

BORROWER CHECKLIST FOR PPP LOAN FORGIVENESS

Updated through August 11, 2020 SBA guidance which is subject to change

CHECKLIST OVERVIEW

- Determine which loan application you should use: Form 3508-EZ or Form 3508
- Determine when you should file your application: After 8-weeks or 24-weeks (“Covered Period”)
- Data you will likely need to accumulate
 - Payroll reports for your “Covered Period”
 - Health insurance premiums or costs paid for self-insured plans
 - Employer 401(k)/pension contributions
 - State/local unemployment insurance premiums during the Covered Period
 - Compensation, subject to the limited amounts, to all owner-employees, self-employed individuals and general partners whose compensation must be included on line 9 of Schedule A of the Form 3508.
 - Payments of Rent on real property or personal property for the Covered period
 - Payments of Interest on mortgages for the Covered Period
 - Payments of Utilities for the Covered Period
- Calculate your Loan Forgiveness

FREQUENTLY ASKED QUESTIONS FOR CHECKLIST ITEMS

Q: Do you use Form 3508-EZ or Form 3508?

A: You can use the much simpler Form 3508-EZ if any of these three applies to you:

1. You (1) are a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application AND (2) did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form you submitted to the bank, or
2. You (1) did not reduce the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period AND (2) did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020, or
3. You (1) 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 of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19) AND (2) did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020.

(Very important and helpful to you: When determining satisfaction of the criteria above for #2 and #3 ignore any reduction of salary or wages for employees that had annualized compensation of more than \$100,000 in 2019 or any and all owner employees, so that does not count against you. For #2 above, ignore reductions of employees that arose from an inability

to rehire individuals who were employees on February 15, 2020 if the you were unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020 and also ignore reductions in an employee's hours that the Borrower offered to restore and the employee refused.)

If you don't qualify of Form 3508-EZ, you need to use Form 3508 and the complete Schedule A and the Schedule A worksheet to determine the amount of your Loan Forgiveness.

Q: Which "Covered Period" should you choose: 8-weeks or 24-weeks?

A: If your loan was received prior to June 5, 2020 and you spent 100% of the proceeds in 8-weeks on allowable expenses and at least 60% of that spend was on payroll costs, consider electing the 8-week period. If you reduced compensation of any non-owner employee during covered period by more than 25% or if the average FTE for the 8-weeks period is less than the comparison periods after applying the exceptions and safe harbors, you will need to have spent more than your total loan amount to absorb the calculation reduction. Entering your numbers in the portal for preliminary results can illustrate if you achieve 100% forgiveness. If not, you can wait and see if the 24-weeks period gets you the maximum loan forgiveness. By-passing the 8-week Covered Period does not lock you in to the full 24-week Covered Period. Applications can be filed at any time 100% of the loan funds have been spent, though you will want to make sure the reductions do not impact full loan forgiveness if applying before the end of the Covered Period.

Q: What payroll period should you choose for determining payroll cost spend?

A: You can use the regular covered period that begins on the receipt of your loan funds to accumulate your payroll costs. Your costs won't be limited to exact number of days your selected covered period (56 or 168 days) because the rules allow the entire amounts for payrolls paid during the Covered Period and amounts incurred but paid soon after the end of the period. This paid and incurred rule allows cost covering more than 56 or 168 days to be submitted for forgiveness.

An easier method is available under the Alternative Payroll Covered Period that allows borrowers with weekly and/or bi-weekly payrolls to sync the Covered Period for payroll costs with the first day of the payroll period after your PPP loan is received. But you should evaluate whether the Covered Period or Alternative Payroll Covered Period results in a higher amount of includible costs in the determination for loan forgiveness.

Q: Method of determining FTEs for the FTE loan forgiveness reduction.

A: Instead of calculating an FTE fraction (not to exceed 1.0) for each employee, you can elect to treat any employee averaging 40 hours per week or more as an FTE of 1.0 and all other employees as a FTE of 0.5. This is a simpler calculation if you don't have an FTE report readily available. The portal allows you to choose this simpler method and therefore you can run preliminary calculations before you spend unnecessary time on the regular method. If this simpler method results in your FTE quotient being 1.0 (the maximum quotient) you will not need the regular method to avoid a reduction in your loan forgiveness because of a decrease in FTEs.

Q: Time Period for Denominator in FTE quotient (Form 3508 only).

A: In determining your FTE quotient the Numerator is the average FTE count for your Covered Period and the Denominator is the average FTE count from a pre-COVID-19 reference period. In determining your FTE count for the Denominator, you can choose between two periods and take the lower count - which is what you want to do. Your choice of periods is (1) the time period from February 15, 2019 to June 30, 2019, or (2) January 1, 2020 to February 29, 2020. If your employee count grew from 2019 to the first part of 2020 you are likely better off with time period (1). But make sure you run the numbers and take the lower number.

DETAIL OF CHECKLIST ITEMS

DATA ACCUMULATION FOR DETERMINING LOAN FORGIVENESS AMOUNT

(For both Form 3508-EZ and 3508 unless otherwise noted)

- Payroll reports that show gross wages, commissions and bonuses paid during the Covered Period or the Alternative Payroll Covered Period
- The next payroll report(s) following the end of the covered period that show gross wages, commissions and bonuses incurred during the Covered Period or the Alternative Payroll Covered Period that were not paid until afterwards
- Identity of non-owner employees that have “protected” wage and salary levels based on no single 2019 pay period exceeding \$100,000 when annualized.
- Sort gross payroll based on protected wage employees, non-protected wage employees and owners (any employee that owns any equity in the company).
- Health insurance premiums or costs paid for self-insured plans that are borne by the employer (payments less amount withheld from employees’ paychecks) that are paid or incurred during the Covered Period. Also, include any incurred costs that are paid in the invoice following the close of the Covered Period. Accelerated payments of premiums cannot be counted.
- Employer 401(k)/pension contributions paid or incurred (do not include amounts deducted from employees’ paychecks because those amounts are picked up in gross wages). Accelerated contributions cannot be counted.
- State/local unemployment insurance premiums during the Covered Period.
- Compensation, subject to the limited amounts, to all owner-employees, self-employed individuals and general partners whose compensation must be included on line 9 of Schedule A of the Form 3508.

Observation: You might choose to run preliminary numbers on the total spend of loan funds (considering any reductions) based only on payroll costs before gathering additional substantiation, especially if you are electing a 24-week Covered Period. Based on this preliminary calculation, gather only information sufficient to reach 100% forgiveness.

- Rent on real property or personal property paid for the Covered Period (Agreements had to be in place on February 15, 2020).
- Interest on mortgages paid for the Covered Period (must be in place on February 15, 2020).
- Utilities paid for the Covered Period (service had to be in place on February 5, 2020)
 - Electricity
 - Gas
 - Water
 - Telephone
 - Transportation utility fees imposed by state and local governments
 - Internet Access

PERFORM YOUR LOAN FORGIVENESS CALCULATION

- For Form 3508 filers, you will need to begin with the Schedule A worksheet.
- If you are receiving assistance from your CPA firm or other advisor, work with them to complete the Schedule A worksheet and analyze your potential loan forgiveness amount before submitting your application through the portal.
- Alternatively, the portal has a Schedule A worksheet tool for your convenience and that tool will populate the actual loan forgiveness Form 3508 for you on the portal. You can run preliminary calculations and edit as needed and save your information until you are ready to finalize and submit.
- Once you are satisfied that you selected the most advantageous Covered Period and included and documented all your eligible expenses needed to maximize loan forgiveness amount, submit your application via the portal for review.

DOCUMENTS YOU NEED TO SUBMIT TO THE BANK

Payroll: Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period or the Alternative Payroll Covered Period consisting of each of the following:

- Third-party payroll service provider reports documenting the amount of gross compensation paid to employees or bank statements if there is no third-party reports.
- Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
 - Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941), or reports for same from a third-party payroll service provider, **and**
 - State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
- Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance.
- Payment receipts, cancelled checks, ACH transfer confirmation, or retirement plan statements.

Full Time Employees: For Form 3508 filers only, documentation showing one of these at the election of the Borrower:

- The average number of FTE employees between February 15, 2019 and June 30, 2019;
- The average number of FTE employees between January 1, 2020 and February 29, 2020; or
- In the case of a seasonal employer, the average number of FTE employees for any consecutive twelve-week period between May 1, 2019 and September 15, 2019.

For Form 3508-EZ filers that file as a result of not reducing the number of employees between January 1, 2020 and the end of the Covered Period, documentation showing the average number of FTE employees between January 1, 2020 and the end of the Covered Period.

Nonpayroll: Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period.

Business mortgage interest payments:

- Copy of lender amortization schedule, **and either:**
 - Receipts or cancelled checks verifying eligible payments from the Covered Period;
 - or**
 - Lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.

Business rent or lease payments:

- Copy of current lease agreement, **and either:**
 - Receipts or cancelled checks verifying eligible payments from the Covered Period;
 - or**
 - Lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.

Business utility payments:

- Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.

ADDITIONAL DOCUMENTS BORROWER NEEDS TO RETAIN FOR 6 YEARS

If you **cannot** use Form 3508-EZ and therefore use Form 3508 you must retain PPP Schedule A Worksheet or its equivalent and the following:

- Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1, including the “Salary/Hourly Wage Reduction” calculation, if necessary.
- Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 2; specifically, that each listed employee received during any single pay period in 2019 compensation at an annualized rate of more than \$100,000.
- Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule.
- Documentation supporting the PPP Schedule A Worksheet “FTE Reduction Safe Harbor”.

All records relating to your PPP loan, including:

- Documentation submitted with its PPP loan application, documentation supporting the Borrower’s certifications as to the necessity of the loan request and its eligibility for a PPP loan
- Documentation necessary to support the Borrower’s loan forgiveness application, and
- Documentation demonstrating the Borrower’s material compliance with PPP requirements
- You must retain all such documentation in its files for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request.**

It’s your obligation, as the borrower, to understand the SBA’s rules. Other eligibility requirements may apply. **Please visit [SBA.gov](https://www.sba.gov) or [Treasury.gov](https://www.treasury.gov) for any updates.**

All loans are subject to other requirements and availability of funds under the SBA program.