



Hello everyone, I hope you and your family are staying safe and doing well.

The majority of you should be able to start applying for the Payroll Protection Program today April the 3rd. Be patient with your bank and banker during this time as they are sure to be overwhelmed with the response.

When you first review the program the instructions seem very basic and easy to calculate the average monthly payroll cost to use as your factor when computing the 2.5 x payroll costs. As we have dug more into this calculation we are realizing a couple of things. #1. It is not that simple and #2. A lot of instructions are incorrect.

One of biggest areas of misunderstanding is what is included in the "Payroll Cost" amount. Below is what is to be included and what is to be excluded from the Payroll Cost according to the [SBA's new guidance](#) that was released last night. I encourage you to take the time to read the entire guidance.

To Be Included

1. Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent). **It does not include 1099 payments.**
2. Payment of vacation, parental, family, medical, or sick leave.
3. Allowance for dismissal or separation.
4. Payment required for the provisions of group health care benefits, including insurance premiums.
5. Payment of any retirement benefit
6. Payment of State or Local tax assessed on the compensation of employees.

To Be Excluded

1. Compensation of an individual employee over \$100,000
2. Any Compensation of an employee whose principal place of residence is outside of the US.
3. Federal employment and income taxes imposed or withheld **between February 15, 2020 and June 30, 2020. This was a significant update.**
4. Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act.

One of the biggest questions that we are receiving is, "Do independent contractors count as employees for purposes of PPP Loan calculations? The SBA has stated in the most recent guidance that, "No, Independent contractors have the ability to apply for a PPP loan on their own so they do not count for purposes of a borrower's PPP loan calculation".

I hope this helps give some clarity on how to calculate the payroll costs to use in your formula. I also appreciate everyone's patience as we are addressing all questions and

concerns as quickly as possible.

If you are part of our monthly Small Business Bookkeeping Program we will assist you with this calculation and gathering the documentation needed free of charge!! Just contact your assigned Bookkeeper and we will get you what you need to submit for the application. Please be patient though, there is a lot to process and figure out.

Thank you, and stay safe!!!

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