



# Paycheck Protection Program Loan Forgiveness Guide

Presented By  
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# PPP Loan Forgiveness Guide

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## Forgiveness Steps

- Review Available Resources
- Understand Your Loan Amount
- Determine Your Covered Period
- Document Eligible Payroll and Non-payroll Costs
- Calculate Your Average FTE
- Identify FTE and Salary/Wages Reductions
- Decide Whether Restoration of FTE and Salary/Wage Reduction Is Possible
- Identify EIDL Advance Amount
- Apply With Your Lender

# PPP Loan Forgiveness Application

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## Paycheck Protection Program Loan Forgiveness Application

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) must 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 this 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.

**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.

# Interim Final Rule – Loan Forgiveness

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## **SMALL BUSINESS ADMINISTRATION**

**13 CFR Part 120**

**[Docket Number SBA-2020-0032]**

**RIN 3245-AH46**

## **DEPARTMENT OF THE TREASURY**

**RIN 1505-AC69**

### **Business Loan Program Temporary Changes; Paycheck Protection Program – Requirements – Loan Forgiveness**

**AGENCY:** U.S. Small Business Administration; Department of the Treasury.<sup>1</sup>

**ACTION:** Interim final rule.

**SUMMARY:** On April 2, 2020, the U.S. Small Business Administration (SBA) posted an interim final rule announcing the implementation of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act temporarily adds a new program, titled the “Paycheck Protection Program,” to the SBA’s 7(a) Loan Program. The CARES Act also provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under

# CARES Act – Section 1106

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## An Act

To amend the Internal Revenue Code of 1986 to repeal the excise tax on high cost employer-sponsored health coverage.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

### **SECTION 1. SHORT TITLE.**

This Act may be cited as the “Coronavirus Aid, Relief, and Economic Security Act” or the “CARES Act”.

### **SEC. 2. TABLE OF CONTENTS.**

The table of contents for this Act is as follows:


- Sec. 1. Short title.
- Sec. 2. Table of contents.
- Sec. 3. References.

### **DIVISION A—KEEPING WORKERS PAID AND EMPLOYED, HEALTH CARE SYSTEM ENHANCEMENTS, AND ECONOMIC STABILIZATION**


#### **TITLE I—KEEPING AMERICAN WORKERS PAID AND EMPLOYED ACT**

- Sec. 1101. Definitions.
- Sec. 1102. Paycheck protection program.
- Sec. 1103. Entrepreneurial development.
- Sec. 1104. State trade expansion program.
- Sec. 1105. Waiver of matching funds requirement under the women’s business center program.
- Sec. 1106. Loan forgiveness.
- Sec. 1107. Direct appropriations.
- Sec. 1108. Minority business development agency.
- Sec. 1109. United States Treasury Program Management Authority.
- Sec. 1110. Emergency EIDL grants.
- Sec. 1111. Resources and services in languages other than English.
- Sec. 1112. Subsidy for certain loan payments.
- Sec. 1113. Bankruptcy.
- Sec. 1114. Emergency rulemaking authority.

# Treasury – Resource Bank




U.S. DEPARTMENT OF THE TREASURY

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For small businesses seeking direct relief from COVID-19, [CLICK HERE](#) to learn more about Paycheck Protection Loans.


HOME > POLICY ISSUES > CARES ACT > ASSISTANCE FOR SMALL BUSINESSES



Assistance for American Workers and Families



Assistance for Small Businesses



Assistance for

## The CARES Act Provides Assistance to Small Businesses

The Paycheck Protection Program is providing small businesses with the resources they need to maintain their payroll, hire back employees who may have been laid off, and cover applicable overhead.

- [BEWARE COVID-19 SCAMS](#)
- [RECENT REMARKS AND STATEMENTS](#)
- [PERSONAL FINANCE RESOURCES](#)

# PPP Loan Amount

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## 2.5x average monthly payroll

- Either trailing 12-month average OR 2019 average
- Intended to cover 2 months of payroll and some overhead
- Example:
  - 2019 average monthly payroll = \$10,000
  - PPP loan amount:  $\$10,000 \times 2.5 = \$25,000$
  - Payroll for 2 months = \$20,000
  - Overhead = \$5,000
- Forgiveness is easy! But only in theory!!

# Covered Period

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## Covered Period

- 8 weeks (56 days) beginning the day the PPP loan funds are deposited into your bank account
- Example:
  - If you receive the PPP loan funds in your bank account on April 20, the first day of your Covered Period is April 20 and the last day is June 14

## Alternative Payroll Covered Period

- 8 weeks (56 days) beginning on the first day of the next pay period following the day the PPP loan funds are deposited into your bank account
- Example:
  - If you receive the PPP loan funds in your bank account on April 20 and the first day of your next pay period is April 26, the first day of your Alternative Payroll Covered Period is April 26 and the last day is June 20



# Eligible Payroll Costs

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## Compensation

- Maximum of \$15,385 per employee (pro rata of \$100,000 cap)
- Bonuses okay for employees but not for owners, general partners, or self-employed

## Health Insurance, Retirement Contributions, and Taxes

- Includes health insurance, retirement contributions, and state and local taxes
- There is no additional forgiveness for health insurance or retirement contributions for self-employed because expenses are paid out of net self-employment income

## Incurring and/or Paid

- Payroll costs are considered incurred on the day the employee's pay is earned
- Payroll costs are considered paid on the day you distribute paychecks or the day you originate your ACH credit transactions
- Last paychecks after Covered Period are also eligible for forgiveness

# Eligible Non-payroll Costs

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## Mortgage Interest, Rent, Utilities

- 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
- Payments for business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020
- Payments for a business service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020
- Cannot exceed 25% of the total forgiveness amount

## Paid and/or Incurred

- 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

# Average FTE

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## During the Covered Period/Alternative Payroll Covered Period

- Based on 40-hour work week
- For each employee, calculate:
  - Either total the number of hours paid per week, divide by 40, and round the total to the nearest tenth; the maximum for each employee is 1.0.
  - OR assign 1.0 to employees who work 40 hours or more per week and 0.5 to employees who work less than 40 hours per week

## During the Comparison Period

- Choose either February 15 – June 30, 2019 OR January 1 – February 29, 2020
- Base on 40-hour work week
- Same calculation as above for each employee

# Forgiveness Reduction

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## FTE Forgiveness Reduction

- If your average FTE during your Covered Period/Alternative Payroll Covered Period is less than your average FTE during the Comparison Period, your forgiveness amount will be reduced
- Exceptions:
  - You made a good-faith written offer to hire back an employee during your Covered Period/Alternative Payroll Covered Period, which the employee rejected
  - You fired an employee for cause
  - An employee voluntarily resigned or asked for reduction in hours
  - AND you did not fill the position with a new employee

## Salary/Wages Forgiveness Reduction

- If you reduced any employee's salary or wages by more than 25%, your forgiveness amount will be reduced

# Forgiveness Restoration

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## Forgiveness Restoration

- Applies only to FTE and salary/wages reductions from February 15 – April 26, 2020
- FTE:
  - Determine number of FTE on February 15, 2020
  - Determine number of FTE on June 30, 2020
  - If the number of FTE on June 30, 2020 is equal to or greater than the number of FTE on February 15, 2020, the amount of forgiveness reduced due to FTE reduction will be restored
- Salary/Wage:
  - Determine the annualized salary/wages of each employee on February 15, 2020
  - Determine the annualized salary/wages of each employee on June 30, 2020
  - If the annualized salary/wages on June 30, 2020 is equal to or greater than the annualized salary/wage on February 15, 2020, the amount of forgiveness reduced due to salary/wage reduction will be restored

# Other Items

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## EIDL Advances

- Any EIDL advances received will be subtracted from the forgiveness amount

## Required Certifications and Audit Notice

- Note the required certifications and 6-year audit window

## Forgiveness Application

- Apply with your PPP loan lender either after your Covered Period/Alternative Payroll Covered Period OR after June 30, 2020
- Practice the forgiveness calculations with SBA/Treasury template application, and make adjustments as needed before the last day of your Covered Period/Alternative Payroll Covered Period

## Unforgiven Amount

- 1% interest and 2-year maturity; payments deferred for 6 months



# Questions? Thank you!

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