



PAYCHECK PROTECTION PROGRAM (PPP) LOAN FORGIVENESS

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OVERVIEW

- Purpose of CARES Act PPP Loans
- Overview of the Calculation
- Eligible Costs - Payroll, & Non-payroll
- Example Calculations
- Forgiveness Reductions
- Planning Ideas to Maximize the Benefit
- How to Apply for Forgiveness
- Helpful Tools & Resources



PURPOSE OF PPP LOAN PROVISIONS OF CARES ACT

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PPP loans are designed to provide a direct incentive for small businesses to keep workers on payroll.

Loan is based on 2.5 times monthly payroll.

Funds must be used to cover payroll, rent, mortgage interest, and utilities over an 8 or 24-week period.
Requirement is that 60% is spent on payroll.

Part or all of the loan will be forgiven, if requirements are met.





GUIDANCE **TO DATE**

CARES Act enacted into law

PPP Flexibility Act enacted into law 6/5

Interim final regulations

- Currently 19 sets of IFRs

SBA FAQ

- Currently at 49 items
- Last updated 5/27

SBA Forms

- Loan Application Form, revised 6/12
- Loan Forgiveness Application Form 3508, revised 6/16
- Loan Forgiveness Application Form 3508EZ
- These forms and the form instructions provide some insight into the SBA's approach.
- Also contain representations that are required to be made by applicant.

CHALLENGES

Many PPP loan recipients who are most severely impacted by COVID-19 are running into issues with PPP loan forgiveness.

Some issues:

- Difficulty in maintaining wage and FTE levels required for forgiveness, particularly when a business has restrictions on operating
- Limitation on non-payroll costs, especially in larger cities where rents are often higher in proportion to payroll
- Uncertainty in loan forgiveness due to complexity of calculation and lack of clear and complete guidance

NEW LEGISLATION



Paycheck Protection Program Flexibility Act of 2020

Enacted 6/5/2020

Highlights:

- Extends the eight-week period in which borrowers must spend their PPP loan funds in order to be considered in the loan forgiveness computation from 8 weeks to 24 weeks.
- Relaxes the payroll requirement from 75% to 60%.

Note: Guidance from the SBA is that the 60% payroll requirement is not a cliff.

- Allows borrowers that receive loan forgiveness to defer employer payroll taxes.
- Extends the deadline to restore decreases in wages and FTEs from June 30, 2020 to December 31, 2020.
- Extends the two-year repayment requirement for loan proceeds not forgiven, to five years.

Note: Existing loans can have their term updated if the borrower and lender agree to new terms.

TAX GUIDANCE ON LOAN FORGIVENESS

CARES Act Enacted Law

Excludes PPP loan forgiveness from taxable income. Does not address deductibility of expenses.

Joint Committee on Taxation Summary of Tax Provisions of CARES Act

States that PPP loan forgiveness is non-taxable for federal tax purposes.

IRS Notice 2020-32

This notice concludes that expenses paid with PPP funds, to the extent of loan forgiveness, are **non-deductible for federal tax purposes**. This is based upon an existing tax provision that disallows the deduction of expenses related to non-taxable income.

Some members of congress have disagreed, stating the notice is contrary to congressional intent underlying the CARES Act. **This may be addressed in a future amendment to the CARES Act.**

Oregon CAT Treatment

DOR CAT FAQ indicates that the PPP loan forgiveness is excluded from commercial activity.

Washington B&O Tax

PPP loan forgiveness income excluded from B&O tax.



OVERVIEW OF LOAN FORGIVENESS CALCULATION



LOAN FORGIVENESS CALCULATION

Step 1: Calculate eligible costs less compensation reduction

Eligible payroll costs + eligible non-payroll costs - compensation reduction*

Step 2: Reduce by percentage decrease in FTEs

Result of step 1 x (1 - percentage decrease in FTEs*)

Step 3: Gross up payroll costs to determine maximum amount forgivable (this is how non-payroll costs are limited to 40%)

Eligible payroll costs / 0.60

Step 4: Loan forgiveness

Lesser of results of step 2 and step 3, and the PPP Loan received.

Additional adjustments:

Loan forgiveness reduced by amount of EIDL Advanced Grant received.

The lender or SBA will calculate the amount of accrued PPP interest that is forgiven.

**Details covered later*

STEP 1

ELIGIBLE COSTS FOR
FORGIVENESS, PAYROLL



ELIGIBLE PAYROLL COSTS

Cash compensation to employees include (gross not net):

- Salary, wages, commissions, cash tips, or similar (e.g. supplemental pay such as bonuses or hazard pay)
- Payment for vacation, medical/sick, parental, or family leave
- Allowance for separation or dismissal
- Housing allowance or stipend



Non-cash employee benefits (employer portion only):

- Payments for group health insurance (e.g. health, vision, dental premiums), including self-insured employer group health plan
- Payment of any retirement benefits
- Payment of state and local taxes on compensation (e.g., state unemployment insurance tax)

Self-employed individual or general partners:

- Owner compensation replacement*

**Details covered later*

ELIGIBLE PAYROLL COSTS

CONSIDERATIONS

Exclusions from payroll costs:

- Annualized salaries greater than \$100K, over the covered period*
- The employer's share of Social Security and Medicare taxes
- Compensation of an employee whose principal place of residence is outside the U.S.
- Qualified sick and family wages for which a payroll tax credit is allowed and taken under the FFCRA (Families First Coronavirus Response Act)
- Payments to non-owner independent contractors (1099-MISC)

**Details on next slide*



ELIGIBLE PAYROLL COSTS

How to apply the \$100,000 annual exclusion cap to compensation for:

Employees:

- Applies to gross cash compensation only. Non-cash employee benefits such as retirement and health insurance, are not subject to the cap.
 - 8-week = \$15,385 max per employee
 - 24-week = \$46,154 max per employee

Owner-employee:

- C Corp shareholders – limited to \$15,385 (8-week) or \$20,833 (24-week) of gross compensation. However, non-cash employee benefits such as employer-paid retirement and health insurance are not subject to the limitation.
- S Corp shareholders - limited to \$15,385 (8-week) or \$20,833 (24-week) cap is on gross compensation and health insurance premiums as those payments are already included in compensation. **However, it appears retirement plan contributions for S Corp owner-employees are not subject to this limitation.**

Self-employed individual and general partners in partnership:

- 8-week = \$15,385 max ($8/52 \times 2019$ net profit)
- 24-week = \$20,833 max or 2.5 months' worth ($2.5 \div 12$ of 2019 net profit)
- No additional forgiveness provided for retirement or health insurance for self-employed individuals, including Schedule C filers and general partners, as such expenses are paid out of their net self-employment income.



ELIGIBLE PAYROLL COSTS

Owner-employees are subject to additional rules

C-corps and S-corp owners:

- Limited to 2019 compensation level

Schedule C:

- Owner's 2019 Schedule C Line 31 x 8/52 or 2.5/12

Schedule F:

- Owner's 2019 Schedule F Line 34 x 8/52 or 2.5/12

Partnership:

- (Partner's 2019 S/E income – 179 deduction – unreimbursed partnership expenses - depletion from oil and gas properties) x 0.9235 x 8/52 or 2.5/12

For all entity types:

- All of these are subject to \$100,000 annualized limit.
- It appears the intent of the ACT is that the owner-employee compensation calculated above should be paid during the 8 or 24-week covered period (or alternative covered period).

ELIGIBLE PAYROLL COSTS

Timing & Measurement Periods

Covered Period: 8 or 24 consecutive week period that starts on the date the PPP Loan is disbursed to the borrower from the Lender.

For payroll costs, what is the start date of the Covered Period?

Two options:

- The date of disbursement of the borrower's PPP loan proceeds from the Lender (i.e., the start of the covered period); or
- The first day of the first payroll cycle in the covered period, known as the "Alternative Payroll Covered Period"*

**To qualify, payroll cycle must be bi-weekly or more frequent*

ELIGIBLE PAYROLL COSTS

START DATE OF COVERED PERIOD – CONTINUED

COVERED PERIOD

Starts on the date the PPP Loan is disbursed

- Ex. *(based on 24-week period)* Borrower received PPP Loan proceeds on April 20, the first day of the Covered Period is April 20, and the last day of the Covered Period is September 28;
- This might require payroll periods that cross the first or last day of the Covered Period to be prorated to exact days

ALTERNATIVE PAYROLL COVERED PERIOD

Starts the first day of the first payroll cycle following the date the PPP Loan is disbursed

- Ex. *(based on 24-week period)* Borrower received PPP loan proceeds on April 20, and the first day of its first pay period following its PPP Loan proceeds is April 26, the first day of the Alternative Payroll Covered Period is April 26, and the last day of the Alternative Payroll Covered Period is Saturday, October 3.
- If the borrower elects the Alternative Payroll Covered Period, it must use this measurement period for any payroll related item throughout the forgiveness calculation (e.g. wage reduction calculation and FTE reduction.)
- To qualify, payroll cycle must be bi-weekly or more frequent
- Potentially avoids the allocation of payrolls to the exact days in the Covered Period

ELIGIBLE PAYROLL COSTS

Paid or Incurred

- 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 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) to be eligible for forgiveness.
- Therefore, no special payroll processing is required on the last day of the Covered Period or (Alternative Payroll Covered Period)
- Count payroll costs that were both paid and incurred only once.



STEP 1

ELIGIBLE COSTS FOR
FORGIVENESS, NON-PAYROLL

ELIGIBLE NON-PAYROLL COSTS

Mortgage Obligations

Payments of interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property

Rent Obligations

Business rent or lease payments pursuant to lease agreements for real or personal property

Utility Payments

The CARES Act defines utilities as electricity, gas, water, transportation, telephone, or internet access. Further guidance released added fuel when driving a business vehicle as an eligible non-payroll expense. **Are other common utilities such as garbage or security monitoring eligible as a utility? We do not know, and we may or may not get additional guidance on this topic.**



ELIGIBLE NON-PAYROLL COSTS

CONSIDERATIONS & TIMING

- All eligible non-payroll costs 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.
- All eligible non-payroll costs must have been in force prior to February 15, 2020.
- The Alternative Covered Period is not available for non-payroll costs.
- Non-payroll costs cannot exceed 40% of the total forgiveness amount.
- Count non-payroll costs that were both paid and incurred only once.
- Can delinquent payments or prepayments that extend beyond the covered period be included in forgiveness?
Unsure; awaiting more guidance from SBA.



EXAMPLE CALCULATIONS



EXAMPLE CALCULATION 1

EXAMPLE WITH FULL LOAN FORGIVENESS

PPP Loan: \$150,000 loan

Eligible payroll \$125,000, eligible costs non-payroll \$25,000

No compensation reduction (i.e.: \$0), no decrease in FTEs (i.e.: 0%)

- Step 1: Eligible costs less compensation reduction

\$150,000 *based upon: $125,000 + 25,000 - \$0$*

- Step 2: Reduce by percentage decrease in FTEs

\$150,000 *based upon: $150,000 \times (1 - 0\%)$*

- Step 3: Gross up payroll costs to determine maximum amount forgivable

\$208,333 *based upon: $\$125,000 / 0.60$*

- Step 4: Loan forgiveness

\$150,000 *based upon lesser of step 2, 3, and \$150,000 PPP loan*

EXAMPLE CALCULATION 2

EXAMPLE SUBJECT TO 40% NON-PAYROLL LIMIT

PPP Loan: \$150,000 loan

Eligible payroll \$75,000, eligible costs non-payroll \$75,000

No compensation reduction, no decrease in FTEs

- Step 1: Eligible costs less compensation reduction

150,000 *based upon: 75,000 + 75,000 - \$0*

- Step 2: Reduce by percentage decrease in FTEs

150,000 *based upon: 150,000 x (1 - 0%)*

- Step 3: Gross up payroll costs to determine maximum amount forgivable

125,000 *based upon: 75,000 / 0.60*

- Step 4: Loan forgiveness

\$125,000 *based upon lesser of step 2, 3, and \$150,000 loan*

EXAMPLE CALCULATION 3

EXAMPLE WITH REDUCTION IN WAGES AND REDUCTION IN FTES

PPP Loan: \$150,000 loan

Eligible payroll \$125,000, eligible costs non-payroll \$25,000

\$10,000 compensation reduction, 5% decrease in FTEs

- Step 1: Eligible costs less compensation reduction

140,000

based upon: $125,000 + 25,000 - \$10,000$

- Step 2: Reduce by percentage decrease in FTEs

133,000

based upon: $140,000 \times (1 - 5\%)$

- Step 3: Gross up payroll costs to determine maximum amount forgivable

\$208,333

based upon: $\$125,000 / 0.60$

- Step 4: Loan forgiveness

\$133,000

based upon lesser of step 2, 3, and 150,000 loan

STEP 1

WAGE REDUCTION
CALCULATION

WAGE REDUCTION SUMMARY

Determine if wages were reduced >25% on an employee by employee basis as compared to the prior quarter. Take the covered period or alternative covered period and compare to Q1 2020. Since periods are different lengths (8 or 24 weeks vs. 12 weeks), the eligible payroll cost in each period is annualized before making a comparison.

Exceptions:

- Does not apply for an employee who earned \$100K+, annualized, in any pay period in 2019
- Does not apply if an employee's average annual salary/hourly wage for period 2/15/2020 - 4/26/2020 is not less than their salary/hourly average wage as of 2/15/2020
- Does not apply if an employee's average wages are restored to their 2/15/2020 salary/hourly wages as of the earlier of a) 12/31/2020 and b) the date the loan forgiveness application is submitted.



WAGE REDUCTION CALCULATION

CALCULATION STEPS

STEP 1

Annualize compensation earned in Q1 2020

STEP 2

Annualize compensation in PPP period

STEP 3

Determine % decrease
 $\text{Step 2} / \text{Step 1}$

STEP 4

Determine decrease in excess of 25%
 $75\% - \text{Step 3}$

STEP 5

Calculate wage reduction

If salaried: $\text{step 4} \times \text{annualized compensation earned in Q1 2020} \times 8 \text{ or } 24/52$

If hourly: $\text{step 4} \times \text{average hourly wage Q1 2020} \times \text{average weekly hours Q1 2020} \times 8 \text{ or } 24$

WAGE REDUCTION EXAMPLE

CALCULATION EXAMPLE (ONE SALARIED EMPLOYEE)

Q1 2020 compensation annualized: \$50,000

Eligible payroll costs annualized: \$25,000

STEP 3

Determine % decrease

50% $(25,000/50,000)$

STEP 4

Decrease is excess of 25%

25% $(75\% - 50\%)$

STEP 5

Wage Reduction

\$5,769 (24-week) $(25\% \times 50,000 \times 24/52)$

STEP 2

FTE REDUCTION CALCULATION



FTE CALCULATION

For each pay period, calculate each employee's FTE based upon the following:

If 40+ hours / week: 1.0

If <40 hours / week: hours worked / 40, rounded to nearest 10th

Or use alternative simplified calculation:

If 40+ hours / week: 1.0

If < 40 hours / week: 0.5

If 0 hours / week: 0.0

Borrower can choose the method they prefer.
Must use same method for all FTE calculations on forgiveness application.





FTE REDUCTION CALCULATION

Step 1: calculate average FTEs in the following periods

2/15/2019 – 6/30/2019

1/1/2020 – 2/29/2020

Note: seasonal employers use different periods

Step 2: pick a reference period from step 1 and use that as the reference period FTE

Tip: pick the smaller number as that will minimize the reduction

Step 3: calculate FTEs in the covered period or alternative covered period

Must be consistent with which is used for determining eligible payroll costs.

Step 4: calculate % reduction

Step 3 / Step 2

FTE REDUCTION EXCLUSIONS

Reduction does not apply if FTE level restored by earlier of date of loan forgiveness application and 12/31/2020

No reduction in FTEs in following cases:

- Borrower made a good-faith, written offer to rehire an employee during the covered period or the alternative payroll covered period, and the offer was rejected
 - Employer is required to notify the state unemployment insurance office within 30 days. SBA will provide instructions.
- Employees who were fired for cause, employees who voluntarily resigned, and employees who voluntarily requested and received a reduction in hours
- Borrower in good faith can document the inability to
 - rehire individuals who were employees on February 15, 2020, and hire similarly qualified employees for unfilled positions on or before December 31, 2020; or
 - return to the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued related to COVID-19

PLANNING IDEAS TO MAXIMIZE THE BENEFIT



PLANNING TO MAXIMIZE BENEFIT

Step 1: Estimate loan forgiveness based upon operations, to determine amount of forgiveness, and identify what is limiting forgiveness.

Step 2: Consider what can be done during the covered period or later to increase loan forgiveness.

Some things can only be fixed in 8- or 24-week covered period, while others can be fixed later

Step 3: Quantify the costs and benefits of each option.

Step 4: Compare options to make an informed decision that is right for your business.

MAXIMIZING THE BENEFITS

IDENTIFYING THE CONSTRAINT

	Example 1	Example 2	Example 3
PPP Loan	150,000	150,000	150,000
Eligible Payroll	125,000	75,000	125,000
Eligible Other Costs	25,000	75,000	25,000
Compensation Reduction	-	-	(10,000)
Result of Step 1	150,000	150,000	140,000
1 - Percentage Decrease in FTEs	100%	100%	95%
Result of Step 2	150,000	150,000	133,000
Step 3 Non-payroll Limitation	208,333	125,000	208,333
PPP Loan Forgiveness	150,000	125,000	133,000
What is limiting forgiveness?	PPP Loan	Eligible Payroll	Wage Reduction FTE Reduction

HOW TO APPLY FOR FORGIVENESS



HOW TO APPLY FOR FORGIVENESS

SBA Form 3508 Loan Forgiveness Application indicates what information is required by the SBA

Each bank will have their own process for how customers apply for forgiveness, what documentation to provide, and in what format to provide information.

Read the instructions provided by your lender to determine how to complete your application.
Discuss questions with your banker.





**Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ**

OMB Control No. 3245-0407
Expiration Date: 10/31/2020

PPP LOAN FORGIVENESS APPLICATION FORM 3508EZ INSTRUCTIONS FOR BORROWERS

Checklist for Using SBA Form 3508EZ

You (the Borrower) can apply for forgiveness of your Paycheck Protection Program (PPP) loan using this SBA Form 3508EZ if you can check at least one of the three boxes below. Do not submit this Checklist with your SBA Form 3508EZ.

- ☐ The Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483).

- ☐ The Borrower 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 (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, "employees" means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower 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. (Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee's hours that the Borrower offered to restore and the employee refused. See [85 FR 33004](#), 33007 (June 1, 2020) for more details.

- ☐ The Borrower 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 (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, "employees" means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower 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 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.

If you can check at least one of the three boxes above, complete this SBA Form 3508EZ in accordance with the instructions below, and **submit it to your Lender** (or the Lender that is servicing your loan). Borrowers may also complete this application electronically through their Lender. If you are unable to check one of the boxes above, you cannot use SBA Form 3508EZ and instead you must apply for forgiveness of your PPP loan using SBA Form 3508.

SBA FORM 3508EZ LOAN FORGIVENESS INSTRUCTIONS

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**Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020**

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

LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

To apply for forgiveness of your Paycheck Protection Program (PPP) loan, you (the Borrower) may use the Form 3508EZ application or complete this application as directed in these instructions, and **submit it to your Lender** (or the Lender that is servicing your loan). Borrowers may also complete their application electronically through their Lender.

This application has the following components: (1) the PPP Loan Forgiveness Calculation Form; (2) PPP Schedule A; (3) the PPP Schedule A Worksheet; and (4) the (optional) PPP Borrower Demographic Information Form. All Borrowers must submit (1) and (2) to their Lender.

Instructions for PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")/DBA or Tradename (if applicable)/Business TIN (EIN, SSN): Enter the same information as on your Borrower Application Form (SBA Form 2483 or lender's equivalent).

Business Address/Business Phone/Primary Contact/E-mail Address: Enter the same information as on your Borrower Application Form, unless there has been a change in address or contact information.

SBA PPP Loan Number: Enter the loan number assigned by SBA at the time of loan approval. Request this number from the Lender if necessary.

Lender PPP Loan Number: Enter the loan number assigned to the PPP loan by the Lender.

PPP Loan Amount: Enter the disbursed principal amount of the PPP loan (the total loan amount you received from the Lender).

Employees at Time of Loan Application: Enter the total number of employees at the time of the Borrower's PPP Loan Application.

Employees at Time of Forgiveness Application: Enter the total number of employees at the time the Borrower is applying for loan forgiveness.

PPP Loan Disbursement Date: Enter the date that you received the PPP loan proceeds from the Lender. If loan proceeds were received on more than one date, enter the first date on which you received PPP loan proceeds.

EIDL Advance Amount: If the Borrower received an Economic Injury Disaster Loan (EIDL) advance, enter the amount.

EIDL Application Number: If the Borrower applied for an EIDL, enter the Borrower's EIDL Application Number.

Payroll Schedule: Select the box that corresponds to your payroll schedule.

Covered Period: The Covered Period is either (1) the 24-week (168-day) period beginning on the PPP Loan Disbursement Date, or (2) if the Borrower received its PPP loan before June 5, 2020, the Borrower may elect to use an eight-week (56-day) Covered Period. For example, if the Borrower is using a 24-week Covered Period and received its PPP loan proceeds on Monday, April 20, the first day of the Covered Period is April 20 and the last day of the Covered Period is Sunday, October 4. In no event may the Covered Period extend beyond December 31, 2020.

SBA FORM 3508 LOAN FORGIVENESS INSTRUCTIONS

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Alternative Payroll Covered Period: For administrative convenience, Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the 24-week (168-day) period (or for loans received before June 5, 2020 at the election of the borrower, the eight-week (56-day) period) that begins on the first day of their first pay period following their PPP Loan Disbursement Date. For example, if the Borrower is using a 24-week Alternative Payroll Covered Period and received its PPP loan proceeds on Monday, April 20, and the first day of its first pay period following its PPP loan disbursement is Sunday, April 26, the first day of the Alternative Payroll Covered Period is April 26 and the last day of the Alternative Payroll Covered Period is Saturday, October 10. Borrowers that elect to use the Alternative Payroll Covered Period must apply the Alternative Payroll Covered Period wherever there is a reference in this application to "the Covered Period or the Alternative Payroll Covered Period." However, Borrowers must apply the Covered Period (not the Alternative Payroll Covered Period) wherever there is a reference in this application to "the Covered Period" only. In no event may the Alternative Payroll Covered Period extend beyond December 31, 2020.

If Borrower Received PPP Loans in Excess of \$2 Million: Check the box if the Borrower, together with its affiliates (to the extent required under SBA's interim final rule on affiliates ([85 FR 20817](#) (April 15, 2020))) and not waived under 15 U.S.C. 636(a)(36)(D)(iv)), received PPP loans with an original principal amount in excess of \$2 million.

SBA Form 3508 (06/20)
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Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

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

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 week employed by the Borrower between February 15, 2019 and June 30, 2019;
- b. the average number of FTE employees on payroll per week 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 week employed by the Borrower between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or any consecutive 12-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.

SBA FORM 3508

LOAN FORGIVENESS

INSTRUCTIONS

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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, refusals to accept restoration of reductions in hours, firings for cause, voluntary resignations, written requests by any employee for reductions in work schedule, and any inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020.
- d. Documentation supporting the certification, if applicable, that the 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. This documentation must include copies of the applicable requirements for each borrower location and relevant borrower financial records.
- e. Documentation supporting the PPP Schedule A Worksheet "FTE Reduction Safe Harbor 2."

HELPFUL TOOLS & SOURCES FOR INFORMATION



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HANDOUTS

[AICPA PPP Flexibility Act Summary](#)

[AICPA PPP Loan FAQ](#)

[AICPA Loan Forgiveness Calculation Steps](#)

[AICPA Loan Forgiveness Calculation Steps for Self-Employed](#)

PERKINS & CO - ADDITIONAL PPP RESOURCES

[Perkins & Co COVID-19 Resources](#)

[Perkins & Co Blog](#)

[Perkins & Co Cash Flow Modeling Tools](#)

[AICPA PPP Loan Forgiveness Calculator](#)

[Treasury PPP Resources](#)

Includes Loan Forgiveness Application Forms, Guidance, and FAQs

Need help with loan forgiveness? Email
cares@perkinsaccounting.com or [fill out our form here.](#)



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THANK YOU

