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November 19th, 2020.

>> Hi there.

I would like to welcome everybody who has joined us so far. We can see that lots of people are joining as I'm speaking. And we have a very large attendance today, so thank you all for joining us early and thank you, everybody, who is joining us right now.

As we are waiting, I am going to show our -- accommodations notice for anybody interested in -- in the captioning service that we have available today. You can see the instructions there on your slide. My colleague Sam is going to paste the link into the live Q&A feed, so that you can copy and paste it into your browser.

You can find the live Q&A feed in the upper right-hand corner of your screen, it looks like two speech bubbles, one with a question mark. If you click on that and open it up, you will be able to see that link if you need it.

And I'll just leave that there for a moment so that people can see that this service is available.

I will also mention, to anybody who is interested, the transcript for this event is available from our website and anyone attending today will get a link to that in an email after the event. So don't worry about that.

So I think that I can see that we have quite a few people who have joined us, more joining every moment, but I think it's important that we

kick off our event so I'm going to invite our Executive Director, Adriana Cruz, from -- she leads the Economic Development and Tourism Office at the Office of the Governor. We would like to invite her to open the event, thank you.

>> Cruz: Thank you so much, Kelly, thank you everyone for joining us today. I'm Adriana Cruz, the executive director of the Economic Development and Tourism Office in the office of Governor Greg Abbott. On behalf of the entire team at the Economic Development and Tourism Office, I want to thank you for joining us for our 15th governor's small business webinar and our final webinar for 2020. We had planned to have Governor Abbott welcome you all today. However, he apologizes as he's been called away for an important press conference, which is taking place right now. Under the leadership of Governor Abbott, our team works to help our state create new jobs and investment to benefit our communities and our residents.

As you know, our small business team has been putting together these small business webinars since mid April. Our goal has been to provide you with resources that will assist you to find success in your entrepreneurial journey. We've had more than 22,000 small business owners and entrepreneurs register and more than 15,000 attendees. Today we're excited to be talking about how to optimize the PPP loan forgiveness and we will be hearing from experts from the Small Business Development

Centers, the Texas Workforce Commission and the Small Business Administration. Many of you have been joining our events since April and I want to thank you for your continued participation and for your feedback.

And for those of you who are joining for the first time, thank you for taking time out of your afternoon to join us.

Texas continues to be ranked as the top state in the country to start a business, to be an entrepreneur, and that's a testament to you all, our state's small -- [Audio cut out].

Small business -- sorry, I'm having technical difficulties. 2020 has been a difficult and challenging year and our small businesses have felt these difficulties more than most. However Texas is no stranger to overcoming challenging situations. Our economy remains resilient and the things that make Texas a great place to do business have not changed. Our office is committed to continuing the strong trajectory of economic growth in Texas and we look forward to work with you and to help you as you continue to do business in the Lone Star state. Now I'll turn it over to our office of small business advocate, Kelly Spillane. Kelly?

>> *Spillane*: That's great, thank you so much, Adriana. I'm going to move swiftly along and introduce our panelists today. Today we are honored to have these people join us, experts on the subject of PPP. Many other things as well, but particularly today these people are knee-deep in working with businesses and -- to resolve PPP issues and questions.

So it is just fantastic that we can have them all join us today. I'm going to name them for you. So you can understand who we've got.

Nestor Astorga, he's a senior business advisor with the Small Business Development Center in San Antonio. They have a special unit called the COBRA, the COVID Business Recovery Accelerator. They are working day in and day out with businesses on this subject and many others and there will be contact information for the cobra at the end of this slide deck. You can all access it. We will be sending everybody a link. Our second panelist is Velissa Chappa. Velissa Chappa is a legal counsel to Commissioner Demerson at the TWC. He's the Commissioner for Employers. And Velissa is an expert, again, on workforce issues which of course are pertinent to the PPP. We have Joe Harper, the Executive Director of the Small Business Development Center at Texas State in North Austin. Again, Joe is not just an expert on all things PPP and SBA, Joe has also founded and run large businesses and is also a successful entrepreneur, too. So we are delighted with the perspective that he can bring. And Winston Labbe, the senior vice president of the Small Business Administration in the Houston office. Again, Winston, working for the SBA is on the cold face of dealing with PPP questions and issues. Again, we are thrilled and delighted and honored to have these people form our panel today.

I'll just mention, I know that plenty of you have already noticed, that our live Q&A feed is open. You can type your questions in that live

feed. Again, you can find it if you haven't found it. In the upper right-hand corner of your screen. There's two speech bubbles, one with a question mark, click on that. You will see that there's a feed for you to type your questions in, but also a featured feed. These are questions other people have asked and that my colleagues have published. Take a look at those questions in the published feed. If there are any that you want answered, like them, because we're going to prioritize the questions that get the most likes.

And you may also see the question that you wanted to ask is already there.

So off you go. Please ask the questions and we are going to devote most of this webinar to answering your questions.

But before we do that, we are going to throw a few questions to our panelists. Just to kick off these questions are the questions that we think are most on people's minds. Or represent a good introduction to how we're going to use the rest of the time.

[Echo]. Excuse me. So without further ado, I'm going to kick off and ask Nestor these first two questions. Thank you for joining us, again, Nestor.

The first question that I'm going to ask you is simple one I suppose. But a straightforward one. The PPP forgiveness application process has several steps. Can you walk us through what those steps are?

>> Yes. Thank you very much for this invitation and before I start, I want to be grateful to Winston, because he has been my digital mentor. He doesn't know, but I have attended a couple of his trainings. So thank you very much, Winston. [Laughter]. I'm your student.

[Laughter].

So my goal here is with this presentation overview is on one hand to make you see the complexity of the PPP and on the other hand to provide some recommendations. The steps are the following -- as we were talking, this is a two-step process because in the very beginning you requested the PPP, and on the other hand you are going to solicit for the forgiveness.

The important what I call the important PPP moments are the following: First, you need to -- you requested the PPP loan. That's the first. The first thing. Then it was the use of the PPP funds. Then it becomes a third moment which is basically what -- where we're at right now, we're in the point where we want to request forgiveness to the lender by submitting the correct forms and documentation that applies to the form.

Later, next, it will be that the lender will do a [indiscernible] on the PPP forgiveness application and then the lender will send that information, your package, to the SBA.

Then the SBA will do a revision on your case, and they will -- they will check, you know, if you could -- could apply something for forgiveness, 100% or a portion of it and then it's going to come to the

Lender.

Then the lender will notify the borrower, how -- how everything came about to be with regards to this forgiveness. And then the next moment is that the borrower needs -- if something was not forgiven, then he needs to begin to -- to think in payments. He needs to pay.

There might be situations where there might be needing to appeal. Because of something went wrong from the very beginning, maybe at the very beginning they -- they signed something but they didn't put attention into what they answered on that first form. So possible appeals. And hopefully not, but I -- I tell all of my clients to prepare for an audit from day one. So prepare your documentation, prepare everything, because it might be possible. So this answer, I think the first question.

>> Great, thank you for that. It's really good to have some clarity on those steps. I guess each step can take some time depending on that application. Everything is unique to the individual or the individual business. So Nestor, when we were talking about this advance, you were suggesting to me that the process is complex, really the application itself is complex. Yeah, you made the suggestion to me that you felt that a small business might benefit from engaging a professional to help them draft that application.

So could you explain to us why you think that? And maybe highlight some areas where people tend to make mistakes in drafting their own

applications?

>> Yes. First because I'm -- I have been an accountant for 33 years and I'm accustomed to read the laws, to do accounting, to do -- run numbers. And the ordinary -- usually the ordinary business owner not always is an accountant. So sometimes they have a bookkeeper, a CPA, an external firm that is handling all of these matters. And so this is not an easy form. Originally, the SBA -- the 3508 form for forgiveness, now it's called the long form, originally didn't have a name. So then it came with an EZ form, then an S form. So it has been segmenting in a way that -- that is different and it is not easy for the ordinary business owner just to go and fill it out.

So here I see two ways of solving the issue. One, those who use or used professional services and those who do the application by themselves. So in -- in the first notes that we discuss was that why would somebody want to fill out the form themselves? One of the reasons might be that they want to save on professional costs.

The other is that it might look as an easy application for the borrower to prepare. The other one is that the borrower wants to keep control of the process. But my question is what is at stake?

If you've got a \$30,000 PPP loan, if you don't do it correctly, it can maintain as a loan because right now it's being processed as a loan. And until you request that forgiveness, then you will know if it will be

forgiven in total or in part.

So for those who have used a professional services, if the preparer is an ordinary accountant, there are less chances of mistakes in the process. If the preparer is not the ordinary accountant, I want to -- I suggest that to ask your accountant to provide the information requested by the preparer.

Now, you might be facing situations where if you are changing preparers, that the preparer right now is not going to be the same one that helped you with the first application which was when you requested the PPP, so he needs to be engaged and I will strongly suggest to you as a business owner to review the first submission of the borrower application. So he gets involved with the whole process.

Before submitting the PPP forgiveness application, by a professional, I would -- I would ask your accountant to double check the amounts and the process, even if they didn't do the -- even if they didn't fill out the forms and possibly to ask for a second opinion of a trained third party and an advisor or a lender.

If you used professional services before but now you want to do it yourself, I recommend you to do only if you are very familiarized with the accounting process of the business.

Number two, if you are experiencing filling out forms -- if you are experienced filling out tax forms and documentation.

Number three, if you can get familiarized with your regional submission -- the form by the way is 2483 -- and its documentation. Also to have your accounting up to date. And, again, the recommendation goes for the same, ask for a second opinion. Especially checking on the first application that -- that the original. For those borrowers that want to process their own forms and the ones preparing it for the first time, my recommendation before starting, I would strongly recommend to take all of the courses you can from sources such as SBA, SBDC, [indiscernible] and equivalent institutions. Look for assistance for organizations again from the same, your lender, or professionals dedicated to this topic. Read the guidelines understanding the origin and the 28 modifications that came after.

Read your regional sign and submitted PPP borrower application looking for mistakes, borrower eligibility issues, amount eligibility issues. Correct those mistakes before submitting the PPP forgiveness application. We recently heard a case about a person that applied and got two PPPs. So that's a big no-no. You know? And now the forgiveness process is not just in jeopardy, but also it can be looked at as fraud or something.

More recommendations, talk to your lender about the timelines and deadlines. Ask them if they have tools that they can use to submit the PPP forgiveness application.

Ask if they have training courses. If they have assistance for clients. They always, bankers have a good network of professionals around them. Ask if they know people that are processing these type of PPP applications.

Identify which form will you be using if you are going to use a 3508 S or EC or now called the long form, the 3508 which was the original one, identify the eligible [indiscernible] for forgiveness, the payroll and non-payroll concepts in detail. Check if you use the PPP funds for authorized uses. Identify the time periods applicable to your case and the ones that you will be using.

Also, prepare the documentation to do the calculations, despite the formula that you are using, do -- do prepare your documentation to do calculations, prepare the documentation to fill out the forms. Do your calculations and allowable scenarios and keep these calculations under a binder, notes, because this might be audited in the future.

Fill out a draft of the PPP forgiveness application and request a second opinion before submission.

After the fact, after you present the form, create a binder and keep it for six years at least. With the forms submitted, the attached documentation, your notes and paperwork about your calculations. And in some the history of the PPP from the request to the last step and have a clear story of this topic in preparation for an audit. This will be

my recommendations.

>> well, that's really good advice, thank you, Nestor, obviously there's a lot to this. It's complex and Nestor had to try to squeeze that answer into the timeframe we gave him. Appreciate you doing that. We have plenty of time to get into more detail and address different angles. Will we also have Joe Harper and Winston Labbe here to help answer those questions. Before we get to that, I'll move along to our -- sorry, to -- to our next panelist who is Velissa Chappa, legal counsel to Commissioner Demerson. The spirit of that was to help businesses keep their workforce in place, to help people remain employed. So workforce issues are integral to the subject of PPP, it's great to have the expert of Velissa Chappa here.

>> Thank you so much for having me, Kelly, it is a pleasure to be here today and share information with all of you lovely listeners that I think will be helpful to you in the future.

So I'm going to answer the two questions that you see before you on the screen. And the first one what to do with PPP loan money and how that works with -- as far as wages and do you report those to TWC on your quarterly wage reports.

The answer is yes. Any wages that are paid with PPP funds are wages for the purposes of federal and state payroll taxes. Including the unemployment tax. And they should be reported as such to the IRS and the

TWC as wages. As an off shoot question of that, folks want to know how do PPP funds work with unemployment claims. The short and sweet is the two systems don't talk to each other. But whatever PPP moneys the claimant or employee is receiving should be reported as wages to TWC in their biweekly claim certifications when the agency is calculating whether or not that individual is entitled to any benefits.

Essentially, there would not be any double dipping. Because with the PPP funding the argument is that individual is not unemployed.

The second question takes a little bit longer to explain. So for those of you who are not familiar, the FFCRA stands for the families first coronavirus response act. Passed by congress, first federal law my understanding in US history that requires employers to give paid leave to their workers under certain circumstances. So under this FFCRA umbrella, you have two laws, the Emergency Family Medical Leave Expansion act, and the Emergency Paid Sick Leave Act. So those two laws, as many of you probably know, you are required to pay employees under certain conditions. So there is a tax credit on the other side of that and a lot of folks want to know, well, what pay is eligible for the tax credit?

So think of it like this. Under the FFCRA, there are several condition that's can trigger you to have to pay an employee for the time off.

Under the umbrella of that law, there's six qualifying reasons. The

first three you have to pay the employee 100% of their regular pay. And there is a daily cap, et cetera. But the federal law says they get 100% of their regular pay if one of the first three conditions are met. And those have to do with things such as you have to -- they cannot work because of a shut-down order or shelter in place order or maybe they are experiencing symptoms of COVID-19 and are seeking diagnosis or maybe a doctor has told them to quarantine. Under those conditions you would pay 100%. The last three conditions of the six have to do more with caring for folks. If you are caring for a child because the school is closed or the daycare is closed or if you are caring for someone who has a COVID-19 and they are very ill and you are the only caretaker or any other substantially similar condition.

If those last three pieces apply, then you pay the employee at two-thirds.

So how does the tax credit work? The IRS website has a lot of great information on it. But what you need to know is you will only get reimbursed for the amount that the law says that you are required to pay. So a lot of employers will call our office and say, hey, the employee is caring for a child, school is closed, I have to pay them two-thirds, but can I pay them 100%? Yes, you sure can, but you are only get credited for the two-thirds on the tax credit because that's what the law requires you to pay.

So I want employers to be aware of that because there tends to be some confusion with it. The other piece is documentation.

So you have to have documentation to provide to the IRS to get that tax credit. And on the one hand, the documentation that's acceptable is very broad. Because the idea is we don't want to make it difficult for the employees to qualify for the leave.

But the IRS just isn't going to give you a credit if you raise your hand and say, give me the credit. You have to provide documentation to get that.

So the IRS also gives you more information on that, but basically here's what you need. And a lot of it really makes sense. You need a document that you could create, you know, simple, put the employee's name, the date of their request, the condition that this fits under, under the FFCRA, which condition is it, the basic ideas, dates, all of that kind of thing. And then in addition depending on the type of leave that the employee is requesting, you are going to need additional documentation. For example, if an employee says I -- there's a shelter in place order, we're closed, I can't work, then you need to get a copy of the order and attach it to that individual's file so that you can provide that to the IRS.

what if the -- if your employee tells you that their child's school is closed and there's no alternate care, you have to care for the child?

Then a letter from the employee, an email, explaining, you know, I am the primary caretaker, there is no one else who can take care of the child, the name of the child, the name of the school. If the school is closed. Those basic pieces.

So a lot of it really relies on logic, but without that documentation, you can't get the tax credit. So, again, the type of documentation that's acceptable is broad. But you do need those fundamental pieces to get started. Likewise, if someone says they are feeling ill and getting a COVID test, maybe an email confirming that they got an appointment to get tested.

Add that to the file, provide that for the IRS credit. I know they are updating their information as time goes on, so I really encourage you to hear it straight from the horse's mouth through the IRS website. Do a simple online search for IRS tax credit FFCRA, that will give you what you need to know. Of course, if you have more questions about that as an employer, your rights and responsibilities under the FFCRA, we do encourage you to call us. I'm going to give you our two hotline numbers while we are on this call. If you have questions as an employer, the attorneys, myself the other three in the office cannot give legal advice. We cannot take the role of your private counsel, but we are happy to walk you through the basics of this law, show you the resources that might be helpful. You don't have to navigate it alone. So give us a call at

1-800-832-9394, push option 4.

Alternate is 512-463-2826, thank you so much for having me on today, I will now turn it over to the next speaker.

>> That's great, thank you so much. In fact, that phone number is on the second to the last slide in this deck, so everybody attending today will receive an email with the link to where we host the slide deck and that information is there for your convenience. If you don't manage to catch it, don't worry you can get it later. Thank you, and thank you again to Nestor. We are not going to talk anymore about frequently asked questions. We're going to the live Q&A feed. I know my colleagues have answered several of them. If you have asked your question, double check that feed to make sure there isn't an answer waiting for you. Two colleagues full time dedicated to answering questions directly as best they can, we are publishing others. Without further ado, I'm going to pass the reins over to Jarvis Brewer.

>> Thank you to all of you and thank you to the panelists. We've had a lot of questions submitted. Please do continue to submit your questions as well as continuing to like the questions of others submitted. That is how we will prioritize how we ask the questions, so do continue to do both of those things.

For our panelists again I will be assigning questions to what I think you may be able to answer the best. However, if you are a panelist and

I didn't assign a question to you, feel free to hop in so we can go into further detail in answering these questions from our audience, first question I'm going to relate to you, Winston. The question is: I have received notice from my lender suggesting that I hold off on the application for forgiveness due to things still changing. Thoughts, please?

>> Yes. That is true. And as a matter of fact I had written down a comment to make at the beginning, but before I even begin, thanks for the promotion, Kelly. So my title is actually outreach and marketing specialist, but hey, I really appreciate the promotion, I will take that any time.

Then to Nestor, thank you for -- Nestor thank you for your kind words, I think you may be underestimating yourself, we always refer our small business owners to the S [indiscernible], thank you there. One more comment, our district director, Tim Jeffcoat reminded me that on this webinar our other offices, district offices, Dante Acosta, Herb [indiscernible] from Dallas, Calvin Davis, West Texas and then David Elizondo, San Antonio, all of the offices do a great job in terms of providing assistance to small businesses, so I just wanted to say thank you to them.

But getting back to that question, yes. I'm here quite often, Jarvis, from small businesses, I do a lot of webinars on PPP forgiveness.

Some of the banks and lenders are waiting to see if congress is going to make any changes to forgiveness. In other words, they are waiting to see if there will be a blanket forgiveness based on a certain dollar amount. Quite honestly we haven't heard anything yet on that. Some lenders are using or creating their own template, their own application, own forgiveness application. So that may be one of the reasons there's a delay and then, third, quite a few lenders, even smaller in Houston, did over 7,000 PPP, these are small banks. So they are taking so many in at a time.

That's what's happening. What I'm sharing with the small businesses, do not panic, do not worry, you have 10 months in which to apply. 10 months after the end of the covered period to apply for forgiveness. What I'm sharing with the businesses is even though they are concerned, there is time to apply. Yes, that's what's happening, Jarvis.

>> Thank you for that. Everything is ever so changing. So definitely follow the advice of those. All right, this next question, I will relate to Joe Harper. This question is: After the PPP loan forgiveness application loan is submitted, how long before there is an answer?

>> [Laughter]. Well -- well, go ahead, Winston, that's probably a good one for you.

>> If you don't mind. Not to take the whole -- but Nestor spoke

to it earlier. There is a timeframe. Once the lender receives the loan forgiveness application package, the lender has up to 60 days to review it, and then submit their decision to the SBA electronically. And now once the SBA receives it, the SBA has 90 days to review it. Not that they are going to take 90 days, but they have that amount of time and then remit that fund to the lender. 150 days? Worst case, 150 days. But honestly I don't think it would take that long, but again worst case, 60 plus 90 is 150, so 150 days. But again I haven't been hearing it's been taking that long thus far.

>> *Jarvis:* Thank you. Linda submitted a question. Sort of along the lines of kind of a follow-up. Her question is how do you check your status on your forgiveness loan?

>> You want me to answer that.

>> *Jarvis:* Sure. Anyone else, Joe or Nestor.

>> I will jump in and then I will be quiet. The small business owners, borrowers, that was another thing that I had in my to speak to -- initially. But the borrowers need to stay in constant contact with their lender. The lenders can go on to the portal. The SBA portal. And they can check the status that way. So I do get those questions quite often. And but the lenders can check because the borrowers -- the way it's supposed to work, the borrowers should contact the lender and then the lender goes on to the portal to check the status.

>> *Jarvis*: Perfect. All right. So I will relay this one to you, next question to you, Joe.

How about taxes? Do we have to pay taxes on the money from PPP as an income?

>> No. The step that is forgiven -- you're not going to be responsible for taxes on that part of the PPP that's forgiven. But also the expenses that you use that money for can't be a tax deduction as well. Because so you can't double down on that. So you are not going to be eligible for income tax on the PPP forgiveness piece, but at the same time those expenses that you use that money for are not eligible as -- for tax deduction when you are filing your taxes as well.

So --

>> *Jarvis*: Okay. This next question, I believe you just answered it, but I'm going to reiterate it since it was submitted and liked quite a bit. The question is: Will business expenses paid with -- Paycheck Protection Program, paid with PPP funds that are given, be able to be deducted for federal tax purposes? If not, objects owners will have a much larger tax bill. Is there a solution in the works and when will we know one way or the other?

>> That -- the last part of that question is the big if. That's what's being talked about. Winston, do you have any insight on what they might do with that? The last that I understood was that you can't -- yes,

that there is going to be -- the tax implication is that you don't get -- what typically has been deducted from your revenues, or from your tax burden from your revenues, in normal operations, if you use PPP funds to actually pay those expenses, they are not eligible to be used to deduct from your taxes.

So that would create a larger tax burden for you at the end of the year, possibly.

But do you think -- if you think about, you are getting PPP forgiveness funds that come out taxes related to them as well. So it's sort of a -- it's a wash.

>> Joe, I haven't heard any more updates on what you already spoke to, your answer.

>> *Jarvis*: All right. We will move along. I believe this next question is a good one for Velissa. Nestor, also, if you have something to add as well, because it may go into the actual forms. The question is where do you report voluntary terminations on the FTE spreadsheet? A full-time equivalent spreadsheet. I will begin with Nestor on this.

>> Well, first of all, we have three forms, three different forms. The 3508 S, the 3508 EZ and the 3508 original form.

Some of these calculations need to be done on the side on your notes and, you know, especially when -- when you are letting somebody go and you want to rehire them later, you have to document everything. You have

to have it all -- all there is to prove that you did your due diligence.

So basically that's what I understand. Unless I'm wrong, Winston, please -- [Laughter].

>> You are right. You have to have written documentation and then, Jarvis, one of the things that I -- again thank you, Nestor. One of the things that I share with the attendees on the webinars is follow the instructions, there are instructions to each application. And the instructions are very detailed. Very in-depth. I just received a question just recently from someone who I think, Nestor, not to scare anyone, but there's a borrower who is going through a loan with you. Meaning his file was flagged to go through a special loan review. Not for the forgiveness itself, but something that jumped out at the SBA, he's going through like an exam, if you will. He had a question as to, okay, what do I need to provide?

What I did, because we could email headquarters, we have a special, you know, email, not special, but an email, so we could email them with questions and so basically the answer is they need to -- not to sound insensitive, but they really need to follow those instructions and even not to get -- safe harbors and FTE reduction exceptions, speaks to written documentation, if you terminate someone. If you try to rehire them and they don't accept it. So you have to do your -- not you. The borrowers need to do their best to provide some sort of documentation in those

instances.

Okay?

>> Thank you. And I believe this next question also centers around FTE, more applicable to the workforce Commissioner as well as a combination of the [indiscernible] SBA. I will ask a question. Anyone who has anything to add to it, definitely feel free to chime in. The question is does a decrease in part-time employee hours but not wage rates affect our FTE calculation? They are decreasing the number of hours, but at the same wage, therefore the amount of our loan which is forgivable. The question is does it decrease in the part-time employee hours but not the wage rate affect their full-time calculation and therefore the amount of loan which is forgivable?

>> I think that I may defer to someone who has more familiarity with PPP loan forgiveness on that since I don't deal with that personally. I really don't want to lead anyone astray. If anyone has any useful information to share, please feel free.

>> Joe, I can, but if you know -- okay. So if I heard the question correctly, Jarvis, so the FTE -- the FTE is declined but the hourly salary wages did not, right?

>> Correct.

>> In that instance -- I know it's easy for me to speak to because I see it all of the time. But in terms did of the documentation, the

application, the forms, there is a calculation so if you only have an FTE reduction, but not a reduction in salary, hourly wages, then they do not need to be concerned with that piece, the salary hourly wages. But the FTE portion, if there's a reduction, they still need to account for that reduction. Either through the safe harbor, one of those two safe harbors which are ways to mitigate, you know, any reductions in FTEs, I use the word mitigate, and/or the six FTE reduction exceptions. Again, if they have a reduction in FTEs, they need to look at those two safe harbors and six FTE reduction exceptions, all of that information can be found in the instructions to the application.

>> *Jarvis:* Perfect, perfect, thank you so much, Winston. I'm just trying to spread the love a little bit. [Laughter].

>> I'll be quiet.

>> *Jarvis:* No, no, absolutely, you have knowledge if we -- that we -- you have a wealth of knowledge that we need to give to and you are audience as well.

But again there's a lot of questions here about the FTE. I think that's something that's on business owners' minds across the state. Next question is we used our funds in the 24 weeks. But do we have until the end of the year to restore our FTE? I'm going to relay this to Joe. Again Joe used their funds in the 24 weeks, but do they have until the end of the year to restore their full-time equivalent? Joe, you may be muted.

>> He's still muted.

>> Other. I forget to do that every now and then.

The -- I -- I actually can't answer that one at this point. I'm not familiar with that. I'm just -- I'm going to sort of have to throw that one to Winston at this point because I don't remember the guidelines on the time deadline before you could -- you could work that.

>> That's the safe harbor number two. So it does allow for the borrowers, give them up to the end of the year to restore their FTEs. So even though the covered period may have ended, that safe harbor does allow them until December 31st to restore the FTE.

>> Thank you so much for that, sir.

All right.

Moving along. This question is specifically for the SBA, so again I'm going to stick with you, Winston, if that's okay. If something is incorrect on the Olympic, will the SBA give -- give an opportunity to correct the mistake or will they simply reject the full amount if there's an error?

>> That's a good question. And I think Nestor was speaking to that earlier very eloquently as far as being careful, making sure that they check everything. But let's say they do submit it. The lender is required. Now it's not the lender's responsibility. The onus is not on the lender, however the lender still needs to check to make sure that the

calculations were done in the appropriate spaces before they sign-off on it and submit it to the SBA. So chances are the lender may catch the mistake. If he or she does not and it goes to the SBA, then the likelihood is that it may go to a review, loan review like the example that I gave earlier where the SBA contacts the lender to say we need to review this file and so please ask the borrower to provide XYZ. So I'm pretty sure that's the way it would work if the lender doesn't catch the same mistake, it probably will be flagged for review. I don't think it be easy to say -- I'm speaking for what I think, not what I know. Not necessarily declined and not forgiven, probably escalated to a loan review and they may ask for additional information.

>> Thank you, sayer. Speaking of Nestor, this next question I know Nestor you have dealt with the [indiscernible] as well, not just the PPP. This question comes from bill Simmons, his question is, my bank recommended that I list my EIDL advance and EIDL loan under forgiveness application. Is this correct?

>> That is correct. I have to correct your question, also.

The EIDL is still available. You can still apply for the EIDL. What is not available right now is the EIDL advance.

The EIDL advance went away a couple of months ago, but people can still apply for it. Also, I have some clients that are even in the process of requesting an extension or additional funds for the EIDL. So those

things are still available out there. So -- but yes.

>> Thank you for correcting me. I absolutely meant the application for the PPP, but yes the -- the EIDL advance as well.

So thank you for that clarification. Do include that -- the EIDL information on your PPP forgiveness.

>> Correct.

>> It has to be there.

>> wonderful. This question was submitted anonymously, I'm going to relay it to Joe.

What PPP loan amounts are not forgivable?

You may be muted.

>> I should be used to this by now. 100% of PPP is forgivable if it meets all of the criteria, required documentation and the use of the loan proceeds.

So those -- anything, any portion of that that doesn't meet that minimums, and in terms of the percentages, that you may have to pay back would be based on not meeting the criteria for the number, maintaining the number -- the number of FTEs.

>> So there isn't just a straight number amount, loan amount that disqualifies forgiveness?

>> If I could jump in, Joe. When you finish. I have a comment.

>> That's fine, go ahead, Winston -- [speaker

interrupted -- multiple voices]

>> Joe, your answer was correct. Joe was correct in that. I wanted to mention this because I think that the person who emailed or texted that question, what they may be thinking or alluding to is, Nestor spoke to as well, on the application, forgiveness application, there's a line item that asks for the economic injury disaster loan advance amount, the grant, same thing, rights? The maximum would have been \$10,000, that's the maximum grant or advance amount. So you place the amount there, on the forgive advance application where there's the 3508 SEZ or revised, put your forgiveness amount, all of the calculations, when it's submitted to the SBA, like Joe just said, everything was done correctly, FTEs, the money, payroll, non-payroll expenses, all of that was handled correctly, well, let's say the [indiscernible] advance was \$10,000 and the forgiveness amount is 50,000. Well the SBA is going to only remit the difference, 40,000 to the lender. That \$10,000 advance becomes a loan. So that \$10,000 advance or grant, same thing, it now becomes a loan. Has to be repaid over either two years or five years. At a one percent interest rate. So just wanted to mention that, because that kind of sounds like that may have been part of that question, if they received an EIDL advance, there is a loan as well, that's totally different. But if they received an EIDL advance, it will be -- and a PPP loan, then EIDL advance will not be forgiven, that will termed out or put on a 24 month or 60 month

amortization at 1% interest rate.

>> Great to know. Thank you for that addition. That's wonderful.

All right.

This next question, I'm going to relate to Nestor. And actually you may have additional to add to this as well. If forgiveness is denied, can you make changes to the application, if it was denied for incorrect information and then apply again for forgiveness?

>> I don't know. [Laughter].

>> There is a -- such thing as an appeal. It can be appealed. If it's denied then the lender will notify the borrower, then the borrower can appeal it. If it gets appealed successfully that's great. Or maybe it gets a certain amount gets approved, but at the end of the day, if there is a portion that is not forgiven, it will be placed on a 24 month or a 60 month amortization and the reason why I keep speaking to two different terms, two different time frames is because back on June 5th, congress passed the Flexibility Act. And when the Flexibility Act was passed, those borrowers who received their PPP approval prior to June 5th, if they were to be notified that they have a balance, then that balance is supposed to be placed on a 24-month term or maturity and then those borrowers approved June 5th or after, if they were to find they have a balance remaining, it's place odd a five year amortization. Going back to the ones, feel like I'm doing a webinar, going back to the ones approved prior

to June 5th, if they do have a balance outstanding, then that borrower and that lender can both mutually agree to place it on a five year amortization, one percent interest rate. Both have to agree.

>> Thank you, sir, the reason why I relied that to you, Nestor, you spoke great about the appeals process earlier in case there was a denial. Someone would likely have to go through that denial process, but thank you so much, Winston, to let them know that if the end result was it would be denied it would become essentially just the loan that it is.

>> I want to add something about the appeals. There was an interim final rule on appeals on how the process of appeals has to be done. This was published in August 11, 2020.

That's -- that's where you can find all of the process, all of the fine print on how to do it. There was a complete interim final rule on appeal, so if you get the -- to be in that situation, I would strongly recommend you to read that one. The one from August 11th, 2020.

>> Perfect, thank you, sir.

>> Jarvis if I can make one more comment going back [indiscernible] Nestor spoke to the applications earlier, as I was listening to Nestor, I started putting myself in the place of a business owner and I started feeling stressed. But what I mean by that is the applications, you have the 3508 S, simple application -- I'm not disagreeing with Nestor. But 3508 S, simplified for that purpose to make it more simple. Then 3508

EZ and then the revised application. But as Nestor said, even during my webinars, I recognize they spoke with an accountant or consultant or advisor or even the SBDC. Not just the applications, some loans may be more complicated depending on the size of the business and the loan amount. But at the end of the day, you know, just my recommendation is read those instructions, the instructions are very, very detailed. They are very helpful because the majority of the time when I have received questions, we cannot give specific advice at the SBA, we cannot do that. But when I receive questions, there have been many times, probably 99% of the time, I will go right to the instructions and cut and paste and say here's the answer to your question, here's the guidance to your question.

So that's my recommendation, just read those instructions.

>> *Jarvis*: Absolutely. All right. Moving along. We've covered quite a bit, but we're in the last 10 minutes of the event. Now I will kind of do a rapid fire so that we can cover as many questions as we can.

So this next question, I will actually stick with you Winston because I believe you answered this just a second ago. It's an important question that I got a lot likes from our audience. If you have PPP and EIDL, do you know whether you can get loan forgiveness for both and do you use the same form or separate forms?

>> Okay. Good question. So the -- but the answer this way. You have the EIDL loan, which is a loan, that's deferred payments are deferred

on that for 12 months, the EIDL loan itself, right? Then you have the EIDL advanced which is the actual grant or the advance. And if you have a PPP, then I did kind of speak to it earlier, then if you have a PPP loan, and an EIDL advance, the EIDL advance becomes a loan at the end of the day. You include it on the application, the forgiveness application, as I spoke to earlier, goes to the process. When the lender is notified of the decision by the SBA and the SBA -- we being the SBA -- submit the funds to the lender, it will be minus or the advance does get deducted from the PPP and becomes a loan.

>> Thank you, sir. Another very important question that I'm going to relay to you, Joe, this one has to deal -- we have a lot of self-employed business owners in the audience today. And oftentimes they are worried about their own because they themselves are employees of their business.

So the question is: How much of the loan to self employed business owners is allocated to owner compensation? Goes to talk about the different percentages. Is it 60% or 75%? Originally the amount allocated to rent and other deductible expenses was to be 25%, was that amount changed to 40%?

So could you just talk a little bit about how self employed business owners can use this PPP?

>> well, they are eligible just like anybody else, but what to do with how they document their salaries and are ineligible -- eligible for

that. Most of those are going to be small business entrepreneurs, the single business owner, that sort of a thing. They are paying themselves a salary. Their salary qualifies under the PPP. But how you go through the it's how you go through the application process and which one of those forms they would use for applying for forgiveness and how they use those forms. Again, I'm having to defer back to Nestor here because of having some more specific experience with the address -- addressing those particular issues. So.

>> Thank you, Joe. Well, there are caps on -- on payrolls and for example compensation it's eligible for forgiveness at 100,000 annually per each employee; however, in -- in owners -- owner employees it's different. If I'm not wrong, it's salary [indiscernible] 8 weeks of 2019 compensation, which is 15.38% or somewhere around 15,000. I -- I might be wrong with these --

>> That's right.

>> So and also depends on when did you receive your PPP, because if you received your PPP before the 5th of June, some rules affect to your case. If you are after that date, then you have to be in a 24 wait period that applies to you. So here the salary is capped at 2.5 again, it's the same. But it would be -- the -- the cap is a little bit different. So this -- any time that -- that you -- that's why I suggest you to check everything because there are -- there are a lot of fine details in -- into

the process of filling out these forms that you really need to check your accounting, you need to check the regulations. So you put together all of the data before and use the correct form. So that's my advice on that.

>> wonderful, I'm going to do again rapid fire, these last few minutes. Some of the questions that were more recently submitted. Question is, I'm going to throw this to you Winston, how do you account for full commission employees?

>> Full commission. Well, again -- well, if they are employees, you still include them in the schedule -- revised application, table A or Schedule A, table 1, they include their salaries, but the maximum cannot exceed \$100,000 annualized or if it's a 24 week period the maximum is 46,154,000 per employee or 8 weeks period it's 15,385. They still include them in the application if it requires salaries for those employees.

>> Perfect.

>> In selling my company does the PPP loan transfer for the buyer or open for negotiation in the buy/sell agreement? I throw this to whoever feels like they have the most information. I don't know who actually is more educated on this specific of a question. So anyone have -- I see Nestor's hand is up.

>> Yes, I want to say that the SBA released a procedural notice called the 5000-2057, released on October the 2nd on PPP loans and change of ownership. If you are in that situation, read that one. It is not an

easy answer.

>> Yes.

>> That's true, it's not an easy answer.

>> But I'm glad we addressed it in case there's multiple people, which a lot of people did like that question. All right.

>> If I could, though, Jarvis, on that question, if a borrower, if they are listening and they are in a situation where they want to sell their business and they have a PPP loan or they want to buy a business and the seller has a PPP loan, they really should speak with their lenders, the lenders have it just like Nestor said, the lenders have been notified of that information in terms of how to handle that sort of transaction. So that -- that question came up probably a month ago, maybe two months ago, that it was submitted to the SBA in headquarters to get clarification and that's when the feedback came back that Nestor is speaking to. Whenever that happens, they really need to speak with both parties, the seller, if the seller has a PPP, he or she should speak with their lender or if the buyer is buying a company, has a PPP, they both should speak to their respective lenders to make sure that everyone is on the same page in terms of how that PPP loan will be treated.

>> Thank you, sir. And this very next question was one that we had a lot earlier in the year. The question is if we terminate an employee during the specified COVID-19 period, how does that affect the forgiveness

of the PPP loan? So you've terminated a person, didn't leave themselves, you terminated this employee. And so anyone, again?

>> I remember that question from last time when I was on the panel. And, yeah, it's the same answer. What they need to do is as part of the FTE reduction exceptions, there are six, that is one of the six exceptions. That they can use. But they do need to document. Nestor spoke to that earlier. Documentation is king in this case. They really need to document if they terminate someone, if someone resigns, if they try to rehire someone. As parts of the 6 FTE reduction exceptions, so documentation is the key. They need to provide that or include that in their package.

>> Thank you, sir. I don't want to ignore you, give you an opportunity to speak. I'm actually ending with that question about terminations specifically for a reason to give her an opportunity to talk about employees, their willingness or unwillingness to come back to work and meeting your FTE. Can you speak about what a business owner, what kind of rights they have as far as bringing their employees back to work?

>> Sure. I absolutely can. Texas and federal law is really laid back. As an employer you can offer the employee the opportunity to return to their position. Back when the additional 600 was tacked on to whatever unemployment someone was receiving, before that expired in July, a lot of folks were refusing to return to work.

The issue has gone down a little bit, but still there. As an employer can you ask them to return back, sure, yes, of course you can. If they refuse, can you move on? Yes, you can. Can you report their refusal to return to work to TWC? Yes, you absolutely can. And TWC will investigate. So the easy way to find it, just go to [Texasworkforce.org](https://www.texasworkforce.org), any TWC web page. There's going to be a red banner at the top and then the word employers is on that red banner. Click on that, tons of resources for employers. One of them is a way for you to report work refusal to the agency and it's an online form. Once you submit it, it automatically goes to the proper department for investigation. So you can offer the folk, the individual the job back. My recommendation would be to make the offer in writing. And include the essential pieces, the rate of pay, the location, the hours, basically the standard things that you would want to know if you were accepting a job. Put that in writing, maybe a text message or an email or both. Get that info out there. And that way you can prove the offer was made.

Then if you get a denial or a rejection, you can report it, but you don't have to, to TWC and they will investigate. And, of course, there is no obligation unless you have a contract or a collective bargaining agreement stating otherwise. There's no requirement for you to -- to rehire that individual. Realistically sometimes employers will find someone else to fill in who is fantastic and though they elect to move

on and, again, unless there's a contract or a collective bargaining agreement requiring you to rehire that individual, you are not required to do so under Texas and federal law.

>> Thank you so much. For that explanation. All right, with that, we are actually closing our live Q&A and the event. I know that there was a ton of other questions we weren't able to get to throughout this hour. But Kelly will be providing a slide here shortly that will have contact information for each of the organizations present here. Definitely feel free to reach out to any of us. SBA, us and the office of the governor if do have further questions that you would like more assistance with. With that, thank you for your time, thank you panelists for your information, a ton of information for our, business owners, I will hand it back to Kelly.

>> In fact, I hate to could this, I'm going to ask Winston one more question. Because I can see in the live Q&A feed two very similar questions have nearly over 200 likes, so people really want to know the answer to, there I think it's a straight enough question. I will read one of them. But two of them are very similar. The question is: I received notice from my lender suggesting I hold off on the application for forgiveness, due to things still changing, the other refers to their loan being less than 150 K. Any advice to people to hold off or what's the story there?

>> Well, a good question. That's one that I hear quite often here in Houston. Not all lenders, some lenders are waiting hoping that congress makes some changes to the forgiveness process, blanket forgiveness for a certain dollar amount. We haven't heard anything on that. To answer your question, if the lender is not accepting -- I accept accepting -- I said accepting, if they are not receiving those applications yet, be patient, you have 10 months in which to apply, that would be my feedback.

>> Okay, that's great to know. So many hundreds of people wanted to know the answer to that, thank you for allowing that extra question. So we are wrapping up our event, again, thank you to your panelists for such great information. This is information about the office of the governor and how to reach out to us, an email here. And several useful links and then this last slide has information about where Nestor works, the SBDC COBRA in San Antonio. Anyone in the state can email or phone that organization and they will try to help you. Information about the PPP forgiveness applications there, links provided by Nestor. And then information about the Texas Workforce Commission, the hotline for employers and the email for employers if anybody has questions and they want to reach out, those emails and calls will be fielded by the lawyers and counsel to the commissioner.

So that information is there. Everybody here will receive an email

with links to this slide deck. So all of this is going to be available to you. I want to thank everybody. We had so many people here today. Thank you so much. This is our last webinar. We want to thank those whether or not joined today, but also especially those people who have joined several times. We've had a very, very positive response to our webinars. We will -- in that email that you all will receive, there will be a survey link, we really want to know what you think. Any suggestions that you have for topics. And approaches that we can take for 2021. I want to wish everybody a happy and safe holidays. And -- yes, indeed, very best wishes for the rest of the year, thank you, everyone.

[End of webinar].