



Which Form Should I Use?

- ▶ PPP Loans of \$150,000 or less must use Form 3508S
 - No documents are required to be submitted
 - Must provide the amount of loan spent on payroll costs and the requested loan forgiveness amount
- ▶ PPP Loans over \$150,000 must use either (i) Form 3508EZ or (ii) Form 3508
 - Form 3508EZ is easier if you can meet one of the two criteria. Option 2 in your Welcome tab in your portal account will guide you on eligibility. Also see page 7 of this guide.
 - Form 3508 requires more information, and potentially, more documentation

Form 3508S (PPP Loans of \$150,000 or Less)



Paycheck Protection Program

OMB Control No.: 3245-0407
Expiration Date: 9/30/2021

PPP Loan Forgiveness Application Form 3508S Revised January 19, 2021

A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$150,000 OR LESS

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

First Draw PPP Loan Second Draw PPP Loan (check one)

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: _____

Covered Period: _____ to _____

If Borrower (Together with Affiliates, if Applicable) Received First Draw PPP Loans of \$2 Million or More or Second Draw PPP Loans of \$2 Million or More, Check Here:

Amount of Loan Spent on Payroll Costs: _____

Requested Loan Forgiveness Amount: _____

****Make sure to include payroll costs and loan forgiveness amount**





Form 3508EZ (PPP Loans Over \$150,000)

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: _____
- Line 5. Covered Operations Expenditures: _____
- Line 6. Covered Property Damage Costs: _____
- Line 7. Covered Supplier Costs: _____
- Line 8. Covered Worker Protection Expenditures: _____

Potential Forgiveness Amounts

- Line 9. Sum the amounts on lines 1 through 8: _____
- Line 10. PPP Loan Amount: _____
- Line 11. Payroll Cost 60% Requirement (divide Line 1 by 0.60): _____

Forgiveness Amount

- Line 12. Forgiveness Amount (enter the smallest of Lines 9, 10, and 11): _____



Form 3508 (PPP Loans Over \$150,000)

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: _____
- Line 5. Covered Operations Expenditures: _____
- Line 6. Covered Property Damage Costs: _____
- Line 7. Covered Supplier Costs: _____
- Line 8. Covered Worker Protection Expenditures: _____

Difference between Form 3508 and 3508EZ are lines 9 through 11 (i.e., the borrower's reductions)

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

- Line 9. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3): _____
- Line 10. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 9: _____
- Line 11. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): _____

Potential Forgiveness Amounts

- Line 12. Modified Total (multiply line 6 by line 7): _____
- Line 13. PPP Loan Amount: _____
- Line 14. Payroll Cost 60% Requirement (divide line 1 by 0.60): _____

Forgiveness Amount

- Line 15. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): _____





Borrower Action Items Before Applying for Loan Forgiveness

1. Elections and considerations for the Borrower:

- Closely monitor legislation and guidance
- If PPP loan amount is \$150,000 or less, then Borrower will use the Form 3508S and does not need to provide any documentation to the lender
- If PPP loan amount is over \$150,000, then Borrower can use either the Form 3508EZ or 3508
- If applicable, use the simplified Form 3508EZ (if either 1 or 2 applies)
 1. Borrower did not reduce salaries or wages by more than 25% compared to the most recent full quarter before the Covered Period AND did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period; or
 2. Borrower did not reduce salaries or wages by more than 25% compared to the most recent full quarter before the Covered Period AND was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established by HHS, CDC, or OSHA



Borrower Action Items Before Applying for Loan Forgiveness

1. Elections and considerations for the Borrower (cont'd):

- The Borrower can choose the ending date of the Covered Period so long as it falls within an 8 week period or 24 week period from the start of the Covered Period
- May submit a loan forgiveness application before the end of the Covered Period
- Simplified FTE calculation - 40+ hours employees = 1.0 FTE, all others 0.5 FTE
- Understand safe harbors and exceptions
- Nonpayroll costs cannot exceed 40% of total forgiveness amount
- For Form 3508 filers, denominator time period for FTE Quotient (Critical) - choose lesser of:
 - February 15, 2019 to June 30, 2019
 - January 1, 2020 to February 29, 2020
 - For seasonal employers only, the same 12-week period used for the application



Borrower Action Items Before Applying for Loan Forgiveness

2. Data Accumulation

- Gross compensation (including bonuses, commissions, tips, taxable fringe benefits, etc.) paid during the Covered Period
- Health care costs (including insurance premiums or self-insured plan costs), employer contributions to employee retirement plans, state/local unemployment insurance premiums during the Covered Period
- Rent on real property or personal property paid for the Covered Period (Agreements had to be in place on February 15, 2020, but can be renewed)
- Interest on mortgages obligations in place on February 15, 2020 (or refinanced after that date) and paid during the Covered Period
- Utilities paid for the Covered Period (service had to be in place on February 15, 2020)
 - Electricity
 - Gas (for facilities, not for vehicle fuel)
 - Water
 - Telephone
 - Transportation utility fees imposed by state and local governments
 - Internet Access



Borrower Action Items Before Applying for Loan Forgiveness

2. Data Accumulation (continued)

- Covered operations expenditures are payments for any business software or cloud computing service that facilitates business operations, product or service delivery, the processing, payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting of tracking of supplies, inventory, records, and expenses
- Covered property damage costs are costs related to property damage and vandalism or looting due to public disturbances that occurred during 2020 that were not covered by insurance or other compensation
- Covered supplier costs are expenditures made to a supplier of goods for the supply of goods that are essential to the operations of the Borrower at the time at which the expenditure is made, and made pursuant to a contract, order, or purchase order in effect prior to the beginning of the Covered Period (for perishable goods, the contract, order, or purchase order may have been in effect before or at any time during the Covered Period)
- Covered worker protection expenditures are operating or capital expenditures that facilitate the adaptation of the business activities of an entity to comply with the requirements established or guidance issued by HHS, CDC, or OSHA



Borrower Action Items Before Applying for Loan Forgiveness

3. Run preliminary calculations - Can be done within the Portal
 - If using Form 3508S then you merely provide payroll costs and forgiveness amount, no documentation is required to be submitted
 - If using Form 3508EZ go straight to the Loan Forgiveness Calculation
 - If using Form 3508
 - Complete Schedule A worksheet and Schedule A (slides 26 and 27)
 - Complete the Loan Forgiveness Calculation
4. Documents needed to submit to Lender
 - Payroll records (See slide 37)
 - FTE count for Covered Period (Numerator) (See slide 38)
 - FTE count Reference Period (Denominator) (See slide 38)
 - Non-payroll costs (See slides 39 and 40)
5. Documents to Maintain (but not required to be submitted to Lender) (See slide 41)
6. Monitor and observe changes in Small Business Administration (SBA) guidance



Borrowers Application for Loan Forgiveness

▶ How to Apply for Forgiveness with the Bank:

- Create account on Lender portal
- Choices to make (Slide 3 and starting again on slide 7)
- PPP loan is \$150,000 or less then complete SBA Form 3508S
- PPP loan is over \$150,000, and if applicable, complete SBA Form 3508EZ, Loan Forgiveness Calculation
- If Form 3508EZ is not applicable and PPP loan is over \$150,000, complete SBA Form 3508, PPP Schedule A and then the Loan Forgiveness Calculation
- Submit payroll and other required documentation to your Lender (or the Lender that is servicing your loan) according to Lender's instructions (note that if using Form 3508S, no documentation is required to be submitted)

▶ SBA Loan application has four (4) components:

1. PPP Loan Forgiveness Calculation Form
2. PPP Schedule A (Form 3508 only) - Summary Information for FTE and Wage/Salary Reductions
3. PPP Schedule A Worksheet - FTE and Wage/Salary Reductions
4. Optional PPP Borrower Demographic Information Form



Safe Harbors

▶ Salary and Hourly Wage Reduction

- If Borrower reduced the rate of employees' annual base salary or hourly wages by more than 25% during the Covered Period compared to the most recent full quarter before the Covered Period and restores the rate of pay not later than December 31, 2020 (for loans made before December 27, 2020) or the last day of the Covered Period (for loans made after December 27, 2020), then the greater than 25% reduction can be ignored
- Focuses on regular base rate of pay (salary or hourly), so reducing bonuses, incentives or tips (other than tips needed to satisfy minimum wage laws) does not count as a reduction
- Restoration for a 24-week Covered Period must include the amount for the entire 24 weeks even for early applications

▶ FTE Reduction

- If Borrower is unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established by HHS, CDC, or OSHA then the FTE reduction can be ignored
- If Borrower reduced FTE employees between February 15, 2020 and April 26, 2020 and restores the FTE employees not later than December 31, 2020 (for loans made before December 27, 2020) or the last day of the Covered Period (for loans made after December 27, 2020), then the FTE reduction can be ignored



FTE Reduction Exceptions

- ▶ Any of the following exceptions would exclude these employees from the FTE, (i.e., these employees do not reduce the Borrower's loan forgiveness). The exception would only apply if the position was not filled by a new employee
 - Any positions for which the Borrower made a good-faith, written offer to rehire an individual who was an employee on February 15, 2020 and unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020 (for loans made before December 27, 2020) or the last day of the Covered Period (for loans made after December 27, 2020)
 - Any positions for which the Borrower made a good-faith, written offer to restore any reduction in hours, at the same salary or wages, during the Covered Period and the employee rejected the offer
 - Any employees who during the Covered Period were either (a) fired for cause, (b) voluntarily resigned, or (c) voluntarily requested an received a reduction in their hours



Form 3508 - 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 was at least 75% of such employee's average annual salary or hourly wage for the most recent full quarter before the Covered Period, 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

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





Form 3508 - Schedule A (cont'd)

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 (or, with respect to a PPP loan made on or after December 27, 2020, between March 2020 and the last day of the Covered Period with respect to such loan), 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:





Adjustments That Might Reduce Loan Forgiveness



Salary/Hourly Employees Wage Reductions During Covered Period

- ▶ Applies before application of the FTE reduction analysis
- ▶ Designed to protect wages for employees whose annualized cash compensation for all pay periods in 2019 are less than \$100,000
- ▶ For each protected employee:
 - Step 1: Determine if base salary or hourly rate of pay (excluding bonuses, commissions, health coverage and tips beyond what is needed to satisfy minimum wage laws) was reduced more than 25% during the covered period
 - Compare the rate of annual salary or hourly wage during the covered period with that of the most recent full quarter prior to the Covered Period
 - Comparison looks at rate of pay, not actual payments
 - Step 2: For those with a greater than 25% reduction, determine if the Salary/Hourly Wage Reduction Safe Harbor is met on the earlier of December 31, 2020 or date of application
 - Comparison is to “Average” salary/wage rate on December 31, 2020 or date of application so back wages may be required to satisfy this safe harbor
 - Step 3: For those not meeting the safe harbor, determine the Salary/Hourly Wage Reduction



Adjustments That Can Reduce Loan Forgiveness

▶ Full-Time Equivalency (FTE) Reduction Calculation

- What is a FTE
 - For each employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth. The maximum for each employee is capped at 1.0
 - A simplified method that assigns a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours may be used at the election of the Borrower
- Observation:
 - Simplified method eliminates need for hours worked; just identify full time and part time employees



Comparison of Regular and Simplified FTE Determination

▶ Example 1

- Previously, 3 employees @ 10 hrs. equals .9 FTE regular method or 1.5 FTE simplified method
- Covered period 1 employee @ 30 hrs. equals .8 FTE regular method or .5 FTE simplified method
- If more work is being done by fewer people regular appears better

▶ Example 2

- Previously, 3 employees @ 20 hrs. equals 1.5 FTE regular method or 1.5 FTE simplified method
- Covered Period 3 employees @ 10 hrs. equals .9 FTE regular method or 1.5 FTE simplified method
- If all non-full-time employees are working fewer hours simplified method appears better



Adjustments That Can Reduce Loan Forgiveness (cont'd)

▶ Full-Time Equivalency (FTE) Reduction Calculation

- If Borrower has not reduced the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period there is no FTE reduction
- Otherwise determine the quotient by dividing the Total Average FTEs during the covered period by the Average FTE during the Borrower's chosen reference period but not to exceed 1.0

▶ FTE Reduction Safe Harbor for Rehires

- Borrower is exempt from the reduction in loan forgiveness based on FTE employees described above if both of the following conditions are met:
 1. Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020
 2. Borrower then restores its FTE employee levels by not later than June 30, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020
- If salary/wages are not restored there may still be a reduction to loan forgiveness under the Salary/Wage reduction rule



Adjustments That Can Reduce Loan Forgiveness (cont'd)

- ▶ FTE Reduction Safe Harbor for Inability to Return To Normal
 - Borrower was 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



Adjustments That Can Reduce Loan Forgiveness (cont'd)

- ▶ FTE Reduction Exceptions that do not reduce Loan Forgiveness:
 - Any positions for which the Borrower made a good-faith, written offer to rehire an employee during the Covered Period which was rejected by the employee
 - Any employees who during the Covered Period but only if the position was not fill by a new employee
 - Were fired for cause
 - Voluntarily resigned
 - Voluntarily requested and received a reduction of their hours
- ▶ These exceptions are critical to prevent reduction of loan forgiveness when employees cannot be brought back through no fault of the Borrower

Documents Each Borrower Must Maintain but is Not Required to Submit unless requested by SBA

▶ 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:

- Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- 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); 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 and retirement plans that the Borrower included in the forgiveness amount.

▶ Nonpayroll*

Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period. (Remember: this only applies if you included nonpayroll expenses in the amount for which you are trying to seek forgiveness.)

- Business mortgage interest payments: Copy of lender amortization schedule and 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 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
- Payments for additional covered expenses: Copies of purchase orders, invoices, payment receipts, transcripts of account, or cancelled checks verifying eligible payments.

*See your specific Forgiveness Application Instructions for further detailed information