

We are sharing with our small business clients the following information provided by the WIB (Wisconsin Independent Businesses). This contains valuable information on what you need to do once you receive the Paycheck Protection Loan. Attached you will find a very good spreadsheet from WIB to help you with your loan expense tracking.

Paycheck Protection Program Loan Use Strategy, Timing and Tracking

To support your efforts navigating through the Paycheck Protection Program (PPP) Loan process and gathering the documentation necessary to have the loan forgiven, we have provided some guidance below.

If your business has received your PPP loan proceeds, the "8-week time clock" starts the day the loan proceeds are received. It is very important to comply with the CARES Act provisions that cover proper use and timing of funds to obtain loan forgiveness.

This will take some time and attention to administer. This [spreadsheet](#) will assist you with forecasting, tracking and summarizing your expenses paid from the PPP Loan funds.

Please be sure to utilize the Forecast tab and enter your expected qualified expenses over the 8-week period following the loan disbursement. This will help you plan and time expenses that need to be paid. Also included is the Support Needed tab, which lists items your bank may potentially request for loan forgiveness. Additional guidance will be forthcoming from the SBA.

Key Points: Permitted Use of the funds, to be eligible for forgiveness, include:

- Payroll, including eligible benefits (group medical, dental, retirement, paid sick or family leave, state UI). Individual compensation limited to \$100,000 annual rate which is \$15,385 for the 8-week period; eligible benefits for those individuals can be included in addition to that number.
- Rent for leases in effect as of February 15, 2020.
- Interest on loans that were in place as of February 15, 2020 (mortgage loans and personal property loans that contain liens on your property).
- Utilities (electricity, water, gas, telephone, internet).

Key Points: Parameters for forgiveness:

- 75% of the loan funds must be used for Payroll and Benefits.
- If you do not maintain the level of full-time equivalent (FTE) employees, as compared to a testing period, your forgiveness amount will be reduced unless your employees were laid off between February 15 and April 26 and you restored your full FTEs by June 30, 2020 (the re-hire exemption). Much guidance in this area still needs to be addressed by the SBA. Please stay tuned.
- Pay rates cannot be reduced by more than 25% for any employee making less than \$100,000.
- Any funds not forgiven become a 2-year loan with an interest rate of 1%. Payments are deferred for the first six months although interest will accrue. Therefore, the total loan is actually paid over an 18-month period. Be sure to consider the terms and payment amounts required on any loan balance not forgiven.

Our recommendations:

- Use the spreadsheet. When forecasting expenses, please be aware of the timing of your payroll to ensure that the appropriate amount of payroll dollars spent fall within the 8 weeks following loan disbursement.
- Set up a separate bank account, ideally a savings account, for the loan proceeds. This account would be used for the loan proceeds received and then replenish your current checking for the exact amounts you spend on eligible expenses. Keep using your normal operating checking accounts. This approach will assist you in keeping better track of expenses paid with PPP loan dollars but eliminate the need to order new checks and reset up your payroll and/or other automatic charges.
- Consider working capital needs. The PPP loan covers payroll and small amounts of other expenses. If you believe you will need additional funds, consider other borrowing options available through the [SBA](#) or from the lender(s) you currently work with.

Again, new information seems to be coming everyday and more guidance is supposed to come from the SBA. We will try to help keep you all informed so look for future emails and check out our website at www.ricelaketax.com.