

Direct Loan Forgiveness, 60/40 Rule, and More: What to Know About the Paycheck Protection Program

PAYCHEX
Business
Series

Coronavirus



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Full transcript

Gene Marks:

Hey everybody. I'm Gene Marks and welcome back to the Paychex Business Series podcast. We have lots of great guests talking about lots of things that impact your business. Today we're going to have a conversation with Conner Mykins. Connor is a financial compliance analyst at Paychex. He really specializes in Paycheck Protection Program loans and he's got a lot of information to share with us about what we need to know to apply for forgiveness and all the changes that have really happened and there've been a few over the summer so, we're going to be back in just a minute with Connor stay tuned.

Gene Marks:

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Gene Marks:

Alright, I'm back again this is Gene Marks the Paychex Business Series podcast. I'm here with Connor Mykins. Connor thank you so much for joining us.

Connor Mykins:

Hey Gene, happy to be here and it's good to see you again.

Gene Marks:

It is really good to see you again. And so Connor first of all, you're a financial compliance analyst at Paychex so, for all of your fans out there who may not be completely aware of what that means tell us a little bit about your job?

Connor Mykins:

That's a great question. The team I'm on we cover a lot of area, but really during COVID we shifted and focused a lot of our area and a lot of our time on monitoring the small business space and specifically the Paycheck Protection Program and keeping up with all of the ever-changing landscape. I think there have been over 100 FAQs, several interim final rules so it's been a rapidly changing environment so that has been my life for the past 18 months.

Gene Marks:

Got it. Definitely job security for people that are in the compliance world when it comes with all these government things. All right, well listen, you and I are having this conversation now. We just started August. The Small Business Administration has taken a few new steps and actions to help us with forgiveness, the forms are out there. I'm going to kind of throw it to you. So as a business owner myself, and I will be actually, we have a PPP loan for my company we are going to be applying for forgiveness pretty soon within the next couple of weeks. So tell me what I should know?

Connor Mykins:

Sure, absolutely. So, I think that the very first thing that is very important to remember is the 60/40 rule. So that's 60% of the loan proceeds need to be used towards payroll costs and the other 40% can be used towards non-payroll costs. Now, that'll help you maximize the forgiveness and then also it's really important to maintain FTE, your full-time equivalent head count, and then also it's really important to maintain wages.

Connor Mykins:

So now we're really moving into—PPP's been over the loan application process has been over for a couple of months now and we're really moving and focusing to helping our clients and making sure that you need to be able to apply for forgiveness and just last week the SBA, they did announce some changes to the loan forgiveness process, and this has been a relatively significant change in how some of the lenders will be participating in accepting the loan forgiveness application so, with that the SBA, they did create this Direct Forgiveness Portal, where some small businesses will be able to apply for forgiveness directly to the SBA. The only caveat with that though is that the loan has to be \$150,000 or less. The lender has to opt in to the direct forgiveness process and then those are the pretty much the two caveats and then the lender really still has the ultimate decision into the forgiveness amount.

Gene Marks:

So let me backtrack a little bit on that and kind of dig down a little bit more. So my loan is with my bank so that it's between me and my bank and up until this sort of new announcement, when it comes time to apply for forgiveness, I've been getting messages from my bank saying it's time to apply and they have their process to go through and do it. My loan is less than \$150,000 so I'm in that bucket which is good, but now I have another option so assuming that my bank has opted in, I can go to this new portal and the SBA site, its sba.gov, and I can just apply for forgiveness through there. Is that what you're saying?

Connor Mykins:

Absolutely and so, I forget the exact website we do have content on our website on how to get there and be able to determine if your lender is participating in the Direct Forgiveness Portal. And the SBA they did provide a really great user guideline for the small businesses. It's a step-by-step, really simple process and how to register and how to create an account and then how to apply for forgiveness.

Gene Marks:

That's great to hear. So, when it comes time to apply for forgiveness, just a couple of things I would like to have some reminders on. At the time when you get the loan, you could have chosen either an eight week period or a 24 week period, which gave us a lot of latitude. I'm assuming that is correct and then after that period ends the clock starts ticking and we do have 10 months to apply for like my 24-month period, sorry my 24-week period ended late last year in October, I've got 10 months from that time to actually apply for forgiveness. Is that correct?

Connor Mykins:

Yes, that is correct. So there is a 10 month deferral period and then once your covered period is up that 10-month period starts and then if you do not apply for forgiveness then you'll have to start having to make those payments on principal and interest.

Gene Marks:

Got it. And then you talked about the expansion—the 60/40 rule, so 40% of our forgivable expenses can be non-payroll expenses and those definition of those expenses have been expanded, right? This happened last year, but can you quickly revisit that?

Connor Mykins:

Sure. So, they were expanded greatly. So, it really was at first it was your rent and your mortgage interests, utilities and things like that really very pretty common expenses that businesses had, but then there was a change toward, like you said, last year where the non-payroll costs, the definition was expanded to include any changes that you needed to make to your business, to make it safer for employees and for customers to [7:08 inaudible] COVID-related changes. And then, there was some changes related to property damage that was caused by any of the riots that was going on. And so, it was greatly expanded to include a lot of things that were not originally included and certainly helped small businesses to be able to adapt their business and hopefully allow customers in and to be able to serve their customers.

Gene Marks:

That's great. So, okay. So I'm being completely selfish on this call Connor. So we've got less than \$150,000 in PPP loans. So when it comes time for forgiveness, is there any documentation I need to be getting together considering I'm in that lower category?

Connor Mykins:

So you do not need any documentation to apply for forgiveness, but you will need to retain the documentation that shows proof and how you use the PPP funds because the SBA, they do have the ability to go in and be able to request that documentation at any time. I believe it's up to four years after you apply for forgiveness or after, say, you do have to make those loan payments and it's up to four years after your loan is resolved or paid in full.

Gene Marks:

Got it. Okay. And then what about for your clients that have greater than \$150,000 loan?

Connor Mykins:

Yep. Yeah. So great question. That process is going to remain the same pretty much as it always has, where you'll just continue to work with your lender on applying for forgiveness, whether they're part of the Direct Forgiveness Portal or not, you'll have to go right to them, but then you will have to submit the documentation showing how you spent the PPP proceeds. So there'll be your payroll costs any of your non payroll costs and documentation that supports that.

Gene Marks:

Got it. Have you seen any issues so far? You guys work with a lot of different customers. Any problems in the process? Any advice that you've been giving your customers to make this go as smooth as possible?

Connor Mykins:

So to be honest Gene, I have not heard any problems of any issues. I know at the beginning of the forgiveness, there is some lag time. It was taking a bit longer for the forgiveness applications to be approved. But I do know that that is sped up rapidly here. There's an administration change throughout all of this and so, I think the SBA has done a really great job in getting the applications approved, and with this new portal if your lender is participating, I believe the process is going to speed up even more.

Gene Marks:

That's great to hear, it's funny how the ESP, there's isolated issues sometimes I hear about where people have had problems or didn't get approved for a loan or had some issues but for the most part, the SBA has been doing pretty good with this unprecedented, program, you know what I mean? It was just, tens of billions of dollars being spent and it's gone relatively smooth. And I don't know, I think this is going to be a template for future government assistance if and when, there are other issues that are out there. Okay, I'm going to for a little bit of a curve ball at honestly, I know we're, talking to, you're kind of being recorded. So if you don't feel comfortable answering this question, I completely get it.

Gene Marks:

But, and I don't know if you do any work with the Employee Retention Tax Credit, but I have some people telling me that like, "Hey, Gene. It may make more sense if you're eligible for the Employee Retention Tax Credit to actually not go for forgiveness for the PPP loan, and instead use those payroll dollars—because you can't use them for both things. Use the payroll dollars for the Employee Retention Tax Credit, because you'd get more money back." And then the loan, if you don't get forgiveness, your loan with the PPP just stays outstanding for like five years, I think for like 1% interest rate. So I was wondering if you can speak to that or if you feel comfortable talking about that.

Connor Mykins:

Yeah, sure. So that's a really interesting question. I know there's a lot of accountants and a lot of clients that are trying to be unique and trying to really leverage both programs and really to be able to leverage them and optimize them to the greatest extent that they can. And so, their act, there's no requirement with the SBA, with the PPP, to apply for forgiveness so I think that it's really important to be able to work with your work with your financial advisor, your accountant, or CPA, and be able to determine how to best leverage these programs.

Connor Mykins:

I do know that it's really important. When you go to apply for forgiveness to include as many costs as you can as possible within the forgiveness application. That way there's a, I know the IRS guidance, it does reference that the forgiveness application is really a point of entry and how to be able to determine the amount that you may be eligible for. So it's really important in that respect. And that, we're working with our clients on the retention credit in being able to help them be able to leverage both programs.

Gene Marks:

I think that's what the takeaway is. I mean, these are two really potentially lucrative programs for small businesses, but you got to be careful, which what you do. And again, I have some clients that are, that are not getting forgiveness cause again, it's a 1% loan. They'll worry about it in five years or they'll pay it down. You can always refinance it with your bank in five years so that you have other options. And the tax credits, if you're eligible for the employee retention sized, credits can be pretty, pretty valuable. And then finally, just, another curve ball, I don't want to take you off guard, only if you feel comfortable answering this. You're a Rochester guy, so Garbage Plate or Wegmans.

Connor Mykins:

So I grew up in Rochester, I've been in Rochester my whole life and so Garbage Plates, obviously a really important part of our culture in Rochester. But Wegmans, I think, is a really even has a bigger part of our culture in Rochester. Wegmans is founded here and is a really great chain and has a lot of great stuff there.

Gene Marks:

So you prefer Wegmans. Is that what you're saying?

Connor Mykins:

Yeah. Wegmans' like five minutes from my house. It's too convenient sometimes.

Gene Marks:

Fair enough. Fair enough. Conner Mykins is a financial compliance analyst with Paychex. Connor, thank you so much for joining us and updating us on what we need to know about PPP. Hopefully we'll be coming back soon and we'll talk about some other things that you're working on that affect my payroll and all of my clients and all of our loyal listeners payroll. So thank you for coming on.

Connor Mykins:

Yeah, thanks Gene. Very much. I really appreciate it.

Gene Marks:

So everybody, if you'd like more advice or tips or help in running your business, please join us at, if you go to paychex.com/WORX, that's W-O-R-X, you can get all that information. Plus you can find all of our other podcasts episodes there and we talked to a lot of really great people that impact your business. My name is Gene Marks. Thanks so much for joining us and we will see you next time. Take care.

Speaker 3:

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