

# CARES SBA: PPP Loan Application Reports

## FAQs - ADP Workforce Now® Clients

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### OVERVIEW

The Paycheck Protection Program (PPP) went into effect under the CARES Act on April 3, providing relief for small businesses impacted by COVID-19. The President recently signed legislation to reopen and expand the PPP program, with over \$284B in additional funds available for eligible small businesses. You can leverage this guide to learn about the PPP, how to complete your borrower application, and ADP's PPP reports that can help you determine your eligibility and maximum loan amount.

As your payroll and HR partner, ADP can help you gather some of the information you need to apply for these loans. When applying for a loan, clients will be asked for specific information about their businesses, that can be quickly accessed with our new reports.

### ADDITIONAL RESOURCES

The ADP Guide to the Paycheck Protection Program (PPP) can be found here:

<https://www.adp.com/contact-us/customer-service/paycheck-protection-program.aspx>

### New PPP Round and Second PPP Loans

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**Q1: I understand that Congress recently modified and provided more funding for the PPP. Can I use the ADP PPP Loan Application Reports for the new round of PPP loans?**

A: Yes, the ADP PPP Loan Application Reports available in ADP Workforce Now can be used for new PPP loan applications. See the questions and answers below for information about running these reports.

**Q2: I understand that part of the new PPP loan program allows borrowers who previously obtained a PPP loan to apply for a second PPP loan. Can I use the ADP PPP Loan Application Reports to apply for a second PPP loan?**

A: Yes, the ADP PPP Loan Application Reports available in ADP Workforce Now can be used for to apply for second PPP loans. Please note, however, that different rules and

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qualifications apply for second-time PPP borrowers. Please visit [www.adp.com/ppp](http://www.adp.com/ppp) for more information.

**Q3: I already received one PPP loan. Can I apply for a second loan?**

A: Yes, under borrowers that previously received a PPP loan can apply for a second loan if they meet certain eligibility criteria. For example, borrowers applying for a second PPP loan must have 300 or few employees. For companies applying for a second PPP loan, the maximum loan amount is \$2 million. Businesses applying for a second PPP loan will have to demonstrate at least a 25 percent reduction in revenue between corresponding quarters in 2019 and 2020.

**Q4: I haven't applied for forgiveness on my first loan yet. Can I apply for a second loan?**

A: Yes, borrowers that meet eligibility criteria for a second loan can apply for a second loan before applying for forgiveness for their first PPP loan. However, borrowers must have spent all proceeds from their first PPP loan prior to disbursement of the second loan.

**Q5: I didn't apply for a loan earlier in 2020. Can I apply for a PPP loan now?**

A: Yes, PPP loans are available for both first- and second-time borrowers.

## **PPP Headcount Report**

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**Q6: What is a Headcount report?**

A: Eligibility under the Paycheck Protection Program (PPP) is generally based on employee headcount. The report is intended to provide clients with their total employee headcount for purposes of assisting them in determining whether they might be eligible for a loan under the PPP. Note: Based on the CARES Act, employees whose principal place of residence is not recorded as the United States are excluded from the report.

**Q7: How do I run a Headcount report?**

A: Running a report is fairly simple. Go to the report page where you typically run your reports: under "Ask at Runtime Values," select the client's applicable ADP Company Codes (i.e., client's pay groups), applicable Worker Category Codes or Employee Classification Codes, and the applicable Location Codes. (If you do not have Worker Category Codes, you can still run the report.) Note: Pursuant to the requirements of the CARES Act, Worker Category Codes for Independent Contractors (i.e., 1099s) should not be included. Following that click "RUN," to run the report. The results of each report will be based on the locations you select. You can run one report for any or all of your locations and the report will show the total for

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the selected location(s). If you would like total headcount on a location by location basis, you will need to run a report for each location.

**Q8: How does the Headcount report calculate headcount?**

A: The report provides the average monthly headcount for the selected period based on primary positions that were active or on leave. (The report also provides the average daily headcount for each month covered by the report.)

**Q9: Over what period should I calculate headcount?**

A: Based on guidance from the federal government, headcount may be calculated over the same period used to calculate your average monthly payroll, as follows:

- If you are not a seasonal employer (as reported to the IRS on Form 941 by you) and were in business from February 15, 2019 to June 30, 2019, then you should calculate headcount for either full calendar year 2019 or for a 12 month look back period.
- For seasonal employers (as reported to the IRS on Form 941 by you), the period is 12 weeks beginning on February 15 or March 1, 2019, at your option. However, please note that the payroll cost report does not calculate the average total monthly payments for payroll costs for this period.
- If you were not in business from February 15, 2019 to June 30, 2019, the period is from January 1, 2020 to February 29, 2020. However, please note that the payroll cost report does not calculate the average total monthly payments for payroll costs for this period.

Alternatively, you may elect to use the SBA's usual calculation, which is the average number of employees per pay period in the 12 completed calendar months prior to the date of the loan application (or the average number of employees for each of the pay periods that the business has been operational, if it has not been operational for 12 months). Please note that the report does provide average headcount by pay period.

**Q10: Why does the Headcount report show headcount by location?**

A: The PPP permits certain types of businesses, including businesses that employ not more than 500 employees per physical location of the business concern and are assigned a NAICS code beginning with 72 (the Accommodation and Food Services industries), to calculate their headcount on a location-by-location basis in order to determine their eligibility under the program. (Note that the employee limit is 300 or fewer for borrowers applying for a second PPP Loan.)

**Q11: If my business is assigned a NAICS code beginning with 72 (i.e., in the Accommodation and Food Services industries), how can I use the Headcount report?**

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A: The PPP permits businesses assigned a NAICS code beginning with 72 and that employ not more than 500 employees per physical location to calculate their headcount on a location-by-location basis in order to determine their eligibility under the program. The Headcount report shows headcount by location and Worker Category to assist you determining whether you might be eligible for a loan under the PPP. (Note that the employee limit is 300 or fewer for borrowers applying for a second PPP Loan.)

## **PPP Payroll Cost Report**

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### **Q12: What is a Payroll Costs report?**

A: The maximum amount of a loan under the PPP is based on your average total monthly payments for "payroll costs" (as defined under the CARES Act) incurred during the applicable period (as determined in accordance with the PPP). The report is intended to provide you with that information to assist you in determining your potential maximum loan amount. Note: Based on the CARES Act, employees whose principal place of residence is not recorded as the United States are excluded from the report.

### **Q13: Where can I access this report?**

A: There are multiple ways to access this report. You can access by clicking Reports > COVID 19 Reports > Access Reports or Reports > Custom Reports > Sample Reports in the menu.

### **Q14: How do I run a Payroll Costs 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:

- Applicable period - see below the FAQ titled "What is the period covered by the report that is used to determine payroll costs?"
- Company Codes (i.e., your pay groups)
- Memo Codes – you should select all Memo Codes that relate to group health care benefits, including insurance premiums, or retirement benefits.
  - 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. See below the FAQ titled "What are "payroll costs" for purposes of the CARES Act?"
  - Note, if you utilize our Benefits solution in the ADP Workforce Now system, do not include the Memo Codes in the "W-2 Memo Code" section of your Benefit Settings.
  - Note, if you do not have Memo Codes, you can still run the report.
- Worker Category Codes or Employee Classification Codes

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- 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 you would like to save the report file and click "RUN," to run the report.

**Q15: Who can run the report and view the report output?**

A: A practitioner who has access to all company codes and Pay Summary on the Payroll Profile, for all of the people in the organization, will be able to run the report and view the report output.

**Q16: What are "payroll costs" for purposes of the CARES Act?**

A: The following are considered "payroll costs" under the CARES Act:

- Employee gross pay (called "SBA Gross Pay" on the payroll report)
- 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
- Retirement benefits, including defined-benefit or defined-contribution retirement plans and employer 401(k) contributions

Employee federal income taxes withheld by the employer are not deducted from "SBA Gross Pay."

The following are not considered "payroll costs" under the CARES Act:

- Employee gross pay that exceeds \$100,000
- The employer portion of federal employment taxes (i.e., Social Security and Medicare)
- Payments to independent contractors
- Workers compensation premiums
- Federal unemployment tax
- Compensation of employees whose principal place of residence is outside of the U.S
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act

**Q17: Why are the payroll costs in the report different from my normal payroll information?**

A: While the amount of a loan under the PPP is based on payroll costs, the CARES Act has very specific requirements about what payroll costs are included and excluded for purposes of determining the loan 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

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amount. Please see the answer to the question "What are 'payroll costs' for purposes of the CARES Act?" regarding what costs are included and excluded.

**Q18: What is included in "Employer Benefit Cost"?**

A: Employer Benefit Cost includes employer-paid amounts for group health care benefits, including premiums, the employer's share of medical, dental and vision premiums, employer-paid short-term disability, long-term disability, life insurance, Employer 401K 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 Benefit Costs.

**Q19: How do you calculate "Employer Benefit Cost"?**

A: The report sums monthly employer costs for each applicable plan for each employee as of the last day of every month. For employer-paid premiums that are paid on an annual basis (instead of a monthly basis), the annual premium is prorated over 12 months to calculate the average monthly payroll cost. Any additional employer benefit cost captured by the memo codes selected by you are treated the same.

**Q20: What if I use independent contractors (i.e., 1099s)?**

A: As discussed in the FAQ above titled "What are 'payroll costs' for purposes of the CARES Act?", 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.

**Q21: What is the period covered by the report that is used to determine payroll costs?**

A: If you are not a seasonal employer (as reported to the IRS on Form 941 by you) and were in business from February 15, 2019 to June 30, 2019, then you can run the report for either full calendar year 2019, or for a 12-month look back period (and you can run a report using either period).

**Q22: What is the applicable period used to determine payroll costs for Seasonal Employers?**

A: As set forth by the December 2020 COVID-19 relief law passed by Congress, for seasonal employers (as reported to the IRS on Form 941 by you), the period is any 12 week-period, at

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your option between February 15, 2019 and February 15, 2020. However, the report does not calculate the average total monthly payments for payroll costs for these periods.

**Q23: What is the period that is used to determine payroll costs if I wasn't in business from February 15, 2019 to June 30, 2019?**

A: If you were not in business at that time, then the report should be run for the period from January 1, 2020 to February 29, 2020. However, the report does not calculate the average total monthly payments for payroll costs for this period.

**Q24: Why doesn't the report include any information for the current month?**

A: If you were in business in 2019, loans under the PPP are based on average monthly payroll costs for a one-year period. (The guidance issued by the government on April 6, 2020 provides that you can use either calendar year 2019 or the one-year period prior to applying for a loan, and you can run a report using either period.) We have calculated monthly amounts only for months for which we have complete data, which does not include the current month.

**Q25: My report doesn't include any information for last month. Why not?**

A: Payroll costs for a prior month are not available until the 8th calendar day of the current month. As a result, if you run a report during the first seven days of a month, that report will not include information for the prior month.

**Q26: What if I wasn't a client of ADP during the entire applicable period?**

A: The report will only cover that part of the applicable period during which you were an ADP client. If you were not a client for the entire applicable period then, for that part of the period that the report does not cover, you may need to obtain your monthly payroll costs from your prior provider or your own records. You will then need to calculate your average total monthly payments for payroll costs based on that additional information and the total monthly payments for payroll costs included in the report, combined.

**Q27: How do you determine my average total monthly payment for payroll costs?**

A: The report adds up your payroll costs (as described in the FAQ above titled: What are 'payroll costs' for purposes of the CARES Act?) for each month in the applicable period and then divides the total amount by the number of months in the applicable period.

**Q28: How does the report treat employees that hold multiple positions and may be covered by different company codes (or pay groups)?**

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A: The report can be run by company codes and will calculate SBA Gross Pay based on employee gross pay for selected company codes only. If you have employees who have multiple positions across multiple company codes, then in order to ensure that their SBA Gross Pay includes all of their positions you may want to run the report by selecting all the relevant company codes. If you choose to run the report with less than all of the relevant company codes, SBA Gross Pay for those employees will be calculated based on their gross pay for those relevant company codes only and may not capture all their gross pay across all positions.

**Q29: How many rows of data are in the report in Excel?**

A: Initially, you may only be able to view 40,000 rows of data on the report in excel. However, it contains additional data and you can view that data by changing the value of "Maximum # of records" on the run page as you may require.

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