



# Loan Forgiveness Application Walk-through & Next Steps

*Speaker*



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Manager

# Details of the SBA Loan Forgiveness Application (Form 3508)

# SBA Loan Forgiveness Application

## (Form 3508)



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: \_\_\_\_\_ 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 \_\_\_\_\_

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:

# SBA Loan Forgiveness Application

(Form 3508)

## 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 60% Requirement (divide line 1 by 0.60):

### Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):

# PPP Schedule A



## 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: \_\_\_\_\_

# PPP Schedule A Worksheet

## 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>

**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>

Attach additional tables if additional rows are needed.

# Details of the SBA Loan Forgiveness Application (Form 3508EZ)

# SBA Loan Forgiveness Application

## (Form 3508EZ)

### Checklist for Using SBA Form 3508EZ

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

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

- The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period. (Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee’s hours that the Borrower offered to restore and the employee refused. See [85 FR 33004](#), 33007 (June 1, 2020) for more details.

- The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.



# SBA Loan Forgiveness Application

(Form 3508EZ)

## Forgiveness Amount Calculation:

### Payroll and Nonpayroll Costs

Line 1. Payroll Costs:

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

### Potential Forgiveness Amounts

Line 5. Add the amounts on lines 1, 2, 3, and 4:

Line 6. PPP Loan Amount:

Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60):

### Forgiveness Amount

Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7):

# Payroll Costs including Loan Reduction Exceptions and Safe Harbors

# PPP Schedule A Worksheet

## Table 1 - Under \$100k Employees

- Table 1 Requirements
  - 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\***.
- Cash Compensation – Box 1
- FTE Average – Box 2
- Salary & Wage Reduction – Box 3

**\*New employees in 2020 should be included in Table 1 regardless of their annualized salary**

# PPP Schedule A Worksheet

## Table 2 - Over \$100k Employees

- Table 2 Requirements
  - 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.
- Cash Compensation – Box 4
- FTE Average – Box 5
- Salary & Wage Reduction – **DOES NOT APPLY**

# PPP Schedule A Worksheet

## Cash Compensation

- Cash Compensation – Box 1 & Box 4
  - Gross salary, wage, commission, or similar compensation;
  - Payment of cash tip or equivalent;
  - Payment for vacation, parental, family, medical, or sick leave; or
  - Allowance for dismissal or separation.
- Compensation does not include:
  - The compensation of an individual employee in excess of an annual salary of \$100,000, prorated over the covered period.
    - maximum of \$15,385 ( $\sim \$100,000/52*8$ ) for 8-week covered period per employee for Table 1 or Table 2
    - maximum of \$46,154 ( $\sim \$100,000/52*24$ ) for 24-week covered period per employee for Table 1 or Table 2.
  - Any compensation of an employee whose principal place of residence is outside of the United States; or
  - Qualified sick leave wages for which a credit is allowed under section 7001 or 7003 of the Families First Coronavirus Response Act (Public Law 116–127)

# PPP Schedule A Worksheet

## FTE Average

- FTE Average – Box 2 & Box 5
  - This calculates the average full-time equivalency (FTE) per employee during the Covered Period or the Alternative Payroll Covered Period.
  - For each employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth.
  - The maximum for each employee is capped at 1.0.
- Simplified Method – FTE Average:
  - Assigns a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours may be used at the election of the Borrower.

*NOTE: FTE Average concept also applies to the FTE Reduction. FTE Reduction Exception and Safe Harbor to be discussed in later slide.*

# PPP Schedule A Worksheet

## Salary/Hourly Wage Reduction

- Salary/ Hourly Wage Reduction – Box 3
  - This calculation is used to determine whether the Borrower’s loan forgiveness amount must be reduced concerning reductions in employee salary and wages.
  - Reduction applies if the salary or hourly wages of employees listed in Table 1 were reduced by more than 25% as compared to the period of January 1, 2020 through March 31, 2020.

*NOTE: Salary/Hourly Wage Reduction is waived if borrower restores salary/hourly wage levels. Salary/Hourly Wage Reduction Safe Harbor to be discussed in later slide.*

# Loan Reduction Exceptions and Safe Harbors



# Salary/Hourly Wage Reduction Safe Harbor

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Salary/Hourly Wage Reduction Safe Harbor applies if both:

- The average annual pay between February 15, 2020 and April 26, 2020 is greater than the average annual pay as of February 15, 2020, and
- The average annual pay as of the earlier of December 31, 2020 and the date the application is submitted is greater than the average annual pay as of February 15, 2020.

# FTE Reduction Exceptions

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An FTE Reduction Exception applies if the borrower:

1. 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. Made a good-faith, written offer to rehire an employee during the Covered Period or the Alternative Payroll Covered Period which was rejected by the employee; 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.

# FTE Reduction Safe Harbor 1

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- The FTE Reduction Safe Harbor 1 applies if the following condition is met:
  - 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 COVID-19

# FTE Reduction Safe Harbor 2

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The FTE Reduction Safe Harbor 2 applies if both of the following conditions are met:

1. the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and
2. the Borrower then restored its FTE employee levels by not later than the earlier of December 31, 2020 and the date the application is submitted to its FTE employee levels in the Borrower's pay period that included February 15, 2020.

# Non-Cash Compensation

# PPP Schedule A Line 6 Non-Cash Compensation

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- **Line 6: Health Care Expenses**
  - Employer contributions for employee health insurance,
  - Employer contributions to self-insured health plan,
  - Employer-sponsored group health plan,
  - **Excluding any pre-tax or after-tax contributions by employees.**

***NOTE: DO NOT INCLUDE employer health insurance contributions made on behalf of a self-employed individual, general partners, or owner-employees of an S-corporation***

# PPP Schedule A Lines 7 and 8 Non-Cash Compensation

- **Line 7: Retirement Contributions**

- Employer contributions to employee retirement plans,
- **Excluding any pre-tax or after-tax contributions by employees.**

***NOTE: DO NOT INCLUDE employer health insurance contributions made on behalf of a self-employed individual or general partners and contributions on behalf of owner-employees are capped at 8 weeks or 2.5 months' worth of the 2019 contribution amount***

- **Line 8: State Unemployment Taxes and Other State Employer Payroll Taxes**

- For employer state and local taxes assessed on employee compensation (e.g., state unemployment insurance tax);
- **Excluding any taxes withheld from employee earnings.**

# Compensation to Owners



# PPP Schedule A Line 9 Compensation to Owners

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## Line 9: Compensation to Owners

- Cash compensation paid to owners (owner-employees, a self-employed individual, or general partners).
- Owner-employees are limited to \$15,385 for the 8-week period or \$20,833 for the 24-week period subject to the lesser of 2019 compensation calculations.
- The cap for owner-employees of C and S Corporations and self-employed individuals includes cash compensation, health insurance and retirement contributions.

***NOTE: Amount reported on Line 9 should not be included in PPP Schedule A Worksheet, Table 1 or 2.***

# Non-Payroll Costs

# Loan Forgiveness Application

## Non-Payroll Costs

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- **Line 2: Mortgage Interest Payments**
  - Business mortgage interest payments during the Covered Period for any business mortgage obligation on real or personal property incurred before February 15, 2020. **Do not include prepayments.**
- **Line 3: Rent Payments**
  - Business rent or lease payments for real or personal property during the Covered Period, pursuant to lease agreements in force before February 15, 2020.
- **Line 4: Utility Payments**
  - Business utility payments during the Covered Period, for business utilities for which service began before February 15, 2020.
  - Includes electricity, gas, water, transportation, telephone, or internet access
- **NOTE: An eligible non-payroll cost must be:**
  - paid during the Covered Period or,
  - incurred during the Covered Period and paid on or before the next regular billing date.

# Required Documentation

# Required Payroll Documentation

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**Payroll documentation** verifying both the cash and non- cash compensation payments for the Covered Period (or Alternative Payroll Covered Period) consists of the following:

- Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- Tax forms (or equivalent third-party payroll service provider reports)
- Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941)
- State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
- 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.
- Third party payroll provider reports.

# Required FTE Documentation

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**FTE documentation** showing the following information:

- The average number of FTE employees on payroll per month employed by the borrower between February 15, 2019 and June 30, 2019
- The average number of FTE employees on payroll per month employed by the borrower between January 1, 2020 and February 29, 2020; or
- 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.
- Third party payroll provider reports.

# Required Non-payroll Documentation

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**Non-payroll documentation** verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period through one month after the end of the Covered Period:

- Business mortgage interest payments: copy of lender amortization schedule and receipts or cancelled checks verifying eligible verifying interest amounts and eligible payments.
- Business rent or lease payments: copy of current lease agreement and receipts or cancelled checks verifying eligible payments.
- 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.

# Documentation to Maintain but not Required to be Submitted

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- Documentation supporting the listing of each individual employee and the salary/hourly wage reduction calculation, if necessary.
- Documentation supporting the listing of each individual employee that received during any single pay period in 2019 compensation at an annualized rate of more than \$100,000.
- Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule.
- If applicable, documentation supporting FTE Reduction Safe Harbor 1
  - This documentation must include copies of the applicable requirements for each borrower location and relevant borrower financial records.
- If applicable, documentation supporting FTE Reduction Safe Harbor 2



# The MBAF Loan Forgiveness Application Facilitator

# COVID-19 Resource Center

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<https://mbafcpa.com/covid-19-resource-center/>



## Stay a Step Ahead

*You don't have to be an expert – that's our job.*

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