CARES SBA: PPP Loan Forgiveness Reports FAQs - ADP Workforce Now® Clients

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PPP Loan Forgiveness Information

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 described in more detail below). In addition, for borrowers with loans over $50,000, loan forgiveness may be impacted by reductions in the number of your employees and reductions in employee wages.

* Loan proceeds must be spent during the 8- to 24-week period immediately following disbursement of the loan (the Covered Period). Note that for borrowers who did not apply for forgiveness prior to 2021, the Alternative Payroll Covered Period that was available in 2020 has been eliminated.

Q2: Do all payroll costs need to be paid within the Covered Period?

A: No, borrowers are eligible for forgiveness for payroll costs paid and payroll costs incurred, but not yet paid, during the applicable 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 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 (for example, for a 24-week Covered Period, this cap is $46,154)

- 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 and group insurance 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 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, 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.

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.

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

A: 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, 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 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 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 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 the end of your covered period (for loans issued in 2021) or by December 31, 2020 (for loans issued in 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?

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 most recent full calendar quarter prior to receipt of the loan (1/1/20-3/31/20 for loans issued 4/1/20-6/30/20; 4/1/20-6/30/20 for loans issued 7/1/20-8/8/20; and 10/1/20-12/31/20 for loans issued 1/1/21-3/31/21), 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 the end of your covered period (for loans issued in 2021) or by December 31, 2020 (for loans issued in 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 or in further guidance from the Treasury Department/Small Business Administration.

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 the end of your covered period (for loans issued in 2021) or by December 31, 2020 (for loans issued in 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.
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 has developed 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: If I obtain a PPP loan, can my company still be eligible to apply for the CARES Act Employee Retention Tax Credit?

A: Yes, with limitations. The CARES Act originally prohibited an employer from claiming the employee retention credit if the employer also received a covered loan under Section 1102 of the CARES Act (“Paycheck Protection Program”). However, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 amends the CARES Act to remove this restriction and provides that, retroactive to March 13, 2020, an employer may claim the employee retention credit to the extent qualified wages are not paid using forgiven Paycheck Protection Program loan proceeds.

Q17: If I also receive a PPP loan, how do I retroactively claim the CARES Act employee retention credit with respect to qualified wages paid in 2020?

A: Eligible PPP loan recipients who wish to retroactively claim the employee retention credit with respect to qualified wages paid in the 2nd, 3rd, and/or 4th quarters of 2020
may file an amended return or claim for refund for each applicable quarter using IRS Form 941-X.

Q18: Can I claim forgiveness for COBRA subsidies that I pay for employees that are covered under the American Rescue Plan Act?

A: No. The American Rescue Plan Act provides a 100% COBRA Subsidy for qualified employees and dependents who lose coverage as a result of involuntary terminations or reductions in hours, as well as for certain qualified individuals who are still within their COBRA maximum period but who had not previously elected coverage. However, because COBRA premium assistance payments are eligible for 100 percent reimbursement via a payroll tax credit, such costs may not be included in PPP forgivable payroll costs.

Q19: 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.

Q20: 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.”

Q21: When can I apply for PPP loan forgiveness?

A: Borrowers who received loans in 2021 and borrowers who received loans in 2020 but have not yet applied for forgiveness are eligible to select the length of their covered period for a time period beginning on the date of disbursement of the loan and ending on a date that is at least 8 weeks but no more than 24 weeks later. Borrowers may apply for forgiveness once their selected covered period has expired. The Department of Treasury has issued updated loan forgiveness applications and interim final rules, which are available here. 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. Lenders have 60 days to make a decision on loan forgiveness. If you received your loan in 2021 and have experienced wage or FTEE reductions, it may be
advantageous to determine whether you intend to try to restore your wage/FTEE reductions before selecting the end date for your covered period.

Q22: 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. Borrowers 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. However, borrowers who do not apply for forgiveness within 10 months of the end of their applicable 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.

Q23: The PPP Loan Forgiveness Application Forms have an “Expiration Date” of 7/31/21. Is that the deadline for me to apply for Loan Forgiveness?

A: No, borrowers do not need to apply for Loan Forgiveness by July 31, 2021. While the Loan Forgiveness Application Forms (3508, 3508EZ and 3508S) bear an expiration date of 7/31/21, the SBA has indicated that borrowers may submit a loan forgiveness application any time before the maturity date of the loan, which is either two or five years from the date of loan origination. Note, however, that borrowers who do not apply for loan forgiveness within 10 months after the last day of the applicable covered period will need to begin making payments on the loan.

Q24: 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.

Q25: I saw that the SBA released multiple PPP Loan Forgiveness Applications. How do I know which form I can use?

A: The Treasury Department and Small Business Administration have issued three PPP Loan Forgiveness Applications, Form 3508, Form 3508EZ, and Form 3508S.
Form 3508 is available for all borrowers and must be used by borrowers with loans over $150,000 who experienced either wage reductions or FTEE reductions that are not otherwise excluded from forgiveness reductions penalties.

The 3508S form is available to borrowers who obtained loans of $150,000 or less and significantly streamlines the forgiveness process for eligible borrowers. Using Form 3508S, borrowers with loans of $50,000 or less are exempt from forgiveness penalties due to wage or FTEE reductions. Borrowers with loans over $50,000 but not more than $150,000 may also use Form 3508S but would need to manually reduce their forgiveness amount due to wage or FTEE reductions. Borrowers also still need to demonstrate that they spent the loan proceeds on covered payroll (at least 60% of the forgiveness amount) and non-payroll costs.

Borrowers can use Form 3508EZ if their loan is greater than $150,000 and they can attest that:

- They spent the PPP loan proceeds only on covered payroll and non-payroll costs, that their payroll costs;
- Their payroll costs account for at least 60% of their loan forgiveness amount;
- They did not pay any owner-employee, sole proprietor, or general partner more than the applicable limit;
- They did not reduce salaries or hourly wages of any employee by more than 25% percent during the selected Covered Period compared to the most recent full quarter before the Covered Period (excluding any employee who received, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than $100,000);
- And at least one of the following two situations apply:
  - 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 (other than any 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 (for borrowers who received loans on or before August 8, 2020) or before the last day of the Covered Period (for borrowers who received loans in 2021), and reductions in an employee’s hours that a borrower offered to restore and were refused);
  - The Borrower was 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 (or, for a PPP loan made after December 27, 2020, requirements established or guidance issued before the last day of the Covered Period).
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**

**Q26: 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 selected covered period, between 8 and 24 weeks. 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.

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.

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. 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.

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 the end of your covered period (for loans issued in 2021) or by
December 31, 2020 (for loans issued in 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 the end of your covered period (for loans issued in 2021) or by December 31, 2020 (for loans issued in 2020), in order to restore the full loan forgiveness amount.

Q27: 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.

Q28: 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. You may select a covered period length of at least 8 weeks and no more than 24 weeks from the date of disbursement.

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 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.

**Q29: How do I run a PPP Loan Forgiveness Payroll Cost Report?**

**A:** Running a report is simple. Go to the report page where you typically run your reports: under “Ask at Runtime Values,” select the following, as applicable:

- **Your beginning date of the covered period** is the date of loan disbursement. Select the number of weeks – between 8 and 24 – that you wish to include in your covered period.
- **Company Codes** (i.e., your pay groups).
- **1st memo code selection:** Select memo codes which define employer premiums for Health & Welfare, Wellness, FSA Health Care, Life Insurance, HSA, MSA and HRA plans. If you utilize Benefits in the ADP WorkForce Now system, do not include the memo codes setup to track the employer cost for your plans.
  - **Note:** Memo Codes that relate to qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act should not be included.
  - **Note:** if you do not have Memo Codes, you can still run the report.
- **2nd memo code selection:** Select memo codes which define employer contributions for any Retirement plans. If you utilize Benefits in the ADP WorkForce Now system, do not include the memo codes setup to track the employer cost for your plans.
- **Worker Category Codes or Employee Classification Codes**
  - **Note:** if you do not have Worker Category Codes, select “Select All” to run the report.
  - **Note:** Worker Category Codes for Independent Contractors (i.e., 1099s) should not be included.

Following that, select your preferred report format, the name of the folder to which you would like to save the report file and click “RUN,” to run the report.

**Q30: Why can't I see my recent pay date in the report?**

**A:** The loan forgiveness reports include data for all the pay dates processed through the prior week. Pay dates processed in the current week will start showing in the report from the following Tuesday.

**Q31: Why are the PPP Payroll Costs in the report different from my normal payroll information?**
A: The CARES Act has 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.

Q32: 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 a 24-week Covered Period, this cap is $46,154)
- 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, dental, vision, life and disability 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 a 24-week Covered Period, this cap is $46,154)
- 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
- Qualified Wages that have been used to obtain an Employee Retention Tax Credit for any employee during the Covered Period
- Employer Social Security / Medicare or Federal Unemployment taxes

Q33: Why is employee pay capped in the PPP Loan Forgiveness Payroll Cost Report?

A: 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 a 24-week Covered Period is $46,154 (i.e., $100,000 divided by 52 (weeks in a year) times 24 (weeks in Covered Period) = $46,154).

Q34: 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 a 24-week Covered Period, this cap is $46,154). Special rules apply to owner-employees, self-employed individuals and general partners.

Q35: Are there special rules for payroll costs for owner-employees, self-employed individual or general partners?

A: Yes, for borrowers applying for forgiveness in 2021, the government indicated that any owner-employee (with an ownership stake of 5% or more) or self-employed individual/general partner cannot receive forgiveness for payroll costs in excess of 2.5 months’ worth of compensation received during the year used to calculate the PPP loan amount, capped at $20,833 per individual in total across all businesses. See 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. Because your ADP system is not able to automatically determine the nature of an individual’s ownership in a business entity, these individuals 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.

Q36: 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.
Q37: When does the Covered Period begin?

A: The Covered Period begins when any loan proceeds are first disbursed to the borrower.

Q38: 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, life Insurance, 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.

Q39: 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.

Q40: 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.

Q41: 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.
Q42: 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, 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:
- 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

Q43: 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.

Q44: 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 most recent full calendar quarter prior to disbursement of the loan. 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.
Q45: 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 in the selected Covered Period length.

Q46: 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 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.

Q47: 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 a 24-week Covered Period, this cap is $46,154). 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.

Q48: 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.
Q49: Why are some of the columns blank in the Employee Wage Comparison Report?

A: The Employee Wage Comparison Report is designed to compare the average annual salary (for salaried employees) or average hourly rate (for hourly employees) of your employees for the selected covered period to the most recent full calendar quarter prior to receipt of the loan (1/1/20-3/31/20 for loans issued 4/1/20-6/30/20; 4/1/20-6/30/20 for loans issued 7/1/20-8/31/20; and 10/1/20-12/31/20 for loans issued 1/1/21-3/31/21). If no data is listed for certain columns, you most likely selected an invalid covered period. Since no PPP loans were available after August 8, 2020, until January 2021, the lookback period of 7/1/20 through 9/30/20 is unavailable and will return a blank report.

Q50: 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 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.

Q51: 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.
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.

Q52: How is ADP calculating FTEEs on the FTEE Comparison and FTEE Safe Harbor Reports?

A: The FTEE Comparison and FTEE 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.

Q53: 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 the end of your covered period (for loans issued in 2021), would help eliminate any forgiveness reduction (if the decrease in FTEEs occurred between February 15 and April 26, 2020).

Q54: 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.

Q55: 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).

Q56: 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 the end of your covered period (for loans issued in 2021) or December 31, 2020 (for loans issued in 2020), to restore those FTEE levels in order to avoid a reduction in your forgiveness amount. 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.
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’ve 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".

Q57: 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 the end of your covered period (for loans issued in 2021) or December 31, 2020 (for loans issued in 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.

Q58: The PDF versions of the PPP forgiveness reports contain the ADP logo. Why do the editable spreadsheet versions of the PPP reports not contain the ADP logo?

A: We understand that some financial institutions have asked borrowers for "proof" that the reports came from ADP. The PDF versions of the PPP reports that are available for download show the ADP logo. While the logo is not available on the editable spreadsheet versions of the reports, the wording in the reports does indicate that they were generated from ADP systems. For lenders that ask for proof that the reports came from ADP systems, we suggest that borrowers can submit both the PDF and XLS versions of the reports. Please understand that neither the Treasury Dept nor the Small Business Administration requires the ADP logo to be present on the reports. ADP fully understands the importance of these reports to our clients. On behalf of our entire organization, we are committed to providing you with the best possible service.