

National Savvy. Local Sensibility.

# PPP LOAN FORGIVENESS UPDATE...WE'RE GETTING CLOSER



**THANK YOU!!!**



# OBJECTIVES FOR TODAY

- Update re: PPP Loan Program
- Introduction to the SBAs PPP Loan Forgiveness Application
- Review New Concepts and Understanding
- Update re: PPP Loan Forgiveness Workbook

# PPP LOANS – CURRENT STATUS

	NUMBER OF LOANS		TOTAL
	PHASE 1	PHASE 2	
MAINE	14,993	10,287	25,280
MASSACHUSETTS	46,937	56,506	103,443
NEW HAMPSHIRE	11,582	10,288	21,870
VERMONT	6,983	4,152	11,135
TOTAL	1,661,367	2,571,167	4,232,534

	DOLLAR VOLUME OF LOANS		TOTAL
	PHASE 1	PHASE 2	
MAINE	\$ 1,944,425,549	\$ 345,125,193	\$ 2,289,550,742
MASSACHUSETTS	\$ 10,360,907,178	\$ 4,678,358,510	\$ 15,039,265,688
NEW HAMPSHIRE	\$ 2,006,858,477	\$ 611,995,492	\$ 2,618,853,969
VERMONT	\$ 1,000,127,478	\$ 204,865,767	\$ 1,204,993,245
TOTAL	\$ 342,277,000,103	\$ 188,943,588,568	\$ 531,221,587,671

	AVERAGE LOAN		
	PHASE 1	PHASE 2	TOTAL
MAINE	\$ 129,689	\$ 33,550	\$ 90,568
MASSACHUSETTS	\$ 220,741	\$ 82,794	\$ 145,387
NEW HAMPSHIRE	\$ 173,274	\$ 59,486	\$ 119,746
VERMONT	\$ 143,223	\$ 49,341	\$ 108,217
TOTAL	\$ 206,022	\$ 73,486	\$ 125,509

# WHAT'S HAPPENING? A LOT! BUT NOT ENOUGH!

- FAQs 31 – 48 have been issued
  - FAQ 31, 37, 43, 46, 47 – Good Faith Certification
  - FAQ 38 – Acquired business after 2/15
  - FAQ 39 - \$2,000,000 rule
  - FAQ 40 – Employee declines offer
  - FAQ 45 – Employee Retention Credit
- IRS Comments on Taxation
- Inspector General's Report
- 13 IFRs have been issued (most recent last night)

# THE PPP LOAN FORGIVENESS APPLICATION

Consists of the following:

1. The PPP Loan Forgiveness Calculation Form
2. PPP Schedule A
3. The PPP Schedule A Worksheet
4. The (optional) PPP Borrowers Demographic Information Form

**NOTE: All borrowers MUST submit 1 and 2 to their lender**



**Paycheck Protection Program  
Loan Forgiveness Application**

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

**PPP Loan Forgiveness Calculation Form**

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

SBA PPP Loan Number: \_\_\_\_\_ Lender PPP Loan Number: \_\_\_\_\_

PPP Loan Amount: \_\_\_\_\_ : \_\_\_\_\_

Employees at Time of Loan

**NEW PROVISION**

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: \_\_\_\_\_

**Alternative Payroll Covered Period, if applicable:** \_\_\_\_\_ to \_\_\_\_\_

# INCURRED AND PAID

## Alternative Payroll Covered Period (APCP)

**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 eight-week (56-day) period that begins on the first day of their first pay period following their PPP Loan Disbursement Date (the “Alternative Payroll Covered Period”). For example, if the Borrower 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, June 20. Borrowers who 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.

- Better aligns payroll with covered period
- Few exceptions where you wouldn't do this



# INCURRED AND PAID

- Recurring Item Exception Provided
  - As long as incurred during covered period (or APCP for payroll costs) and paid on normal due date, will be eligible for forgiveness even if payment is after the covered period (or APCP for payroll costs) ends
  - Does this allow for more than 8 weeks/56 days?
    - Some are saying yes – we are not so sure



**Paycheck Protection Program  
Loan Forgiveness Application**

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

**PPP Loan Forgiveness Calculation Form**

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone

**Remember this?!**

- SBA FAQ #31, #37, and #39
- REMEMBER...If a Franchise Indicator Code (FIC), then

**DO NOT CHECK THIS BOX!!!**

**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:**

# BOTTOM HALF OF LOAN FORGIVENESS APPLICATION

**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):

\_\_\_\_\_

# SCHEDULE A

Has 5 Parts:

- Table 1 for employees who were paid in the 8 weeks and made **less than or equal to \$100K** annualized in 2019,
- Table 2 for employees who were paid in the 8 weeks and made **greater than \$100K** annualized in 2019,
- Non-Cash Compensation,
- Compensation to owners, and
- FTE Reduction Safe Harbor Calculation



**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: \_\_\_\_\_

SBA Form 3508 (05/20)  
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OMB Control Number 3245-0407  
Expiration Date: 10/31/2020

# SCHEDULE A WORKSHEET – TABLE 1

## 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**.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
<b>FTE Reduction Exceptions:</b>				
<b>Totals:</b>		<b>Box 1</b>	<b>Box 2</b>	<b>Box 3</b>

# CASH COMPENSATION

## INCLUDES

- Gross salary, wages, tips and Commissions
- Paid leave
  - Vacation
  - Family, medical or sick leave (NOT including Families First leave)
- Allowances for dismissal or separation

**NOTE:** Not to exceed \$100,000 or \$15,385 for the Covered Period

# SCHEDULE A WORKSHEET – TABLE 1

**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.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
<b>FTE Reduction Exceptions:</b>				
<b>Totals:</b>		<b>Box 1</b>	<b>Box 2</b>	<b>Box 3</b>

# AVERAGE FTE

- **BASIC FORMULA**

Average number of hours paid per week, divide by 40 and round to the nearest 10<sup>th</sup>

Cannot exceed 1.0 per employee

- **SIMPLIFIED METHOD**

Average number of hours paid per week. Greater than 40 = 1.0 FTE, Less than 40 = .5 FTE



# Schedule A – Table 2

**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.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
<b>Totals:</b>		<b>Box 4</b>	<b>Box 5</b>



**NOTICE NO  
ROW FOR FTE  
REDUCTION  
EXCEPTION**



**NOTICE NO  
COLUMN FOR  
REDUCTION IN  
LOAN  
FORGIVENESS**



**Paycheck Protection Program  
Loan Forgiveness Application**

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

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: \_\_\_\_\_

# NONCASH PAYROLL COSTS

- Line 6 – Employer contributions for group health plans, including self-insured plans
- Line 7 – Employer contributions to employee retirement plans
- Line 8 – Employer paid State Unemployment Tax

# COMPENSATION OF OWNERS

- Accumulate the same information in Table 2 for Owners
- Who's included?
  - Owner-Employees
  - Self-Employed Individuals
  - General Partners
  - S-Corp or C-Corp owners?
- Max compensation is \$15,385 or average 2019 compensation for 8-weeks, whichever is lower

# STEPS COMPLETED



**Paycheck Protection Program  
Loan Forgiveness Application**

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Expiration Date: 10/31/2020

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): \_\_\_\_\_

## Compensation information and FTE information

- employees making less than \$100,000 annually,
- those employees that made in excess of \$100,000 for any pay period in 2019, and
- owner-employees

## Noncash payroll costs

## FTE Calculations on Table 1 and 2

# REDUCTIONS IN FORGIVENESS

## TWO TESTS:

1. FTE Reduction – Did you keep your people employed?
2. Salary/Hourly Wage Reduction – Did you pay your people?

# FTE REDUCTION



**Paycheck Protection Program  
Loan Forgiveness Application**

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

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: \_\_\_\_\_

**New safe-harbor –  
if haven't reduced  
# of employees  
average paid hours  
of employees  
between 1/1/2020  
and the covered  
period, then STOP  
HERE**





# BASELINE FTE REDUCTION

- Did you reduce your average FTEs during the covered period compared to pre-covid 19 levels? If yes, then potential reduction in forgiveness.

## CALCULATION

- STEP 1 – Pre-Covid 19 (Line 11 of Schedule A)
  - Calculate average FTEs for the period 2/15/2019 – 6/30/2019
  - Calculate average FTEs for the period 1/1/2020 – 2/29/2020
  - Choose the lesser of the two

# SCHEDULE A WORKSHEET – TABLES 1 AND 2

- STEP 2 – 8-week Period (Line 2, 5 and 12 of Schedule A)
  - Table 1 FTEs – Line 2
  - Table 2 FTEs – Line 5
  - Total FTEs – Line 12

**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.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
<b>FTE Reduction Exceptions:</b>				
<b>Totals:</b>		Box 1	Box 2	Box 3

**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.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
<b>Totals:</b>		Box 4	Box 5

# FTE REDUCTION EXCEPTIONS

1. Written offer to rehire an employee during the Covered Period or APCP that was rejected
2. Any employee during Covered Period or APCP:
  - a. Terminated for cause
  - b. Voluntarily resigned
  - c. Voluntarily requested and received reduction in hours

**TOTAL THESE EMPLOYEES AND ADD TO FTEs**

**NOTE: Only if they weren't replaced with another hire**

# FTE REDUCTION SAFE-HARBOR (REHIRE PROVISION)

## 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.

# FTE REDUCTION SAFE-HARBOR (REHIRE PROVISION)

- Applying the safe-harbor/rehire provisions

<b>STEP 1</b>	FTEs 2/15	30	30	35	35
<b>STEP 2</b>	Avg FTEs 2/15 – 4/26	30	35	30	30
<b>STEP 3</b>	Step 2 < Step 1?	NO	NO	YES	YES
<b>STEP 4</b>	FTEs 6/30	N/A	N/A	34	35
<b>STEP 5</b>	Step 4 >= Step 1?	N/A	N/A	FAILED	PASSED

# SALARY/HOURLY WAGE REDUCTION



**Paycheck Protection Program  
Loan Forgiveness Application**

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

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: \_\_\_\_\_

# SALARY/HOURLY WAGE REDUCTION

- Did you reduce rate of pay during the covered period compared to first quarter of 2020? If yes, then potential reduction in forgiveness.
- Applies only if all of the following occur:
  - Employee is included in Table 1

**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.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

- Paid during the applicable 8-week period AND
- Paid <=\$100,000 during 2019, as defined

- Employee's rate of pay was reduced by more than 25% in the applicable 8-week period compared to Q1 2020
- Salary and Wage Safe Harbor does not apply

**NOTE: Must be completed for EACH INDIVIDUAL employee**



# REDUCTION EXAMPLE – HOURLY PAID EMPLOYEE

	First Quarter				
Hourly Wage	\$20	\$20	\$15	\$12	\$10
Avg Hours Worked per Pay Period	30	35	35	35	20
75% Min Hourly Rate Required	\$15	\$15	\$15	\$15	\$15
Over/(Short)		\$5	\$0	(\$3)	(\$5)
8 week reduction		\$0	\$0	(\$720)	(\$1,200)

# REDUCTION EXAMPLE – SALARY PAID EMPLOYEE

	First Quarter				
Total Compensation	\$13,000	\$8,000	\$6,000	\$4,000	\$2,000
Weeks Worked	13	8	8	8	4
Weekly Salary	\$1,000	\$1,000	\$750	\$500	\$500
75% Min Weekly Salary	\$750	\$750	\$750	\$750	\$750
Over/(Short)		\$250	\$0	(\$250)	(\$250)
8 week reduction		\$0	\$0	(\$2,000)	(\$2,000)

# SALARY/HOURLY WAGE REDUCTION SAFE HARBOR (REHIRE PROVISION)

Determine employee's average annual salary or hourly wage for the following periods:

A - As of 2/15/2020

B - From 2/15/2020 through 4/26/2020

C - As of 6/30/2020

If  $A \leq B$ , stop – this employee is not eligible

If  $A > B$ , compare A to C

If  $C \geq A$ , safe harbor applies, no reduction in forgiveness

If  $C < A$ , safe harbor does not apply

# STEPS COMPLETED



Paycheck Protection Program  
Loan Forgiveness Application

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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) ✓
- Line 5. Enter Average FTE (Box 5) from ✓
- Non-Cash Compensation Payroll Costs During Covered Period
- Line 6. Total amount paid by Borrower for health insurance: ✓
- Line 7. Total amount paid by Borrower for 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): math

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: math

# LOAN FORGIVENESS APPLICATION

**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):

✓


✓

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✓

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# NON-PAYROLL COSTS

- Covered mortgage obligations
  - Debt secured by real property
  - Debt secured by other property
    - Floorplan interest
      - Inventory in place before 2/15/2020
    - Other
- Covered rent or lease obligations
  - Related party leases
  - Other leases (ie: office equipment, company vehicles)
- Covered utility payments
  - Transportation

# LOAN FORGIVENESS APPLICATION

**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):

\_\_\_\_\_

Ordering of Reductions:

1. Salary/hourly wage reduction
2. FTE reduction
3. 75% requirement

Significant because depending on the order you could have a very different result.

# LOAN CERTIFICATION

- Signed by authorized representative
- Funds used properly
- True and accurate documents submitted
- Understand additional documents may be requested
- Required information submitted



**Paycheck Protection Program  
Loan Forgiveness Application**

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

**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



# LIST OF DOCUMENTS TO SUBMIT/RETAIN



**Paycheck Protection Program  
Loan Forgiveness Application**

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 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.

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# DEMOGRAPHIC INFORMATION



**Paycheck Protection Program  
Loan Forgiveness Application**

OMB Control Number 3245-0407  
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PPP Borrower Demographic Information Form (Optional)

Instructions

1. **Purpose** Veteran/gender/race/ethnicity data is collected for program reporting purposes only.
2. **Description** This form requests information about each of the Borrower's Principals. Add additional sheets if necessary.
3. **Definition of Principal** The term "Principal" means:
  - For a self-employed individual, independent contractor, or a sole proprietor, the self-employed individual, independent contractor, or sole proprietor.
  - For a partnership, all general partners and all limited partners owning 20% or more of the equity of the Borrower, or any partner that is involved in the management of the Borrower's business.
  - For a corporation, all owners of 20% or more of the Borrower, and each officer and director.
  - For a limited liability company, all members owning 20% or more of the Borrower, and each officer and director.
  - Any individual hired by the Borrower to manage the day-to-day operations of the Borrower ("key employee").
  - Any trustee (if the Borrower is owned by a trust).
  - For a nonprofit organization, the officers and directors of the Borrower.
4. **Principal Name** Insert the full name of the Principal.
5. **Position** Identify the Principal's position; for example, self-employed individual; independent contractor; sole proprietor; general partner; owner; officer; director; member; or key employee.

Principal Name	Position
Veteran	1=Non-Veteran; 2=Veteran; 3=Service-Disabled Veteran; 4=Spouse of Veteran; X=Not Disclosed
Gender	M=Male; F=Female; X=Not Disclosed
Race (more than 1 may be selected)	1=American Indian or Alaska Native; 2=Asian; 3=Black or African-American; 4=Native Hawaiian or Pacific Islander; 5=White; X=Not Disclosed
Ethnicity	H=Hispanic or Latino; N=Not Hispanic or Latino; X=Not Disclosed

Disclosure is voluntary and will have no bearing on the loan forgiveness decision

**Paperwork Reduction Act** – You are not required to respond to this collection of information unless it displays a currently valid OMB Control Number. The estimated time for completing this application, including gathering data needed, is 180 minutes. Comments about this time or the information requested should be sent to Small Business Administration, Director, Records Management Division, 409 3rd St, SW, Washington DC 20416, and/or SBA Desk Officer, Office of Management and Budget, New Executive Office Building, Washington DC 20503.

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# QUESTIONS UNANSWERED

- Does floorplan interest count as “mortgage” interest?
- Is floorplan interest on a car by car basis (Feb 15)?
- The definition of utilities includes “transportation”. What is that?
- Do I have to spend 75% of the total loan proceeds on payroll costs? What happens if I don’t?
- Is it really tax-free income or does the loan generate non-deductible expenses?
- Is the 8-week period going to get extended?
- Do the other SBA 7(a) loan allowable costs qualify?
- What amount converts to term loan?
  - Loan Proceeds less Forgiven
  - OR
  - Allowable Costs less Forgiven

# NEW QUESTIONS RAISED

- Does “owner-employee” include corporate shareholders?
- Do attribution rules apply to owners?
- Are owner benefits forgivable?
- FTE Safe Harbor – As of June 30 vs. Not Later Than June 30
- Incurred OR Paid – More than 8 weeks?
- Restrictions on FTE or Wage After 8 weeks? After June 30?

# EXCEL WORKBOOK – UPGRADES

- Application requires a lot of data from a lot of different time periods
- Added printable SBA Forms and Tables
- Added option to elect Alternative Payroll Covered Period
- Added input for general info needed for SBA Forms
- Step 1-
  - Added info needed for both FTE Safe Harbor Calcs
  - Revised FTE Inputs to be 40 hours
  - Revised FTE Inputs to use 0.5 FTE simplified method

# EXCEL WORKBOOK – UPGRADES (CONTINUED)

- Step 2 –
  - Revised Q1 2020 input to gather data needed for safe harbor questions and salary/hourly wage reduction tests
  - Added additional employee questions needed to determine owners and eligibility for safe harbors and exceptions
  - Removed columns and data that are no longer needed
- Step 3 –
  - All covered period employee comp moved to Step 3. Enter actual for completed periods and forecasted for upcoming periods

# EXCEL WORKBOOK DOWNLOAD

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# QUESTIONS?

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