Overview of the Paycheck Protection Program (PPP)

Presentation by:
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What is the Paycheck Protection Program (PPP)

- The PPP loans are administered by the US Small Business Administration.
- Implemented to help businesses keep its workforce employed during the COVID-19 Pandemic.
- Approved for certain expenses like payroll, payroll taxes, rent, mortgage interest, and utilities.
- Borrowers may be eligible for PPP loan forgiveness for all or part of its loan.

Why does this affect the Indirect Cost Rate (ICR) schedules?

- If the PPP loan is forgiven, the Federal Acquisition Regulations (FARs) requires a credit to the Government for a cost that is reimbursed through other means.
- Per 48 CFR 31.201-5:

  "The applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the Government either as a cost reduction or by cash refund."

When is the PPP adjustment required on the ICR schedule?

- The allocable adjustment will reflect in the ICR for the fiscal period when the loan was forgiven.
- If the PPP loan was forgiven in FY2020 or early FY2021 prior to closing the FY2020 books the applicable credit would reflect on the FY2020 ICR schedule.
- If the PPP loan was still on the balance sheet for FY2020 the applicable credit would move to FY2021.
- If the company elected to pay back the loan or not apply for forgiveness, a credit is not required to the ICR schedule.

What documents are needed to determine the PPP adjustment?

1. **The PPP Loan Forgiveness Application** identifying how the funds were used (e.g., payroll costs, rent, utilities).
2. The **payroll report** for the PPP reporting period to identify the different categories of payroll (e.g., labor, payroll taxes, health insurance).
3. The **Labor Distribution Report (LDR)** for the PPP reporting period at the **PPP imposed cost ceilings** – this will provide the direct and indirect labor costs. There are two PPP imposed ceilings:
   - $100,000 annualized salary limitation – for employees over $100K, recalculate their labor costs at $48.08 per hr. ($100,00/2080)
   - $20,833 limitation for owners with at least 5% share – allocate cost for the hours worked in the reporting period (e.g., $20,833/960 hrs. = $21.70 per hr.)
4. The **Project Detail Report** at the PPP imposed ceiling – this total should match the direct labor total on the LDR. Identify which projects used the ICR as part of the billing and those that did not.

What's next for firms needing to make a PPP adjustment?

- We have another presentation that will go over what we will do with the information you provide. Please keep an eye out for that.
- If you have any questions about what we ask you to submit for the PPP loan forgiveness analysis, please contact:

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