NFIB UPDATE

Weekly Briefing for Small Business

Beth Milito, Holly Wade, and Sandra Finch CPA
May 27, 2020 – PPP Loan Forgiveness Application a Deep Dive
DISCLAIMER

The materials and information provided in this webinar and on NFIB’s website are for informational purposes only and not for the purpose of providing legal or tax advice. You should contact your attorney and/or tax professional to obtain advice with respect to any particular issue or problem.
Get support for your small business through MBAs Fight COVID-19

MBAs Fight COVID-19 is a group of MBA students from business schools around the US working with small businesses to respond to the COVID-19 crisis.

We provide pro bono consulting support to help businesses think through a variety of topics, including:

- Applying to federal funding programs (PPP, EIDL)
- Reaching more customers online
- Pivoting business strategy
- …and more!

To learn more about MBAs Fight COVID-19 and to get matched with an MBA student, email Elizabeth.Milito@nfib.org
Loan Programs: Updates and Tips
Webinar will cover:

- Economic Injury Disaster Loan
- PPP Funding Update
- PPP Loan Forgiveness Application
- PPP Loan Forgiveness Guidance
- Q&A with Sandra Finch
Economic Injury Disaster Loan

The SBA’s EIDLs provide working capital to help small businesses survive until normal operations resume after a disaster.

- Payroll costs, including benefits,
- Fixed debts (mortgage, rent, lease),
- Accounts payable,
- Other bills.
How to Check Status of EIDL Application

By Phone 1-877-641-8202
Operating hours for this line are 7 AM EST, seven days a week.

By Email – disastercustomerservice@sba.gov
Use this method if you submitted your application by mail.

Online
NOTE – if you applied through the expedited COVID-19 portal, you will be unable to check your status online. If you applied through the SBA Economic Injury Disaster Loan Portal you can log on using the email address or username and password with which you registered when completing your online application. Once you’ve logged in, you’ll be able to check the status of your loan.
Paycheck Protection Program (PPP) Funding Update

As of Friday, May 23rd, the SBA has processed 4.4 million loans for a total of $511 billion of $660 billion of total program funding.
SBA’s PPP Loan Forgiveness Application

- 5 pages of instructions
- 4 pages of forms to complete
- 1 page of certifications – will need to sign
- 1 page relating to the documentation you will need to submit
Documents that Each Borrower Must Submit with its PPP Loan Forgiveness Application

PPP Loan Forgiveness Calculation Form

PPP Schedule A

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:

a. Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.

b. 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:
   i. Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
   ii. State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.

c. 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 (PPP Schedule A, lines (6) and (7)).

FTE: Documentation showing (at the election of the Borrower):

a. the average number of FTE employees on payroll per month employed by the Borrower between February 15, 2019 and June 30, 2019;

b. the average number of FTE employees on payroll per month employed by the Borrower between January 1, 2020 and February 29, 2020; or

c. in the case of a seasonal employer, the average number of FTE employees on payroll per month employed by the Borrower between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or any consecutive twelve-week period between May 1, 2019 and September 15, 2019.

The selected time period must be the same time period selected for purposes of completing PPP Schedule A, line 11. Documents may include 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. Documents submitted may cover periods longer than the specific time period.
Nonpayroll: Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period.

a. 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.

b. 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.

c. 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.

**Documents that Each Borrower Must Maintain but is Not Required to Submit**

PPP Schedule A Worksheet or its equivalent and the following:

a. Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1, including the “Salary/Hourly Wage Reduction” calculation, if necessary.

b. 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.

c. Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule.

d. Documentation supporting the PPP Schedule A Worksheet “FTE Reduction Safe Harbor.”

All records relating to the Borrower’s 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. The Borrower 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.

SBA Form 3508 (05/20)
Page 10
Summary of Costs Eligible for Forgiveness:

Borrowers are eligible for loan forgiveness for the following costs:

1. **Eligible payroll costs.** Borrowers are generally eligible for forgiveness for the payroll costs paid and payroll costs incurred during the eight-week (56-day) Covered Period (or Alternative Payroll Covered Period) ("payroll costs"). Payroll costs are considered paid on the day that paychecks are distributed or the Borrower originates an ACH credit transaction. Payroll costs are considered incurred on the day that the employee’s pay is earned. Payroll costs incurred but not paid during the Borrower’s last pay period of the Covered Period (or Alternative Payroll Covered Period) are eligible for forgiveness if paid on or before the next regular payroll date. Otherwise, payroll costs must be paid during the Covered Period (or Alternative Payroll Covered Period). For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of $100,000, as prorated for the covered period. Count payroll costs that were both paid and incurred only once. For information on what qualifies as payroll costs, see Interim Final Rule on Paycheck Protection Program posted on April 2, 2020 (85 FR 20811).

2. **Eligible nonpayroll costs.** Nonpayroll costs eligible for forgiveness consist of:
   (a) covered mortgage obligations: payments of interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before February 15, 2020 ("business mortgage interest payments");
   (b) covered rent obligations: business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020 ("business rent or lease payments"); and
   (c) covered utility payments: business payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020 ("business utility payments").

An eligible nonpayroll cost must be paid during the Covered Period or incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period. Eligible nonpayroll costs cannot exceed 25% of the total forgiveness amount. Count nonpayroll costs that were both paid and incurred only once.

The amount of loan forgiveness the Borrower applies for may be subject to reductions as explained in PPP Schedule A.

SBA Form 3508 (05/20)
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.

<table>
<thead>
<tr>
<th>Employee's Name</th>
<th>Employee Identifier</th>
<th>Cash Compensation</th>
<th>Average FTE</th>
<th>Salary / Hourly Wage Reduction</th>
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FTE Reduction Exceptions:

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Totals:

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<tr>
<th>Box 4</th>
<th>Box 5</th>
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Table 2: 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 more than $100,000 for any pay period in 2019.

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<thead>
<tr>
<th>Employee's Name</th>
<th>Employee Identifier</th>
<th>Cash Compensation</th>
<th>Average FTE</th>
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Totals:

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<tr>
<th>Box 4</th>
<th>Box 5</th>
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Attach additional tables if additional rows are needed.
Instructions for PPP Schedule A Worksheet

Complete the PPP Schedule A Worksheet or obtain an equivalent report from the Borrower’s payroll system or payroll processor.

Table Instructions

**Employee’s Name:** Separately list each employee. Do not include any independent contractors, owner-employees, self-employed individuals, or partners.

**Employee Identifier:** Enter the last four digits of each employee’s Social Security Number.

**Cash Compensation:** Enter the sum of gross salary, gross wages, gross tips, gross commissions, paid leave (vacation, family, medical or sick leave, not including leave covered by the Families First Coronavirus Response Act), and allowances for dismissal or separation paid or incurred during the Covered Period or the Alternative Payroll Covered Period. For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of $100,000, as prorated for the Covered Period; therefore, do not enter more than $15,385 in Table 1 or Table 2 for any individual employee.

**Average FTE:** This calculates the average full-time equivalency (FTE) during the Covered Period or the Alternative Payroll Covered Period. 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.

This calculation will be used to determine whether the Borrower’s loan forgiveness amount must be reduced due to a statutory requirement concerning reductions in full-time equivalent employees. Borrowers are eligible for loan forgiveness for certain expenditures during the Covered Period or the Alternative Payroll Covered Period. However, the actual loan forgiveness amount that the Borrower will receive may be less, depending on whether the Borrower’s average weekly number of FTE employees during the Covered Period or the Alternative Payroll Covered Period was less than during the Borrower’s chosen reference period (see Instructions to PPP Schedule A, Line 11). The Borrower is exempt from such a reduction if the FTE Reduction Safe Harbor applies. See the FTE Reduction Safe Harbor instructions below.
Salary/Hourly Wage Reduction: This calculation will be used to determine whether the Borrower’s loan forgiveness amount must be reduced due to a statutory requirement concerning reductions in employee salary and wages. Borrowers are eligible for loan forgiveness for certain expenditures during the Covered Period or the Alternative Payroll Covered Period. However, the actual amount of loan forgiveness the Borrower will receive may be less, depending on whether the salary or hourly wages of certain employees during the Covered Period or the Alternative Payroll Covered Period was less than during the period from January 1, 2020 to March 31, 2020. If the Borrower restored salary/hourly wage levels, the Borrower may be eligible for elimination of the Salary/Hourly Wage Reduction amount. Borrowers must complete this worksheet to determine whether to reduce the amount of loan forgiveness for which they are eligible. Complete the Salary/Hourly Wage Reduction column only for employees whose salaries or hourly wages were reduced by more than 25% during the Covered Period or the Alternative Payroll Covered Period as compared to the period of January 1, 2020 through March 31, 2020. For each employee listed in Table 1, complete the following (using salary for salaried employees and hourly wage for hourly employees):

Step 1. Determine if pay was reduced more than 25%.
   a. Enter average annual salary or hourly wage during Covered Period or Alternative Payroll Covered Period:
      ________________.
   b. Enter average annual salary or hourly wage between January 1, 2020 and March 31, 2020: ________________.
   c. Divide the value entered in 1.a. by 1.b.: ________________.
      If 1.c. is 0.75 or more, enter zero in the column above box 3 for that employee; otherwise proceed to Step 2.

Step 2. Determine if the Salary/Hourly Wage Reduction Safe Harbor is met.
   a. Enter the annual salary or hourly wage as of February 15, 2020: ________________.
   b. Enter the average annual salary or hourly wage between February 15, 2020 and April 26, 2020:
      ________________.
      If 2.b. is equal to or greater than 2.a., skip to Step 3. Otherwise, proceed to 2.c.
   c. Enter the average annual salary or hourly wage as of June 30, 2020: ________________.
      If 2.c. is equal to or greater than 2.a., the Salary/Hourly Wage Reduction Safe Harbor has been met – enter zero in the column above box 3 for that employee. Otherwise proceed to Step 3.

Step 3. Determine the Salary/Hourly Wage Reduction.
   a. Multiply the amount entered in 1.b. by 0.75: ________________.
   b. Subtract the amount entered in 1.a. from 3.a.: ________________.
If the employee is an hourly worker, compute the total dollar amount of the reduction that exceeds 25% as follows:

c. Enter the average number of hours worked per week between January 1, 2020 and March 31, 2020:

__________________

d. Multiply the amount entered in 3.b. by the amount entered in 3.c. ____________. Multiply this amount by 8: ____________. Enter this value in the column above box 3 for that employee.

If the employee is a salaried worker, compute the total dollar amount of the reduction that exceeds 25% as follows:

e. Multiply the amount entered in 3.b. by 8: ____________. Divide this amount by 52: ____________. Enter this value in the column above box 3 for that employee.

**FTE Reduction Exceptions:** Indicate the FTE of (1) any positions for which the Borrower made a good-faith, written offer to rehire an employee during the Covered Period or the Alternative Payroll Covered Period which was rejected by the employee; and (2) any employees who during the Covered Period or the Alternative Payroll Covered Period (a) were fired for cause, (b) voluntarily resigned, or (c) voluntarily requested and received a reduction of their hours. In all of these cases, include these FTEs on this line only if the position was not filled by a new employee. Any FTE reductions in these cases do not reduce the Borrower’s loan forgiveness.

**Boxes 1 through 5:** Enter the sums of the amounts in each of the columns.

**FTE Reduction Safe Harbor**

A safe harbor under applicable law and regulation exempts certain borrowers from the loan forgiveness reduction based on FTE employee levels. Specifically, the Borrower is exempt from the reduction in loan forgiveness based on FTE employees described above if both of the following conditions are met: (1) the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and (2) the Borrower then restored 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.
FTE Reduction Safe Harbor:

Step 1. Enter the borrower’s total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: ____________.

Step 2. Enter the borrower’s total FTE in the Borrower’s pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: ____________.

Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, the FTE Reduction Safe Harbor is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

Step 4. Enter the borrower’s total FTE as of June 30, 2020: ____________.

Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor has been satisfied. Otherwise, the FTE Reduction Safe Harbor does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
Paycheck Protection Program
Loan Forgiveness Application

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 by Borrower for employer contributions for employee health insurance:

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

Line 8. Total amount paid 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 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 □, skip lines 11 and 12 and enter 1.0 on line 13.

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 FTE Safe Harbor is met:
Instructions for PPP Schedule A

Lines 1 through 5: Enter the amounts from PPP Schedule A Worksheet Tables as directed.

Enter the amount from line 3 of PPP Schedule A on line 5 of the Loan Forgiveness Application Form.

For lines 6 through 9, during the Covered Period or the Alternative Payroll Covered Period:

Line 6: Enter the total amount paid by the Borrower for employer contributions for employee health insurance, including employer contributions to a self-insured, employer-sponsored group health plan, but excluding any pre-tax or after tax contributions by employees.

Line 7: Enter the total amount paid by the Borrower for employer contributions to employee retirement plans, excluding any pre-tax or after-tax contributions by employees.

Line 8: Enter the total amount paid by the Borrower for employer state and local taxes assessed on employee compensation (e.g., state unemployment insurance tax); do not list any taxes withheld from employee earnings.

Line 9: Enter any amounts paid to owners (owner-employees, a self-employed individual, or general partners). This amount is capped at $15,385 (the eight-week equivalent of $100,000 per year) for each individual or the eight-week equivalent of their applicable compensation in 2019, whichever is lower. See Interim Final Rule on Additional Eligibility Criteria and Requirements for Certain Pledges of Loans posted on April 14, 2020 for more information (85 FR 21747, 21749).

Line 10: Add lines 1, 4, 6, 7, 8, and 9. Enter this amount on line 1 on the PPP Loan Forgiveness Calculation Form.
**Line 11:** Enter the Borrower’s total average weekly full-time equivalency (FTE) during the chosen reference period. For purposes of this calculation, the reference period is, at the Borrower’s election, either (i) February 15, 2019 to June 30, 2019; (ii) January 1, 2020 to February 29, 2020; or (iii) in the case of seasonal employers, either of the preceding periods or a consecutive twelve-week period between May 1, 2019 and September 15, 2019. For each employee, follow the same method that was used to calculate Average FTE on the PPP Schedule A Worksheet. Sum across all employees during the reference period and enter that total on this line.

The calculations on lines 11, 12, and 13 will be used to determine whether the Borrower’s loan forgiveness amount must be reduced based on reductions in full-time equivalent employees, as required by the statute. Specifically, the actual loan forgiveness amount that the Borrower will receive may be reduced if the Borrower’s average weekly FTE employees during the Covered Period (or the Alternative Payroll Covered Period) was less than during the Borrower’s chosen reference period. The Borrower is exempt from such a reduction if the FTE Reduction Safe Harbor applies. *See* PPP Schedule A Worksheet—FTE Reduction Safe Harbor.

**Line 12:** Add lines 2 and 5.

**Line 13:** Divide line 12 by line 11 (or enter 1.0 if the FTE Reduction Safe Harbor has been met, according to PPP Schedule A Worksheet—FTE Reduction Safe Harbor). If more than 1.0, enter 1.0. Enter this amount on line 7 of the Loan Forgiveness Calculation Form.
### PPP Loan Forgiveness Calculation Form

<table>
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<tr>
<th>Business Legal Name (“Borrower”)</th>
<th>DBA or Tradename, if applicable</th>
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<tr>
<td>Business Address</td>
<td>Business TIN (EIN, SSN)</td>
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<td>Primary Contact</td>
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</table>

- **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):

Line 9. PPP Loan Amount:

Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75):

Forgiveness Amount
Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):
Forgiveness Amount Calculation (see Summary of Costs Eligible for Forgiveness below):

Line 1: Enter total eligible payroll costs incurred or paid during the Covered Period or the Alternative Payroll Covered Period. To calculate these costs, complete PPP Schedule A. Enter the amount from PPP Schedule A, line 10.

Line 2: Enter the amount of business mortgage interest payments during the Covered Period for any business mortgage obligation on real or personal property incurred before February 15, 2020. Do not include prepayments.

Line 3: Enter the amount of business rent or lease payments for real or personal property during the Covered Period, pursuant to lease agreements in force before February 15, 2020.

Line 4: Enter the amount of business utility payments during the Covered Period, for business utilities for which service began before February 15, 2020.

NOTE: For lines 2-4, you are not required to report payments that you do not want to include in the forgiveness amount.

Line 5: Enter the number from PPP Schedule A, line 3. This amount reflects the loan forgiveness reduction required for salary/hourly wage reductions in excess of 25% for certain employees as described in PPP Schedule A.

Line 6: Add lines 1 through 4, subtract line 5, enter the total. If this amount is less than zero, enter a zero.

Line 7: Enter the number from PPP Schedule A, line 13.

Line 8: Enter the amount on line 6 multiplied by the amount on line 7. This calculation incorporates the loan forgiveness reduction required for any full-time equivalency (FTE) employee reductions as described in PPP Schedule A.

Line 9: Enter the PPP Loan Amount.

Line 10: Divide the amount on line 1 by 0.75, and enter the amount. This determines whether at least 75% of the potential forgiveness amount was used for payroll costs. For more information, see Interim Final Rule on Paycheck Protection Program posted on April 2, 2020 (85 FR 20811).

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.
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;
- does not include nonpayroll costs in excess of 25% of the amount requested; and
- does not exceed eight 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.
The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to $250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than $5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than $1,000,000.

The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA’s authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.

I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower’s eligibility for the PPP loan and for loan forgiveness, and that the Borrower’s failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower’s loan forgiveness application.

The Borrower’s eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower’s loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

Signature of Authorized Representative of Borrower

Date

Print Name

Title
Application
PPP Covered Period

Defining the 8 Week Loan Period: Before determining the extent of forgiveness, a borrower can now determine one of two periods to measure payroll costs.

1. **Covered period.** 8-week period that starts on the same day as the PPP loan disbursement date.

2. **Alternative Payroll Covered Period.** SBA has provided for an “alternative payroll covered period” for administrative convenience. That period is the 8-week period starting on the first day of the company’s first pay period following PPP loan disbursement.

   - The alternative payroll covered period only applies for payroll costs. any expenses for covered rent, utilities, and so forth. It still must be paid during the 8-week “covered period” following loan disbursement.
Examples of Covered Period

1. 8-Week Covered Period Example:
   - Borrower receives PPP loan on Monday, April 20
   - April 20 is the first day of the loan period
   - Sunday, June 14 is the last day of the loan period

2. Alternative Payroll Covered Period Example:
   - Borrower receives PPP loan on Monday, April 20
   - Borrower’s first day of its first pay period following disbursement is Sunday, April 26
   - April 26 is the first day of the alternative payroll period
   - Saturday, June 20 is the last day of the loan period
What’s Included in Payroll Costs?

1. **Cash compensation** – includes gross salary, wages, gross tips, gross commissions, paid leave (excludes FFCRA leave), allowance for dismissal or separation and bonuses.
   - The total for each individual employee may not exceed $15,385 for the covered period ($100,000 pro-rated).
   - Any amounts paid to owners (owner-employees, a self-employed individual, or general partners) are capped at $15,385 or the 8-week equivalent of their applicable compensation in 2019, whichever is lower.

2. **Other payroll costs**: employer contributions for employee health insurance, including employer contributions to a self-insured, employer-sponsored group health plans; employer contributions to employee retirement plans; and employer state and local taxes assessed on employee compensation.
When Can You Pay Payroll Costs?

1. Payroll costs incurred AND paid during the covered period or alternative covered period are eligible for forgiveness.

2. Payroll costs incurred during the covered period OR alternative covered period but not paid are eligible if paid on or before the next regular pay period.

3. It is unclear whether payroll costs paid but NOT incurred during the covered period or alternative covered period are eligible for forgiveness due to unclear language in the statute and forgiveness application.
What’s Included in Non-Payroll Costs?

1. Covered mortgage obligations: payments of interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before February 15, 2020;

2. Covered rent obligations: business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020; and

3. Covered utility payments: business payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.
When Can You Pay Non-Payroll Costs?

1. Non-payroll costs must be incurred and paid during the covered period, or

2. Non-payroll costs must be incurred during the covered period and paid on or before the next regular billing date.

**Note. Non-payroll costs incurred before loan period but paid during loan period are not forgivable.**
Determining the Amount Forgiven

Loan Forgiveness Will Be Reduced Due to the Following:

1. Improper Use: Loan proceeds are used for costs other than defined payroll costs and non-payroll during the Covered Period; and/or

2. Failure to Maintain Headcount and Wage/Salary Levels.
   A. Headcount: The amount eligible for forgiveness will be reduced if the borrower decreases its full-time employee headcount.
   B. Wages/Salaries: The amount eligible for forgiveness will also be reduced if the borrower decreases total salaries and wages of employees (who made less than $100,000) during the loan period in excess of 25% the total wages the employee was paid in the most recent full quarter in which the employee was employed before the covered period.

3. Failure to Use 75% of Loan on Payroll Costs.

4. The borrower received an EIDL emergency grant.
PPP 8-week Loan Forgiveness and the EIDL Emergency Grant

➢ $90,000 PPP 8-week total of forgivable expenses
➢ $10,000 EIDL Emergency Grant

$90,000 PPP - $10,000 EIDL grant = $80,000 eligible PPP forgiveness
($10,000 remains a 1% loan)
PPP 8-week Loan Forgiveness and the EIDL Emergency Grant

➢ $8,000 PPP 8-week total of forgivable expenses
➢ $10,000 EIDL Emergency Grant

$8,000 PPP - $10,000 EIDL grant = $0 eligible PPP forgiveness
($8,000 remains a 1% loan)
Reduction in Full Time Employee Headcount

The amount eligible for forgiveness will be reduced if the borrower decreases its full-time employee (“FTE”) headcount during the loan period.

➢ The reduction percentage is determined as follows:

1. Average number of full-time employees during the covered period DIVIDED by

2. EITHER (a) the average number of full-time employees per month from February 15, 2019 to June 30, 2019 OR (b) the average number of full-time employees per month from January 1, 2020 to February 29, 2020.

** Borrower may choose which historical period
Reduction in Full Time Employee Headcount

Definition of FTE: To calculate the average FTEs during the covered period or alternative covered payroll covered period, a borrower can use two methods:

1. Enter the average number of hours paid per week during the loan period divide by 40, and round to the nearest tenth, OR

2. Assign a 1.0 for each employee who was paid for 40 hours or more on average per week and a .5 for employees who was paid for fewer than 40 hours on average per week.

*Note: This definition looks at hours paid, not hours worked.
** Note: salaried employees are assumed to be paid for 40 hours per week on average.
Calculating Number of FTEs Example

Example of Calculating FTE Employees: For the loan period, XYZ Corp had the following employees:

- Employee A averaged 45 hours paid per week
- Employee B averaged 40 hours paid per week
- Employee C averaged 28 hours paid per week
- Employees D and E averaged 20 hours paid per week.

Calculating Method 1. XYZ Corp had 3.7 FTEs during loan period.

- Employee A: $\frac{45}{40} = 1.0$ (capped)
- Employee B: $\frac{40}{40} = 1.0$
- Employee C: $\frac{28}{40} = .7$
- Employees D & E: $\frac{20}{40} = .5$ each

Calculating Method 2. XYZ Corp had 3.5 FTEs during loan period.

- Employee A: $\frac{45}{40} = 1.0$ (capped)
- Employee B: $\frac{40}{40} = 1.0$
- Employee C: $\frac{28}{40} = .5$
- Employees D & E: $\frac{20}{40} = .5$ each
Example of Headcount Reduction Formula

**Example 1:** Company obtains $25,000 loan
- XYZ Corp had either 3.5 or 3.7 FTEs (depending on method selected) during loan period
- XYZ Corp 5 FTEs during January 1, 2020 to February 29, 2020
- 3.7 FTEs/ 5 FTEs = .74
- XYZ Corp has 74% of loan forgiven, which amounts to $18,500 forgiven

**Example 2.** Company obtains $25,000 loan
- XYZ Corp had either 3.5 or 3.7 FTEs (depending on method selected) during loan period
- XYZ Corp 3.5 FTEs during February 15, 2019 to June 30, 2019
- 3.7 FTEs/ 3.5 FTEs = 1.05
- XYZ Corp has 100 % of loan forgiven
FTE Decrease Exceptions

SBA created an exception for companies that have decrease in FTEs through no fault of their own.

1. Any positions for which the borrower made a good-faith written offer to rehire an employee during the selected loan period, which was rejected by the employee (and borrower maintains documentation to that effect); and

2. Any employee who during the selected loan period were (a) fired for cause, (b) voluntarily resigned; or (iii) voluntarily requested and received a reduction of their hours.
FTE Safe Harbor

1. If the borrower reduced its FTE employee levels from February 15, 2020 to April 26, 2020, and

2. Then restored its FTE levels by not later than June 30, 2020 to its FTE levels in the borrower’s pay period that included February 15, 2020,

3. Then the borrower will not be considered subject to a FTE reduction during the loan period.
Reductions in Salary/Hourly Wages

Failure to maintain average salary/wages: The amount of loan forgiveness will also be reduced if employees (who made less than $100,000 in annualized wages in 2019) receive a reduction in pay during the Covered Period or Alternative Covered Pay Period of more than 25% of the average salary or wages of the employee during the last quarter.
Reduction in Salary/Hourly Wage Formula

1. Step 1: Determine if Pay was Reduced More than 25%
   A. What is average annual salary or hourly wage during loan period?
   B. What is average annual salary or hourly wage between Jan. 1, 2020 and Mar. 31, 2020
   C. Divide no. 1.a by no. 1.b (if it is .75 or more, no reduction; otherwise go to Step. 2)

2. Step 2: Determine the Salary/Wage Reduction
   A. Multiply no. 1.b by .75
   B. Subtract the amount in no. 1.a from no. 2.a
   C. For Salaried Employees. Compute the reduction as follows:
      • Multiply the amount in 2.b by 8 (for 8 weeks of loan)
      • Divide the amount by 52 and that equals total amount of reduced forgiveness
Example of Reduction of Salary

➢ Employee A was paid $8,000 during the 8-week covered period.
➢ Employee A was paid $20,000 for the period January 1, 2020 to March 31, 2020.

Step 1:
- Employee A’s average annual salary was $52,000 for the 8-week covered period (($8,000/8) x 52).
- Employees A’s average annual salary was $80,000 for the period January 1, 2020, to March 31, 2020 ($20,000 x 4).
- $52,000/$80,000 = 65%. (If 75% or more then stop; otherwise proceed to next step).

Step 2:
- $80,000 x 75% = $60,000.
- $60,000 - $52,000 = $8,000.
- ($8,000 x 8) / 52 = $1,230 (amount not forgiven).
Salary/Wage Reduction Safe Harbor

If the borrower reduced an employee’s salary/hourly rate between February 15, 2020 to April 26, 2020, and the employee's salary/hourly rate is returned to the same level it was on February 15, 2020 by June 30, 2020, then the employee will not be considered subject to a wage/hourly rate reduction during the loan period.
To help you meet the PPP forgiveness requirements, consider implementing the following best practices:

- Set up a separate bank account for PPP funds, or deposit funds into your business savings account and transfer the money to checking and payroll accounts when needed.
- If you feel that 75% of the loan won’t be used for payroll, consider modifying your payroll periods (from semimonthly to weekly, for example) or paying out bonuses toward the end of the eight-week period.
- Gather and analyze mortgage documents, leases, and utility bills to make sure obligations were in place prior to 2/15/20.
- Track expenses in the general ledger. The general ledger tracking will be a good summary, but you will still need to include the details.
PPP forgiveness best practices (cont.):

- If expenses are paid with a business credit card, make sure that portion of the credit card bill is paid with PPP funds before the end of the eight-week period.

- Use a simple Excel spreadsheet to track your qualifying expenses. This will allow you to see your progress in real-time and project where you will be after 60 days. To substantiate the amounts listed in the spreadsheet, gather and organize your backup documentation. Although not foolproof, the attached excel sheet might help.
Q&A with Sandra Finch, CPA
Forms - video 1 - Watch Video

Video 2 Shirley's info - Watch Video

Video 3 PPP Schedule A - Watch Video

Video 4 rev - PPP application - Watch Video

Finch CPA Firm PLLC
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Additional Resources
Calculating Your Loan Forgiveness Under the Paycheck Protection Program®
NFIB Resources

- NFIB Tip Sheet for Calculating Loan Forgiveness
- NFIB Covid-19 Weekly Webinar Series
- NFIB Coronavirus Resources
- NFIB PPP Loan and EIDL Side-by-Side Comparison Chart

- info@nfib.org
- www.nfib.com
Additional Resources

- PPP Loan Forgiveness Application (posted May 15, 2020)

- American Institute of CPA's PPP Loan Forgiveness Calculator (draft posted May 19, 2020)

- U.S. Department of Labor Coronavirus Unemployment Information
Health and Safety Checklist

☐ Review CDC, OSHA, state and local guidelines.

☐ Educate employees on how to reduce the spread of COVID-19 at home and at work (follow Centers for Disease Control and Prevention recommendations).

☐ Explain new company policies related to illness, cleaning, disinfecting, social distancing, work meetings, and travel.

☐ For employees returning to a worksite, make sure they understand what's expected of them in the workplace. For example, must they wear face masks or face coverings? Will protective items and hand sanitizer be provided? Are workplace hours different? Will you be taking employees’ temperatures or doing a health screening each day when they arrive? Will you do a return to work questionnaire? Is teleworking or staggered shift work allowed/encouraged?
Health and Safety Checklist (continued)

- Ensure that all employees who are currently ill or have contact with an ill family member stay home (follow CDC recommendations for length of time). If an employee becomes sick at work, send them home.

- Promote safe social distancing in the workplace by encouraging employees to: Remain at least 6 feet away from each other. Clean computer equipment, desktops, phones, and workstations often.

- If possible, provide hand sanitizer, cleaning supplies, and face masks or face coverings (where appropriate/necessary) and no-touch disposal receptacles.

- Follow OSHA’s Ten Steps.
Recall from COVID-19 Furlough Letter

- Send letter or email notifying employee of date you would like them to resume work.

- Provide details on terms of employment: of job, wage/salary, and specify employment at will terms.

- Explain what business is doing to create and maintain a safe and healthy workplace and include new safety methods/expectations of employees and your reliance on CDC and local health department information to keep the workplace safe.

- Require employee to accept the position by returning a signed and dated copy of letter/email by a set date and specify that if not returned you will assume that they are turning down this offer to return to work and employment will be terminated.

- Ask the employee to contact you if they have any questions or concerns about current safety procedures or their personal safety, or if they need any type of assistance to be able to return to work.