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CARES SBA: PPP MONTHLY PAYROLL COST REPORT FAQs - RUN Powered by ADP®

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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

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 RUN 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 RUN can be used for to apply for second PPP loans. Please note, however, that different rules and qualifications apply for second-time PPP borrowers. Please visit www.adp.com/ppp for more information.

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

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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 Payroll Cost Report

Q6: What is a Payroll Cost report?

A: The maximum amount of a loan under the Paycheck Protection Program (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 generally provides the following:

1. Your monthly payroll costs for each month during the applicable period; and
2. Your total payroll costs for the applicable period.

This information is intended to provide you with payroll cost information to assist you in determining your potential maximum loan amount.

(Note: Based on the CARES Act, payrolls costs for employees whose principal place of residence is not in the United States should be excluded from your payrolls costs for purposes of determining your maximum loan amount.)

Q7: How do I run a Payroll Cost report?

A: Running a report is simple. When you sign into RUN, please follow the pop-up screen, which will take you directly to the report. You can also access the report by going to our Reports Tab. The CARES SBA PPP Loan Report can be found in the Payroll Reports section. The payroll will automatically run for the calendar year 2019. However, you can change the time period covered by the report by resetting the dates.

Q8: How do I run a Payroll Cost report for Accountant Connect Users?

A: For Accountant Connect users, navigate to Reports & Tax Forms. Select the applicable client or clients, the CARES ACT SBA-PPP Report, and the period for which you would like to run the report. Note, the payroll will automatically run for the calendar year 2019. However, you can change the time period covered by the report by resetting the dates.

Q9: What if I have multiple client codes in RUN that operate under the same FEIN?

A: Each report will only show the results for the client code selected. The report is run based on the client code selected and not based on FEIN. If you want monthly payroll cost information by FEIN, then you should run a report for each client code within an FEIN and aggregate the information accordingly.

Q10: 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 benefits, 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

Q11: 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 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.

Q12: 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 may run the report for the 2019 calendar year or the 1-year period prior to the date of the loan, at your option (and you can run a report using either period). However, the default period covered by the report is the 2019 calendar year.

Q13: 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 periods, at your option between February 15, 2019 and February 15, 2020.

Note: If you elect to run the report for a period that includes only part of a calendar month, then the report will treat your payroll costs from that part of the calendar month as if those costs were your SBA Payroll Costs for that entire calendar month. This may result in understating your Average Payroll Cost. In order to avoid this, you can recalculate your Average Payroll Cost as follows:

1. Divide the Total SBA Payroll Cost in the report by the number of weeks covered by your report (i.e., 12); then
2. Multiply that amount by 4.333 (i.e., the average number of weeks in each month, or 52 weeks/12 months).

For example, if you elect to use the twelve weeks beginning February 15, 2019 and your Total SBA Payroll Cost is $216,000 for that period: then (i) divide $216,000 by 12 = $18,000 (this is the average weekly SBA Payroll Cost); and then multiply $18,000 by 4.33 = $77,940 (i.e., the new monthly Average Payroll Cost).

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Q14: 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.

Q15: Why doesn't the report include any information for the current month?

A: If you were in business in 2019, loans under the PPP may be 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 would not include the current month.

Q16: What if I wasn't a client of ADP during the entire applicable period?

A: The report will provide the following:

1. Your monthly payroll costs for each month in the applicable period for which we processed your payroll. However, please note that if we started running payroll for you in a month that was not the beginning of a quarter, then the monthly payroll costs for that month will be a lump sum representing your costs for that month and any prior month in that quarter for which payroll was run. For example, if we started running your payroll in September 2019 (i.e., CY Q3) and you or another provider ran your payroll for July and August 2019 (also Q3), then the monthly payroll costs for September 2019 in the report will represent a lump sum equal to the payroll costs for July, August and September 2019 (i.e., all of Q3). Note, consequently, the monthly payroll costs for July and August 2019 will appear as "0" on the report. In addition, if you or another provider ran payroll for any or all of the quarters prior to ADP first running your payroll, then the monthly payroll costs for each of the months in those quarters (in the example, these would be Q1 and Q2 of 2019) would be represented in the last month of each of those quarters as a lump sum equal to the payroll costs for the months in that quarter and the other months would appear as "0." For example, March would reflect the lump sum total for the entire first quarter, and January and February would appear as "0."

2. Your total payroll costs for the entire applicable period, including that portion of the period for which we did not process your payroll but in which you or another provider processed your payroll.

Q17: How does the report treat the gross pay of employees whose gross pay exceeds $100,000?

A: Under the CARES Act, employee compensation in excess of an annual salary of $100,000 cannot be included in your payroll costs. 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 in the month when an employee's accrued gross pay reaches $100,000, the report excludes any gross pay above $100,000 through the remainder of the period. For example, if your report covers calendar year 2019 and an employee reached $100,000 of gross pay in September 2019, then the report will stop including that employee's gross pay in excess of $100,000 for the rest of the year and you will see a corresponding drop in your payroll cost.

Q18: If I'm a seasonal employer (as reported to the IRS on Form 941 by you) with employees whose gross pay exceeds $100,000, how does this impact me?

A: Compensation paid to an employee in excess of an annual salary of $100,000 cannot be included in payroll costs. Accordingly, you will need to determine how you want to treat employee gross pay in any month that exceeds $100,000 on an annualized basis since there is no specific governmental guidance on this point. Your report should cover 12 weeks beginning on February 15 or March 1, 2019 (at your option) and employee gross pay for those months is not adjusted in the report; therefore, you should consider whether to include that unadjusted amount or whether to adjust amounts that exceed $8,333 downward to $8,333 ($8,333 x 12 months (annualized) = $100,000). For example, if you have an employee whose average monthly gross pay in the report is $9,300 (which represents $111,600 on an annualized basis (i.e., $9,300 x 12 months)), then for each month in the report for which that employee's gross pay exceeds $8,333, you would reduce your monthly payroll cost for that month by the difference, which in this example would be $967 (i.e., $9,300 minus $8,333). We encourage you to speak to your lending institution about this.

Q19: If I wasn't in business from February 15, 2019 to June 30, 2019 and I have employees whose gross pay exceeds $100,000, how does this impact me?

A: Compensation paid to an employee in excess of an annual salary of $100,000 cannot be included in payroll costs. Accordingly, you will need to determine how you want to treat employee gross pay in any month that exceeds $100,000 on an annualized basis since there is no specific governmental guidance on this point. Your report should cover January 1, 2020 to February 29, 2020 and employee gross pay for those months is not adjusted in the report; therefore, you should consider whether to include that unadjusted amount or whether to adjust amounts that exceed $8,333 downward to $8,333 ($8,333 x 12 months (annualized) = $100,000). For example, if you have an employee whose average monthly gross pay in the report is $9,300 (which represents $111,600 on an annualized basis (i.e., $9,300 x 12 months)), then for each month in the report for which that employee's gross pay exceeds $8,333, you would reduce your monthly payroll cost for that month by the difference, which in this example would be $967 (i.e., $9,300 minus $8,333). We encourage you to speak to your lending institution about this.

Q20: How do I determine my average total monthly payment for payroll costs?

A: If you were a client of ADP during the entire applicable period, then in order to calculate your average total monthly payment for payroll costs, you should divide your total payroll costs for the applicable period (see "Total Payroll Cost" in the report) by the number of months in that period. For example, if your applicable period is 12 months, then you should divide your total payroll costs for the period by 12.

If you were not a client of ADP during the entire applicable period, then in order to calculate your average total monthly payment for payroll costs, you should divide your total payroll costs for the applicable period (see "Total Payroll Cost" in the report) by the number of months in that period for which you processed payroll. For example, if you started operating in May of 2019, and you chose calendar year 2019 as your applicable period and only processed payroll from May to December of 2019, then you should divide your total payroll costs for the period by 8, the number of months from May to December, inclusive.

Q21: How does the system handle current State Unemployment Insurance (SUI) updates when payrolls have already been processed?

A: The report reflects the payroll costs for each payroll processed during the relevant month at the rate that was in place at the time the payroll was processed. If the SUI rate changed after a payroll was processed, manual adjustments to the report will be needed.

Q22: How does the report calculate the average number of employees paid per month?

A. The report first sums the number of unique employees paid in each month, it then sums those monthly totals and, finally, divides the sum of the monthly totals by the number of months covered by the report. In the event the average is a fraction, it rounds up to the nearest whole number.

Q23: How does the report treat the compensation of employees whose principal place of residence is outside of the United States?

A. Under the CARES Act, compensation of employees whose principal place of residence is outside the U.S. are not to be included in "payroll costs." If you have such employees, then you will need to exclude their compensation from the payroll costs as shown in the report.