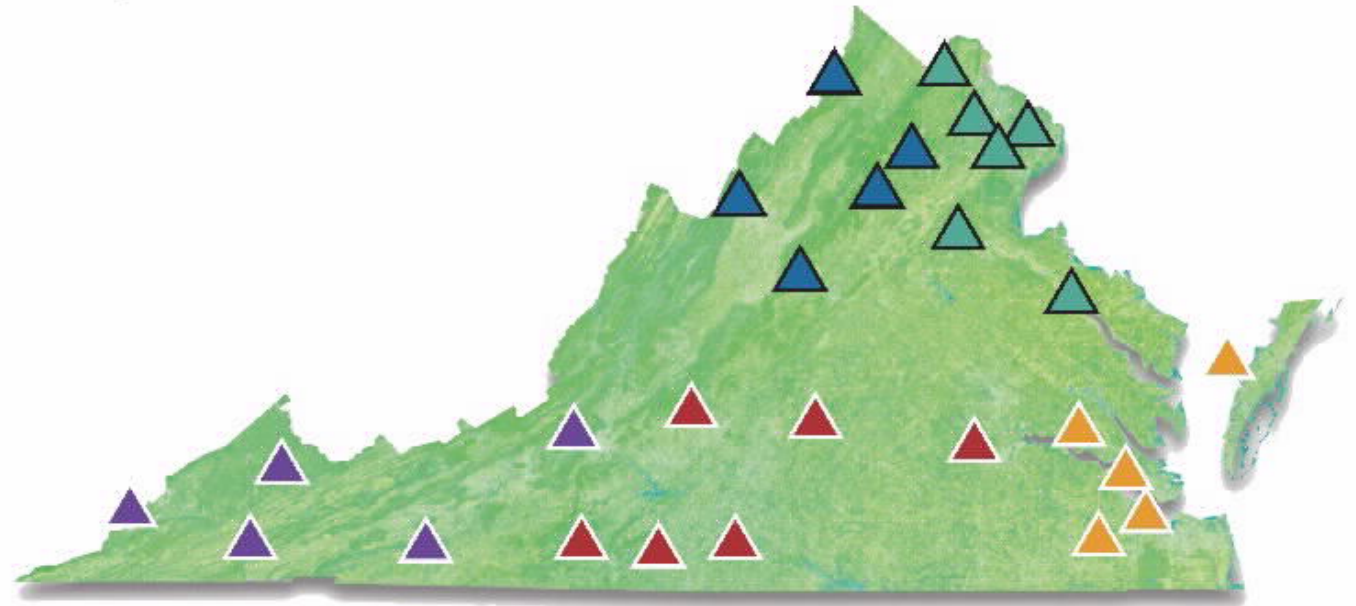


Payroll Protection Program Loan Forgiveness Application

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Virginia Small Business Development Center (SBDC) Network



<https://www.virginiasbdc.org/locations/>

PPP Flexible Forgiveness Act

- ❖ Forgiveness Application Overview
- ❖ Schedule Completion & Safe Harbor Tests
- ❖ Application Completion

<https://www.virginiasbdc.org/recoveryresourcecenter//>

PPP Forgiveness Forms

<https://www.virginiasbdc.org/business-recovery-center/ppp-loan-forgiveness-explained/>



Form 3508

[PPP Loan Forgiveness Application Instructions](#)

[PPP Forgiveness Worksheet With Safe Harbor Test](#)

[PPP Loan Forgiveness Application \(Revised 6.16.2020\)](#)

Form 3508EZ

[PPP Loan Forgiveness EZ Application Instructions \(Revised 06.16.2020\)](#)

[PPP Forgiveness Worksheet for the EZ Application](#)

[PPP Forgiveness Application 3508EZ \(Revised 06.16.2020\)](#)



PPP Flexibility Act

- Act was signed into law by the President on June 5, 2020.
- “Covered period” from 8-weeks to 24-weeks, but not beyond December 31, 2020
- 75/25 payroll/non-payroll cost minimum requirement to 60% payroll and 40% non-payroll.
- If using the 24 Week period – Salaries paid maximum increases to \$46,154. Owners Pay is capped at \$20,833
- Form 3508EZ created to simplify Forgiveness

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs:

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Potential Forgiveness Amounts

Line 5. Add the amounts on lines 1, 2, 3, and 4:

Line 6. PPP Loan Amount:

Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60):

Forgiveness Amount

Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7):

3508 EZ Eligibility Requirements

- Sole Proprietor, Independent Contractor or Self Employed with NO employees
- Did not reduce the number of employees or the average full-time employee paid hours or wages below 25% between January 1, 2020 and the end of the Covered Period.
- No penalty if business required to reduce or shut down, Employees refused to return or unable to replace employees
- Tests look at Jan 1 to March 31 and February 15 as comparison periods

PPP Form 3508 Long Form Application Breakdown



Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
Business Address	Business TIN (EIN, SSN)	Business Phone
		() -
	Primary Contact	E-mail Address

SBA PPP Loan Number: Lender PPP Loan Number:

PPP Loan Amount: PPP Loan Disbursement Date:

Employees at Time of Loan Application: Employees at Time of Forgiveness Application:

EIDL Advance Amount: EIDL Application Number:

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ Weekly ☐ Biweekly (every other week) ☐ Twice a month ☐ Monthly ☐ Other

Covered Period: to

Alternative Payroll Covered Period, if applicable: to

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):

- PPP Application Page 1 requires company information. Page 2 shows certifications and signature line
 - Calculates the Forgiveness Amount based on input from Schedule A
- PPP Schedule A (Page 3) – Calculates Payroll Costs portion of Forgiveness
- PPP Schedule A Worksheet (Page 4) – Cash Compensation paid for each employee
 - Table 1 for Employees earning under \$100,000 annually
 - FTE Determination
 - Salary Reduction Determination

8/12/20



Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

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PPP Schedule A Worksheet

Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

PPP Schedule A Worksheet Tables 1 and 2

- Gross paid salaries during 24 Week Period for EACH Employee – Match your Payroll Register
- FTE (Full Time Equivalent) Calculation for the coverage for each employee based on 40 hour week
 - Enter 1 for a full time employee
 - For part-time employees – average weekly hours worked / 40 Hours (30 Hours/40 hour = .75)
 - Alternative method - .5 for part-time
- Salary/Hourly Wage Reduction Calculation Total for EACH Employee based on Safe Harbor Tests (page 4 test lines)
- Gather payroll registers for the Covered 24 week period AND Comparison Period

FTE and Salary Reduction Determination

- Test Questions Begin on Page 4 – to be applied to each employee
- FTE Impact – Comparing FTE during Coverage vs Comparison Period
 - Must use same Calculation Method for both periods
 - Comparison period for FTEs between February 15 – April 26, As of February 15 AND Forgiven date submission
 - Reduction % value calculates on Schedule A – Line 13
- Salary/Hourly Wage Payment Reduction – 75% test for EACH employee
 - Compares Annualized Salary for Covered Period vs **Jan 1 – Mar 31 2020**
 - If below 75%, then Steps 2 though 3 use Annualized Salary at Feb 15, Feb 15 to April 26 and June 30.
 - Reduction calculation based on % below 75% applied to the 24 week period
- **Ready to move to Schedule A**



**Paycheck Protection Program
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PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP
Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll
Covered Period was at least 75% of such employee's average annual salary or hourly
wage between January 1, 2020 and March 31, 2020, check here ☐ and enter **0** on line 3.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid or incurred by Borrower for employer contributions for employee health insurance:

Line 7. Total amount paid or incurred by Borrower for employer contributions to employee retirement plans:

Line 8. Total amount paid or incurred by Borrower for employer state and local taxes assessed on employee compensation:

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:

This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):

Full-Time Equivalency (FTE) Reduction Calculation

If you satisfy **any** of the following three criteria, check the appropriate box, skip lines 11 and 12, and enter **1.0** on line 13; otherwise, complete lines 11, 12, and 13:

No reduction in employees or average paid hours: If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here ☐.

FTE Reduction Safe Harbor 1: If you were unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19, check here ☐.

FTE Reduction Safe Harbor 2: If you satisfy FTE Reduction Safe Harbor 2 (see PPP Schedule A Worksheet), check here ☐.

Line 11. Average FTE during the Borrower's chosen reference period:

Line 12. Total Average FTE (add lines 2 and 5):

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if any of the above criteria are met:

- On completion of Schedule A, Move to the PPP Application – Page 1

Forgiveness Application Page 1

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):

Forgiveness Application Page 1

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):

Line 9. PPP Loan Amount:

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60):

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):

- Line 11: Enter the smallest of lines 8, 9, or 10. Note: If applicable, **SBA will deduct EIDL Advance Amounts** from the forgiveness amount remitted to the Lender
- Signature and Initials follow on page 2
- Your lender will provide the list for supporting documentation
- Use the SBDC Spreadsheet to do the math

PPP Loan Forgiveness Application



Paycheck Protection Program Loan Forgiveness Application Revised June 16, 2020

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By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:

The authorized representative of the Borrower certifies to all of the below by **initialing** next to each one.

☐ The dollar amount for which forgiveness is requested:

- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes all applicable reductions due to decreases in the number of full-time equivalent employees and salary/hourly wage reductions;
- includes payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

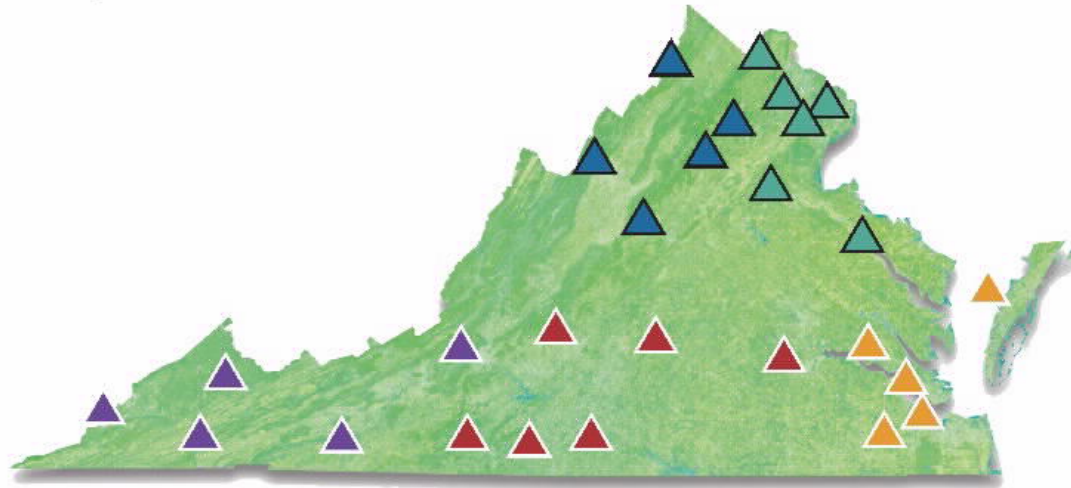
☐ I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

☐ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.

☐ I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments and business utility payments

8/12/20

Schedule a Counseling Session



<https://www.virginiasbdc.org/locations/>

Tips and Considerations

- Your lender will make the decision concerning what is eligible and what is not eligible for forgiveness. Check with them to find out what documents will be required
- Bankerese – most industries have their own unique language. Be sure that you clearly understand what they need for forgiveness and ask questions
- The guidelines are a work in process and are subject to change without notice
- Watch out for “shall” or “must”. This means you are required to provide whatever follows
- Forgiveness is not “all or nothing”
- **Become familiar with “Covered Period” and “Alternative Payroll Covered Period”**
- **Prepayment of expenses are not eligible**
- “Safe Harbor” provisions need to be understood
- Eligible costs can be paid or incurred
- The 60%/40% split between payroll and other eligible expenses remain in effect

Tips and Considerations

- Base comparison periods for seasonal employers, either these base periods or a consecutive 12-week period between 5/1/2019 and 9/15/2019
- To receive maximum Full-time Equivalent Employees (FTE), of 1.0, employee records must reflect that they worked 40 hours per week.
- **If an employee was made a written offer to return to work and refused in writing to do so, or if the employee was terminated for cause (with proper documentation), their reduced headcount will not affect forgiveness**
- **If employer could not restore business to a comparable level of activity because of social distancing or other Federal health guidance MAY not effect forgiveness**
- Tips can be included in forgiven compensation, based on records maintained by the borrower
- **Funds not forgiven MAY BE converted to a 5-year loan for pre June 5 loans, which is on forbearance for 6 months. This as at the option of the lender.**

Tips and Considerations

- Congress is considering changes to the EIDL Advance period, but to date they have not passed any additional legislation
- **Once your application package has been received by your lender, they have up to 60 days to determine the amount of forgiveness, and the SBA has an additional 90 days to review the lender's recommendation**
- Keep detailed documentation including bank statements, invoices, bills, payroll tax filings, completion of the Certification form included in the Forgiveness Application
- Any other documents required by your lender and/or the SBA
- **Retain these records for a minimum of 6 years**
- **Check with your bank to see if they are accepting forgiveness applications through their portals.**