employee who received wages or salary at an annualized rate of pay exceeding \$100,000 during any single pay period in 2019 is excluded from the comparison. For example, your employee named John is paid weekly and received wages in the amount of \$2,000 in his weekly pay on June 30, 2019. Regardless of whether John's wages were reduced during the Covered Period, John will be excluded from any potential penalty on the Employee Wage Comparison Report. The date of John's \$2,000 pay, June 30, 2019, will be shown in the column called "Over \$100k in 2019" on the Employee Wage Comparison Report for John.

**Q41: Why is there no reduction in forgiveness listed for employees whose wages decreased during the Covered Period as compared to the Lookback Period?**

- A: Repayment of part of the loan may be required to the extent that any employee's earnings are reduced by more than 25% during the applicable Covered Period, compared to the wage comparison Lookback Period of January 1 to March 31, 2020. For this calculation, only those amounts in excess of 25% result in a reduction in the loan forgiveness amount. If an employee experienced a reduction of less than 25%, no reduction amount will be listed.

#### **Q42: What are the calculations used in the Employee Wage Comparison Report?**

- A: For each employee, the Employee Wage Comparison Report shows either an average annual salary or average hourly wage. Employees must have received 100% of their pay on a strictly hourly basis for both the lookback and covered periods to be shown as an hourly employee. Employees who received a salary for any portion of their wages or for any portion of either the lookback or covered period will be considered salaried for purposes of this report.

For salaried employees, the Average Annual Salaries for the Lookback and Covered Periods are calculated by annualizing the gross pay within the applicable period. For the Lookback Period, which is 13 weeks, the Average Annual Salary is the Gross Pay for the period multiplied by 4 to convert it to an annual figure. For the Covered Period, the Average Annual Salary is the Gross Pay for the period divided by the number of weeks in the Covered Period (this generates a weekly average) then multiplied by 52 (to convert the weekly average to an annual average).

For hourly employees, the Average Hourly Wage for the Lookback and Covered Periods are calculated by dividing gross pay during the applicable period by the number of hours paid within that period.

The Average Annual Salary or Average Annual Wage for the Lookback and Covered Periods are then compared to determine whether there has been a reduction of the employee's wages of greater than 25% during the covered period, as compared to the lookback period. This is shown in the Wage Comparison column. If the value in this column is less than 0.75, this indicates a wage reduction greater than 25%.

The Potential Forgiveness Reduction Amount shows the dollar reduction in forgiveness for employees who experienced a wage reduction of greater than 25%. This is calculated based on the reduction of salary beyond 25% for salaried employees or the reduction in hourly wage beyond 25% multiplied by the average weekly hours worked by the employee during the Lookback Period for hourly employees. The result is then multiplied by the number of weeks (8 or 24) in the selected Covered Period length.

#### **Q43: Why is there a zero shown for the wage comparison value for an employee who receive no wages in the Covered Period but who did receive wages during the Lookback Period?**

- A: The government has indicated that employers should not be penalized for both wage reductions and FTEE reductions with regard to an employee whose wage reduction were entirely due to a reduction in FTEE level, either due to the employee shifting from full-time



to part-time or the employee being separated. Accordingly, if an employee received no wages during the Covered Period, they will be assigned a zero on the Employee Wage Comparison Report because the corresponding wage reduction will be reflected on the FTEE Comparison Report.

Please note, however, that you may need to make manual adjustments to certain employee's wage comparison values if the employee was paid during the covered period and experienced a wage reduction that was entirely due to a reduction of hours. For example, you have a full-time employee who was paid \$1000 per week, and you reduced her work schedule to three-days per week with a commensurate reduction in salary to \$600 per week. If you are using an 8-week Covered Period, the employee will appear on the Employee Wage Comparison Report, showing the decrease in Average Annual Salary above 25% and listing a Potential Forgiveness Reduction of \$1,200 (the difference between \$750/week (a 25% reduction) and \$600/week, multiplied by the 8-week Covered Period). Since this employee's wage reduction is due entirely to a reduction in hours, you should change the employee's FTEE value on the FTEE Comparison Report from 1.0 to 0.6 (or 0.5 if using the alternative administrative calculation described below) and change the wage reduction value from \$1,200 to \$0.

**Q44: Why are wages capped at \$25,000 during the Lookback Period on the Employee Wage Comparison Report?**

A: For forgiveness purposes, cash compensation during the covered period is capped at the annualized value of \$100,000 for the number of weeks in your chosen Covered Period (for example, for 24-week Covered Periods, this cap is \$46,154; for companies that obtained loans prior to June 5, 2020, and choose an 8-week Covered Period, the cap is \$15,385). In order to have an equal comparison between the Covered Period and Lookback Period, the wages during the Lookback Period must also be capped at the annualized value of \$100,000. For the 13-week lookback period, this annualized cap is \$25,000.

**Q45: Why is the employee's termination date shown on the Employee Wage Comparison Report?**

A: An employee's Termination Date, if available, is provided so that you can evaluate whether manual adjustments to the calculations may be needed for the employee. For employees whose wages are shown as an average annual salary, if the employee worked less than the full Covered Period, you may need to modify their average annual salary shown on the report. This is because the calculation of average annual salary is based upon the employee working for the full Covered Period. To obtain the most accurate results, you may need to recalculate the employee's average annual salary based upon the portion of the Covered Period during which the employee actually worked.

**Q46: Why are there two different lookback periods listed on the PPP Loan Forgiveness FTEE Comparison Report?**

A: The CARES Act permits you to compare FTEE levels during the Covered Period (or Alternative Payroll Covered Period) against the average number of FTEEs during either the period from February 15 through June 30, 2019, or January through February of 2020, at your option. Choosing the date range with the lower FTEE value will help maximize your forgiveness amount. If the number of your FTEEs is lower during the Covered Period than during one of these two time periods, the amount of loan forgiveness may be reduced proportionately.

**Q47: What is the difference between the Option 1 and Option 2 values on the FTEE Comparison and FTEE Safe Harbor Reports?**

A: The calculation of FTEEs is based upon government guidance indicating that a full-time equivalent employee is one who works 40 hours per week on average. The FTEE Comparison and FTEE Safe Harbor Reports list total hours paid for each employee who was 100% hourly for all listed periods. Under Option 1, hourly employees are shown with a value between 0 and 1.0, rounded to the nearest tenth, to indicate the average number of hours worked per week during the applicable period as compared to 40. For example, an employee who was paid for 32 hours per week on average during the covered period would be shown as a 0.8 under Option 1 for the Covered Period.

Under Option 2, the government has provided an alternative calculation for administrative convenience where employees working full-time or at least 40 hours per week on average are assigned a value of 1.0, and all employees working less than 40 hours per week on average during the applicable period are assigned a value of 0.5.

For employees who were salaried at any point during the applicable periods, no hours are shown, and the FTEE calculation defaults to 1.0 for both Option 1 and Option 2. If you have employees with no hours listed who are not full-time, you will need to manually adjust their FTEE value based on the calculation option you select.

**Q48: How is ADP calculating FTEEs on the FTEE Comparison and FTEE Safe Harbor Reports?**

A: The FTEE Comparison and Safe Harbor Reports list total hours paid for each employee who was 100% hourly for all listed periods. For the FTEE Option 1, the calculation divides the total hours listed by the number of weeks for the applicable period (e.g., 24 for Covered Period lengths of 24 weeks) and divides by 40. The result is rounded to the nearest tenth,

with a maximum value of 1.0. For FTEE Option 2, the calculation divides the total hours listed by the number of weeks for the applicable period (e.g., 8 for Covered Period lengths of 8 weeks) and divides by 40. The result is shown as 1.0 for employees working at least 40 hours per week, and 0.5 for any employee working less than 40 hours per week.

For employees who were salaried at any point during the applicable periods, no hours are shown, and the FTEE calculation defaults to 1.0. If you have employees with no hours listed who are not full-time, you will need to manually adjust their FTEE value based on the calculation option you select.

**Q49: Which option and lookback period should I select on the FTEE Comparison Report?**

A: The FTEE Comparison Report shows both Option 1 and Option 2 FTEE calculations described above, as well as for both available lookback periods. The report also shows “Compare” values showing the FTEE Forgiveness Reduction Quotient between the covered period and lookback periods for both calculation options. Choosing the highest Compare value will help you maximize your forgiveness amount. Compare values greater than or equal to 1 indicate that you did not experience a reduction in FTEEs during the covered period compared to the indicated lookback period. Compare values less than one indicate that you may have reduced FTEEs during the covered period and should consider whether hiring or rehiring individuals by December 31, 2020, would help eliminate any forgiveness reduction (if the decrease in FTEEs occurred between February 15 and April 26, 2020).

**Q50: Why is an employee's termination date shown on the FTEE Comparison Report?**

A: An employee's Termination Date, if available, is provided so that you can evaluate whether manual adjustments to the FTEE value may be needed for the employee. For employees with no hours shown, the default value for any employee who received pay during the applicable period is 1.0. If the employee worked less than the full period or less than full-time, you may need to manually adjust the employee's FTEE value. For example, if you reduced a salaried employee who previously worked full-time to a reduced, 3-day per week schedule, you may need to adjust that person's FTEE value to 0.6.

Similarly, the most recent hire/rehire date is shown to help you identify employees who may not have worked for the entire lookback or covered period and, therefore, may need to have their FTEE value manually adjusted.

**Q51: Why are employees on the FTEE Comparison Report split between “Employees under \$100,000 in 2019” and “Employees over \$100,000 in 2019”?**

- A: Employees on the FTEE Comparison Report are listed alphabetically in two separate groups – (1) those who did not earn, in any single pay period in 2019, wages in excess of \$100,000 on an annualized basis (including those who you did not employ in 2019); and (2) those who earned over \$100,000 on an annualized basis in at least one regular pay period in 2019. This is done for administrative convenience because you will need to group employees this way when completing the Paycheck Protection Program Loan Forgiveness Application (SBA Form 3508). The Schedule A Worksheet, Table 1 and Table 2, requires employees to be listed separately depending on whether or not the employee earned greater than \$100,000 on an annualized basis in at least one regular pay period in 2019.

**Q52: What are the various periods shown and calculations used in the FTEE Safe Harbor Report?**

- A: This report can be used if you have experienced a reduction in FTEEs during the applicable covered period, as shown on the FTEE Comparison Report. If you had a reduction in FTEEs during the period of February 15 through April 26, 2020, you have until December 31, 2020, to restore those FTEE levels in order to avoid a reduction in your forgiveness amount. You can run this report earlier if you have restored FTEE levels before December 31, 2020. This report will pull in data for Pay Dates within the 28 days prior to the end date you select.

The report lists total hours processed for each employee who was 100% hourly for all listed periods. For employees who were salaried at any point during the applicable periods, no hours are shown and the FTEE calculation defaults to 1.0. If you have employees with no hours listed who are not full-time, you will need to manually adjust their FTEE value based on the calculation option you select.

FTEE Option 1 calculation divides the total hours listed by the number of weeks for the applicable period (4 weeks for the Lookback Period, 10 weeks for the Potential Reduction Period and 4 weeks for the Safe Harbor Period) and divides by 40. FTEE Option 2 calculation divides the total hours listed by the number of weeks for the applicable period (4 weeks for the Lookback Period, 10 weeks for the Potential Reduction Period and 4 weeks for the Safe Harbor Period) and divides by 40. The result is shown as 1.0 for employees working at least 40 hours per week, and 0.5 for any employee working less than 40 hours per week.

The Lookback Period shows values for the period of January 19 through February 15, 2020. This period is used to generate a lookback period to determine if you experienced reductions between the end of this period and April 26, 2020. Only reductions during this period are eligible for the safe harbor.

The Potential Reduction Period shows values for the period of February 15 through April 26, 2020. In order to be eligible for the safe harbor, you must have experienced a reduction in FTEEs during this period as compared to the Lookback Period.

The Safe Harbor Period is used to determine if you're restored FTEE levels after April 26 as compared to the Lookback Period. In order for the Safe Harbor to be met, the FTEE value must have decreased during the Potential Reduction Period as compared to the Lookback Period and then be restored during the Safe Harbor Period. If the Safe Harbor has been met, this column will indicate a "Y". If the Safe Harbor has not been met, this column indicates an "N". If there was no reduction during the Safe Harbor Period or the employee did not work during one of the periods, this column will indicate an "N/A".

**Q53: What are the various periods shown and calculations used in the Wage Reduction Safe Harbor Report?**

- A: This report can be used if you have experienced a reduction in wages during the applicable covered period, as shown on the Wage Comparison report. If you had a reduction in wages during the period of February 15 through April 26, 2020, you have until December 31, 2020, to restore those wage levels in order to avoid a reduction in your forgiveness amount. You can run this report earlier if you have restored Wage levels before then. This report will pull in data for Pay Dates within the 28 days prior to the end date you select.

The Average Hourly Wage is calculated by dividing gross pay by the number of hours processed within the applicable period. Note that if you processed unpaid hours for any hourly employee, such as for unpaid leave, during one of the listed periods, you may need to manually adjust the employee's calculated hourly rate.

The Average Annual Salary is calculated by annualizing the gross pay within the applicable period. For the Lookback Period and Safe Harbor Period, the Average Annual Salary is the Gross Pay for the period divided by 4 (to generate a weekly average) then multiplied by 52 (to convert the weekly average to an annual average). For the Potential Reduction Period, the Average Annual Salary is the Gross Pay for the period divided by 72 (to generate a daily average) then multiplied by 365 (to convert the daily average to an annual average).

The Lookback Period shows values for the period of January 19 through February 15, 2020. This period is used to generate a lookback period to determine if you experienced reductions

between the end of this period and April 26, 2020. Only reductions during this period are eligible for the safe harbor.

The Potential Reduction Period shows values for the period of February 15 through April 26, 2020. In order to be eligible for the safe harbor, you must have experienced a reduction in wages during this period as compared to the Lookback Period.

The Safe Harbor Period is used to determine if you're restored wage levels after April 26 as compared to the Lookback Period.

In order for the Safe Harbor to be met, the wages must have decreased during the Potential Reduction Period as compared to the Lookback Period and then be restored during the Safe Harbor Period. If the Safe Harbor has been met, this column will indicate a "Y". If the Safe Harbor has not been met, this column indicates an "N". If there was no reduction during the Safe Harbor Period or the employee did not work during one of the periods, this column will indicate an "N/A".

NOTE: For the Wage Reduction Safe Harbor Report, any employees who earned wages or salary over \$100,000 (on an annualized basis) during any single pay period in 2019 are excluded.