



U.S. Small Business  
Administration

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# PPP Forgiveness

## PLEASE NOTE:

This Presentation is only an *introduction* to the PPP Forgiveness Application and process.

It includes information from guidance documents located on [www.sba.gov](http://www.sba.gov) or [www.treasury.gov](http://www.treasury.gov)

Please personally review these documents regularly

Presentation is current on guidance received through June 25, 2020

# Resource Partners of the SBA



Small Business Development Centers (NJ SBDC)	SCORE	Women's Business Centers
<p><a href="https://njsbdc.com/">https://njsbdc.com/</a></p> <p>Click on contact</p>	<p><a href="https://www.score.org/">https://www.score.org/</a></p> <p>Put in zip code</p>	<p><a href="https://www.sba.gov/offices/headquarters/wbo">https://www.sba.gov/offices/headquarters/wbo</a></p> <p>Scroll down to directory</p>

# SBA Resources & Links

## For EIDL Loan Applicants

1-800-659-2955

Email:

[disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov)

[www.sba.gov/funding-programs/disaster-assistance](http://www.sba.gov/funding-programs/disaster-assistance)

## SBA New Jersey District Office

1-973-645-2434

<https://www.sba.gov/offices/district/nj/newark>

## Other SBA District Offices

<https://www.sba.gov/about-sba-locations/>



## PPP Related Content including Forgiveness Applications

[sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program](http://sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program)

## PPP Forgiveness Guidance

Most Recent:

[home.treasury.gov/policy-issues/cares/assistance-for-small-businesses](http://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses)

# HR 7010 Summary

## Paycheck Protection Program Flexibility Act of 2020 (6/5/2020)

# Seven Key Changes

## (Changes 1 - 3)

1. Extends the covered period for loan forgiveness from eight weeks after loan disbursement to 24 weeks or Dec 31, 2020 (whichever comes first)
2. Lowers the requirement that 75% of a Business Owner's loan proceeds must be used / spent for payroll costs during the loan forgiveness covered period to 60%.
  - If full amount of PPP loan is not spent. The amount spent and submitted for loan forgiveness needs to be 60% of total amount considered for full forgiveness of that amount. The rest becomes a loan.
3. Provides a safe harbor options for reductions in forgiveness due to reductions in payroll.

# Seven Key Changes

## (Changes 4 – 7)

4. Provides a safe harbor from reductions in loan forgiveness based on reductions in full-time equivalent employees – option 2.
5. Increases to five years the maturity of PPP loans that are approved by SBA (based on the date SBA assigns a loan number) on or after June 5, 2020
  - For loans approved before that time; the Borrower and Lender must mutually agree to change the maturity.
6. Extends the deferral period for borrower payments of principal, interest, and fees on PPP loans to the date that SBA remits the borrower's loan forgiveness amount to the lender
  - If the borrower does not apply for loan forgiveness; it is 10 months after the end of borrower's loan forgiveness period
7. Removed the restriction of participating in the deferment (employer portion) of social security payroll tax if you received a PPP loan. Now you can defer through December 31, 2020 and pay the balance deferred 50% on December 31, 2021 and 50% on December 31, 2022.

# Seasonal Business

A rule change released by the Treasury Department **will** allow **seasonal businesses** to choose a different 12-week expense period when **applying** for a Paycheck Protection Program (“**PPP**”) loan under the CARES Act — a period that more accurately reflects their **seasonal** operating payroll and increases their **eligible** loan





# PPP Forgiveness Overview

# EIDL Loans with PPP

## For businesses that have received both

- An EIDL Loan may not be refinanced with a PPP Loan when the PPP Borrower received the EIDL loan before January 31, or after April 3, 2020.
- An EIDL loan is not required to be refinanced with a PPP Loan when:
  - The PPP Borrower received funds from an EIDL loan from January 31, 2020 through April 3, 2020 and
  - The PPP Borrower used the EIDL loan for purposes other than payroll costs.
- A PPP loan MUST be used to refinance the full amount of the EIDL loan when:
  - The PPP Borrower received funds from the EIDL loan from January 31, 2020 through April 3, 2020 and
  - The PPP Borrower used the EIDL loan funds to pay payroll costs.
- EIDL grant monies received does not need to be repaid.

# When can I apply for forgiveness?

## You may submit a loan forgiveness application:

- Any time after the loan proceeds have been used up
- On or before the maturity date of the loan
- Can also apply at the end of the covered period if:
  - *All* of the loan proceeds for which the borrower is requesting forgiveness have been used.



# Applying for PPP Loan Forgiveness

## *Revised* Loan Forgiveness Application

5 pages separated into 5 sections

### To Lender:

- PPP Forgiveness Application Calculation (p 1)
- Certification (p 2)
- Schedule A (p 3)

### For your records:

- Schedule A worksheet (p 4)
- Borrower Demographics (p 5)
- Instructions



Application and Detailed Instructions forms:

[www.sba.gov/ppp](http://www.sba.gov/ppp) under Loan Details and Forgiveness.

# 3508EZ Forgiveness Form

## New Loan Forgiveness Application

This application is only for the following Borrowers:

- Self employed and have no employees
  - Salaries or wages of your employees
    - Not reduced more than 25%,
    - *And* did not reduce the number or hours of their employees
- or-
- Experienced reductions in business activity as a result of health directives related to Covid-19
  - *And* did not reduce the salaries or wages of their employees by more than 25%

**Application:** 3 pages Separated into 3 sections

### To Lender

- PPP Forgiveness Application (*p 1*)
- Certification (*p 2*)

### ***For Your Records***

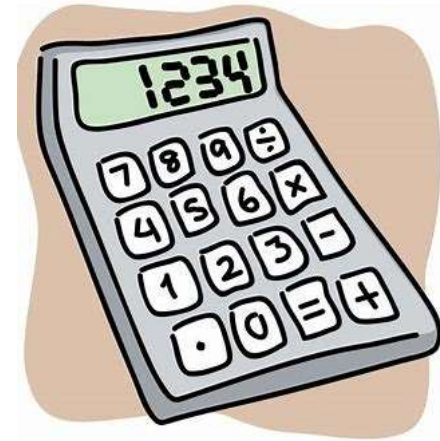
- Borrower Demographics (*p 3*)
- Instructions



The Application and Detailed Instructions forms  
[www.sba.gov/ppp](http://www.sba.gov/ppp) under Loan Details and Forgiveness.

# Business Documents Needed to Complete Application

- Calendar
- Calculator
- Loan documents
- Business records for use when applying
- Patience



PPP Forgiveness Application packages  
[www.sba.gov/ppp](http://www.sba.gov/ppp) under Loan Details and Forgiveness

# Covered or Alternative Payroll Period ?

**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.

**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.

# Required Full Time Employee (FTE) Calculation

The actual loan forgiveness amount that the Borrower will receive *may be less*, depending on whether the business owner's average weekly number of FTE employees during the Covered Period or the Alternative Payroll Covered Period was *less* than during the Borrower's chosen reference period.

## For each employee

Using either payroll period (Covered or Alternate Covered)

You will convert part time employees to full time equivalent

## **Take the average number of hours paid per week:**

- Divide by 40 and round the total to the nearest tenth  
(Each employee is capped at a maximum of 1.0)

-or-

- Simply assign a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours



# Costs Eligible for Forgiveness

# What is *Payroll Cost*

Original IFR III 2 ii f

## Payroll costs consist of:

- compensation to employees  
(whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips)
- payment for vacation, parental, family, medical, or sick leave
- allowance for separation or dismissal
- payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement
- payment of state and local taxes assessed on compensation of employees

### **For an independent contractor or sole proprietor:**

- wage, commissions, income, or net earnings from self-employment or similar compensation.

# Summary of Eligible Costs - Payroll

- Payroll costs paid and payroll costs incurred during the
  - 8 - weeks (56-days) Covered Period **–or–**
  - 24 - weeks (168-days) Covered Period (cannot exceed December 31, 2020).
- Payroll costs are considered paid on
  - the day that paychecks are distributed **–or–**
  - when the Business Owner originates an ACH credit transaction
- Payroll costs are considered incurred on the day that the employee's pay is earned
- Payroll costs incurred but not paid during the Borrower's last pay period of the Covered Period are eligible for forgiveness *if paid on or before the next regular payroll date*.
  - Otherwise, payroll costs must be paid during the Covered Period.
- For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of \$100,000, as prorated for the covered period.
- Count payroll costs that were both paid and incurred only once.

# Summary of Eligible Costs Non-Payroll

- **Covered mortgage obligations:**
  - payments of interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before February 15, 2020
- **Covered rent obligations:**
  - business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020
- **Covered utility payments:**
  - business payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020
- An eligible nonpayroll cost ***must be paid during*** the Covered Period or incurred during the Covered Period ***and paid on or before*** the next regular billing date, even if the billing date is after the Covered Period.
- Eligible nonpayroll costs cannot exceed 40% of the total forgiveness amount
- Count nonpayroll costs that were both paid and incurred only once

# Frequently Asked Payroll Questions

**IRF 136 - 3b. Are salary, wages, or commission payments to furloughed employees; bonuses; or hazard pay during the covered period eligible for loan forgiveness?**

Yes



**IRF 136 - 4b. Are advance payments of interest on mortgage obligations eligible for loan forgiveness?**

No



# Documents Required

# Proof of Payroll Documents for Submission to Lender

**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)).

# Proof of Payroll Documents

## for Submission to Lender

### EZ Application

#### PPP Loan Forgiveness Calculation Form 3508EZ

**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.
- d. If you checked only the second box on the checklist on page 1 of these instructions, the average number of full-time equivalent employees on payroll employed by the Borrower on January 1, 2020 and at the end of the Covered Period.



# Documents for FTE for submission to Lender

**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.

# Documents for Non-Payroll Payments for Submission to Lender

**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.

# For Your Records

## Required to Keep (6 Years)

### Not to be Submitted to Lender

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.”

# PPP Forgiveness Application

Schedule A Worksheet &  
Safe Harbor

# FTE Reduction

## Safe Harbor Option 1

Business owner is ***exempt from the reduction in loan forgiveness*** based on FTE employees described above if both of the following conditions are met:

1. Business Owner reduced their FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; ***and***
1. Business Owner then restored their FTE employee levels by not later than December 31, 2020 to their FTE employee levels in the Borrower's pay period that included February 15, 2020



# FTE Reduction

## Safe Harbor Option 2

Business Owner is exempt from the reduction in loan forgiveness based on FTE employees, even if there is a reduction in FTE employees, if:

The Business Owner, in good faith, can document they were unable to operate their business after February 15, 2020 due to compliance with Federal/State/Local requirements\* issued between March 1, 2020 and December 31, 2020



### \*Requirements Definition:

As issued 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 which were related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.

# FTE Reduction Exception

The business owner could be eligible for an exception to an FTE Reduction if:

- Unable to rehire individuals who were employees of the business owner on February 15, 2020
- **-or-**
- Unable to hire similarly qualified employees for unfilled positions by December 31, 2020.

Business owner made a good-faith written offer to rehire an employee during the Covered Period, which was rejected by the employee. *(New guidance as of 6/22/2020)*

- The offer was for the same salary or wages and same number of hours as earned by such employee in the last pay period prior to the reduction in hours
- The offer was rejected by such employee; and
- The borrower has maintained records documenting the offer and its rejection.

# Frequently Asked Questions

## **IRF 136 – 5e. What effect does a business owner’s reduction in employees’ salary or wages have on the loan forgiveness amount?**

... in excess of 25 percent will generally result in a reduction in the loan forgiveness amount... calculation is performed on a per employee basis, not in the aggregate.

## **IRF 136 - 5f. How should business owners seeking loan forgiveness account for the reduction based on a reduction in the number of employees ... ..relative to the reduction relating to salary and wages ...?**

*... the salary/wage reduction applies only to the portion of the decline in employee salary and wages that is not attributable to the FTE reduction.*



# Frequently Asked Questions Continued

## FAQ/Summary of IRF 136 (1 of 2)

### **5b. What effect does a reduction in a business owners number of full-time equivalent (FTE) employees have on the loan forgiveness amount?**

The business owner must first select a reference period:

- (i) February 15, 2019 through June 30, 2019;
- (ii) January 1, 2020 through February 29, 2020;
- (iii) in the case of a seasonal employer, either of the two preceding methods or a consecutive 12-week period between May 1, 2019 and September 15, 2019.

If the average number of FTE employees during the... covered period ... is less than during the reference period, the total eligible expenses available for forgiveness is reduced proportionally...

For example, if a borrower had 10 FTE employees during the reference period and this declined to 8 FTE employees during the covered period, the percentage... declined by 20 percent and thus only 80 percent... (is) available for forgiveness.

# PPP Forgiveness Application Process

# Loan Forgiveness Process

## IFR 136 - 2.

- Business owner submits the Loan Forgiveness Application to the lender
- The lender has 60 days to issue a decision to SBA
- The SBA has 90 days to review and determine if the borrower is eligible
- The lender is responsible for notifying the borrower
- If only a portion of the loan is forgiven, or if the forgiveness request is denied, any remaining balance ... must be repaid ... on or before the two or five-year maturity of the loan



**Any Questions?**  
**Sheryl.Paynter@sba.gov**



For more information on  
SBA's emergency capital programs visit:  
[www.sba.gov/coronavirus](http://www.sba.gov/coronavirus)