

## **New Application for Paycheck Protection Program (PPP) Clarification**

*Provided by Insight Wealth*

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1. In calculating the loan amount, the exclusion of the amount of an employee's compensation in excess of \$100,000 annually applies only to cash compensation, not to non-cash benefits, including:
  - employer contributions to defined-benefit or defined-contribution retirement plans;
  - payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums; and
  - payment of state and local taxes assessed on compensation of employees.

\*In calculating the loan amount, some banks included the employer contributions and insurance premiums paid on behalf of an employee as part of the \$100,000 cap, which would result in a lower loan amount.

2. For calculating the loan amount, payroll costs are calculated on a gross basis without regard to federal taxes imposed or withheld, such as the employee's and employer's share of Federal Insurance Contributions Act (FICA) and income taxes required to be withheld from employees. As a result, payroll costs are not reduced by taxes imposed on an employee and required to be withheld by the employer, but payroll costs do not include the employer's share of payroll tax.

For example, an employee who earned \$4,000 per month in gross wages, from which \$500 in federal taxes was withheld, would count as \$4,000 in payroll costs. The employee would receive \$3,500, and \$500 would be paid to the federal government. However, the employer-side federal payroll taxes imposed on the \$4,000 in wages are excluded from payroll costs under the statute.

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