



U.S. Small Business
Administration

PPP Loan Forgiveness Basics

Borrowers are eligible for forgiveness in an amount equal to **the sum of the eligible costs and payments during the 8-week or 24-week Covered Period:**

Eligible Costs		Additional Considerations
	Payroll Costs	<ul style="list-style-type: none">• Payroll costs must account for at least 60% of the total PPP forgiveness amount or the amount of forgiveness will be reduced• Salary / wage reduction can be no more than 25% during the Covered Period or the amount of forgiveness will be reduced (certain exemptions / safe harbors may apply)• Borrower must maintain the average number of full-time equivalent (FTE) employees during the Covered Period or the amount of forgiveness will be reduced (certain exemptions / safe harbors may apply)
	Business Rent Payments <i>(lease effective prior to February 15, 2020)</i>	
	Mortgage Interest Payments <i>(incurred prior to February 15, 2020)</i>	
	Utility Payments <i>(service in place prior to February 15, 2020)</i>	

Payroll Cost Considerations

Timing: To be eligible for forgiveness, payroll costs must be:

1. Incurred or paid during the Covered Period or Alternative Payroll Covered Period.
2. Incurred before the Covered Period or Alternative Payroll Covered Period, but paid during the Covered Period or Alternative Payroll Covered Period.
3. Incurred during the Covered Period or Alternative Payroll Covered Period, but paid on or before the next regular payroll date after the Covered Period or Alternative Payroll Covered Period.

Borrower Forgiveness Application Submission FAQ

Question: May a borrower submit a forgiveness application before the end of their covered period?



Answer: Yes, if the borrower has used all the loan proceeds for which it is requesting forgiveness.

If borrower reduced annual salary or hourly wages by more than 25%, borrower must account for the reduction for the full Covered Period (either 8- or 24-week period beginning on the PPP Loan Disbursement Date).

Paycheck Protection Program Forgiveness Application

1. Forgiveness Application ([Form 3508](#))

- Worksheet A/Calculation Sheet
- [Instructions and Definitions](#)

2. EZ Application ([Form 3508EZ](#))

- [Instructions and Definitions](#)

3. Simple Application ([Form 3508S](#))

- [Instructions and Definitions](#)



Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

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: _____ PPP Loan Disbursement Date: _____

Employees at Time of Loan Application: _____ 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 _____



Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ

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

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: _____ PPP Loan Disbursement Date: _____

Employees at Time of Loan Application: _____ 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 _____

Maintaining FTE Requirement and Safe Harbor



- Borrower must maintain their FTEs during the covered period as compared to the reference period
 - February 15, 2019 thru June 30, 2019 or
 - January 01, 2020 thru February 29, 2020 and
 - For seasonal businesses, any 12-week consecutive period between May 1, 2019 and September 15, 2019
- Forgiveness would be reduced proportionally by the percentage reduction in FTEs
- FTEs means 40 hours or more. If less than 40 hours, you can pro-rate or use .5 for any PT employees.
- The Borrower is exempt from such a reduction if the FTE Reduction Safe Harbor applies (Per PPP Flexibility Act New Safe Harbor date is December 31, 2020).

Maintaining Employees Salary & Hourly Wages



- Forgiveness will be reduced by the dollar amount of any wage reduction in excess of 25 percent of salary/wages earned between 1/1/2020 through 3/31/2020
- Calculation is performed per employee not aggregate:
 - Step 1. Determine if pay (Salary or Wage) was reduced more than 25% by comparing avg. annual salary or hourly wage during covered period/alternative period to Q1, 2020.
 - Step 2 Determine if the Salary/Hourly Wage Reduction Safe Harbor is met by comparing salary/hourly wage from 2/15 to 4/26/20 to 2/15/20. If decrease is restored by the earlier of December 31, 2020 or date the application is submitted, safe harbor is met.
 - Step 3. If safe harbor is not met, calculate decrease in excess of 25%, annualize and pro-rate for 8 or 24 weeks to determine Salary/Hourly Wage reduction for that employee.
- Do not count anyone that was used as a FTE reduction if that applies
- Ultimately, only individuals with reduced salary or hourly rate would be considered.

PPP Exemptions and Safe Harbors



PPP Flexibility Act created FTE Reduction Exceptions and Safe Harbors that would exempt borrowers from the reduction in loan forgiveness based on a reduction in FTE. Two separate safe harbors exempt certain borrowers from any loan forgiveness reduction based on a reduction in FTE employee levels

FTE Exemptions include :

- (1) any positions for which the Borrower made a good-faith, written offer to rehire an individual who was an employee on February 15, 2020 and the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020;
- (2) any positions for which the Borrower made a good-faith, written offer to restore any reduction in hours, at the same salary or wages, during the Covered Period or the Alternative Covered Period and the employee rejected the offer, and
- (3) any employees who during the Covered Period or the Alternative Payroll Covered Period:
 - (a) were fired for cause,
 - (b) voluntarily resigned, or
 - (c) voluntarily requested and received a reduction of their hours. ⁸

FTE Reduction Safe Harbors

Two Safe Harbors Exemptions:



1. The Borrower is exempt from the reduction in loan forgiveness based on a reduction in FTE employees described above if the Borrower, in good faith, is able to document that it 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 for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.

2. The Borrower is exempt from the reduction in loan forgiveness based on a reduction in FTE employees described above if both of the following conditions are met: (a) the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and (b) the Borrower then restored its FTE employee levels by not later than December 31, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020

Borrower Forgiveness Application Submission FAQ

Question: Who can use the SBA Form 3508EZ forgiveness application?



Answer: (See Form 3508EZ instructions, page 1)

- 1) 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 calculation of their average monthly payroll (when determining their eligible loan amount); or
- 2) Borrower didn't reduce annual salary or hourly wages of any employee by more than 25% during Covered Period or Alternative Payroll Covered Period **and** didn't reduce the number of employees or the average paid hours of employees between 1/1/20 and the end of Covered Period; or
- 3) Borrower didn't reduce salary or wages of any employee by more than 25% during Covered Period or Alternative Payroll Covered Period **and** was unable to operate during Covered Period at the same level of business activity as before 2/15/20 due to compliance with HHS, CDC, or OSHA restrictions issued between 3/1/20 and 12/31/20 related to COVID-19.

PPP 3508S Loan Forgiveness Qualification



You (the Borrower, regardless of the business entity type) can apply for forgiveness of your Paycheck Protection Program (PPP) loan using the SBA Form 3508S only if the total PPP loan amount you received from your Lender was less than \$50,000.

- SBA Form 3508S requires fewer calculations and less documentation for eligible borrowers.
- Borrowers that use SBA Form 3508S are exempt from reductions in loan forgiveness amounts based on reductions in full-time equivalent (FTE) employees or in salaries or wages.
- SBA Form 3508S also does not require borrowers to show the calculations used to determine their loan forgiveness amount.

Loan Forgiveness Process and Timeline



Borrower Documentation Requirements

What documentation does the borrower submit to the lender with its forgiveness application?

In addition to the signed Forgiveness Application Form (SBA Form 3508, 3508EZ, or lender equivalent) borrowers are generally expected to submit the following (see SBA Form 3508 or 3508EZ instructions for specific details):

1. **Payroll: Proof of payment**
2. **Nonpayroll: Proof of obligation and proof of payment**
3. **3508 Only: PPP Schedule A and FTE Documentation**
4. **3508EZ Only: FTE Information (if applicable)**

For each form, there are certain documents that the borrower is required to maintain, but not submit. See Instructions to forms.

Additionally, all loans \$2 million and over will be subject to SBA loan reviews and additional documentation will be required.

Borrower Documentation – Payroll

Documents Must Provide Proof of Eligible Costs (*e.g., that payments were made towards eligible payroll costs and within the eligible Covered Period or Alternative Payroll Covered Period*) with the following:

- 1. Bank account statements or third-party payroll service provider reports** documenting the amount of cash compensation paid to employees.
- 2. Tax forms** or equivalent third-party payroll service provider reports.
- 3. Payment receipts** documenting the amount of any employer contributions to employee health insurance and retirement plans.

See Instructions to forms for other acceptable documents.

Borrower Documentation – Non-Payroll

Documents Must Provide Proof of Eligible Costs (e.g., that verify existence of eligible non-payroll obligations/services prior to February 15, 2020 and eligible payment from the Covered Period) with the following if borrower includes nonpayroll expenses in the amount requested for forgiveness:

- 1. Business mortgage interest payments** – amortization schedule and receipts.
- 2. Business rent or lease payments** – lease agreement and receipts.
- 3. Business utility payments** – invoices from February 2020 and invoices paid during Covered Period and receipts.

See Instructions to forms for other acceptable documents.

Questions?

