

Updated June 30, 2020

FAQ - PAYCHECK PROTECTION PROGRAM (PPP) LOAN FORGIVENESS

■ Should I use Form 3508-EZ or Form 3508?

- A Business owner 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.

Please note: 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 for 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.

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

- If your loan was received prior to June 5, 2020, and you spent 100 percent of the proceeds in 8 weeks on allowable expenses and at least 60 percent 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 percent or if the average FTE for the 8-week 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. Bypassing 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 percent 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.

■ What payroll period should you choose for determining payroll cost spend to get the maximum forgiveness?

- 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.

■ **How are Full Time Employees (FTE) calculated for the FTE loan forgiveness?**

- 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 an FTE of 0.5. This is a simpler calculation if you don't have an FTE report readily available. 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.

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. This is only required for form 3508. 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.

■ **What Payroll Information should I gather in preparation for completing the appropriate Forgiveness Application?**

- 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 afterward.
- 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).
- 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.

■ **Which benefits information should I gather in preparation for completing the appropriate Forgiveness Application?**

- 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.
- 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).
- State/local unemployment insurance premiums during the Covered Period.

■ **How can I receive 100 percent loan forgiveness?**

- You may 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 percent forgiveness.

■ **What other Utility, Mortgage and Rent Information should I should I gather in preparation for completing the appropriate Forgiveness Application?**

- Rent on real property, such as land or buildings, 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 15, 2020):
 - Electricity
 - Gas
 - Water
 - Telephone
- Transportation – for example, gas for vehicles used in business (note, lease payments are part of rent above)
- Internet Access