
SBA

Applying for PPP Loan Forgiveness

As Of June 19, 2020

Based on Form 3508 (released 5/20/2020)

IFR 136/Borrower (5/22/2020; updated 6/17/2020)

HR7010 - 'Paycheck Protection Program Flexibility Act of 2020' (6/5/2020)

For The Next 45 Minutes or so…

This Presentation Will

- Summarize eligible costs for forgiveness
- Review required documents
- Summarize available guidance
- Review contents of
  - Schedule A & Worksheet
  - Application for Forgiveness

This Presentation Will Not

- Go over detailed calculations
- Review every line of every form, schedule and worksheet
- Give specific advice for your business

Please Note

- This Presentation is *only an introduction* to the PPP Forgiveness Application and process.
- It includes pertinent information from guidance documents.
- You should personally review the same documents yourself.

We Recommend

For Calculation Examples and more

- From the Texas Gulf Coast Small Business Development Center
  - PPP Loan Forgiveness Webinars
    - Eligibility Requirements
    - Required Paperwork
    - General Rules Around Loan Forgiveness
    - Tips for Spending PPP Loan and Maximizing Loan Forgiveness
  - Check calendar – they do at different times, most days of the week:
  - https://www.sbdc.uh.edu/sbdc/Calendar.asp

Resource Partners of the SBA

Texas Gulf Coast Small Business Development Center (SBDC)

713-752-8444

www.sbdc.uh.edu

WBEA Women's Business Center (WBC)

713-681-9232

www.wbea-texas.org/womens-business-center

Houston SCORE

713-487-6565

www.houston.score.org

SBA Resources & Links

For EIDL Loan Applicants

- 1-800-659-2955
- e-mail disastercustomerservice@sba.gov
- www.sba.gov/funding-programs/disaster-assistance

Houston District Office - SBA

- 713-773-6500
- Houston@sba.gov
- Twitter: @SBA_Houston
- www.sba.gov/tx/houston (look under 'Coronavirus')

Other SBA District Offices

www.sba.gov/about-sba/sba-locations

PPP Forgiveness Application

www.sba.gov/document/sba-form--paycheck-protection-program-loan-forgiveness-application

PPP Forgiveness Guidance

Most Recent: https://home.treasury.gov/system/files/136/PPP-IFR-Loan-Forgiveness.pdf

General: https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program

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)
   - Borrowers who received a PPP loan before June 5, 2020 **retain the option** to use an eight-week covered period.

2. Lowers the requirement that 75 percent of a borrower's loan proceeds must be used/spent for payroll costs during the loan forgiveness covered period to 60 percent.

3. Provides a safe harbor from **reductions in forgiveness**, based on reductions in full-time equivalent employees, for borrowers that are unable to return to the same level of business activity prior to February 15, 2020, due to compliance with requirements/guidance between March 1, 2020 and December 31, 2020 by the:
   - Secretary of Health and Human Services
   - Director of the Centers for Disease Control and Prevention
   - Occupational Safety and Health Administration, related to worker or customer safety requirements related to COVID–19.

Seven Key Changes
(Changes 4-7)

4. Provides a safe harbor from **reductions in loan forgiveness** based on reductions in full-time equivalent employees…:
   - If unable to rehire individuals who were employees of the borrower on February 15, 2020
   - If unable to hire similarly qualified employees for unfilled positions by December 31, 2020.

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; 10 months after the end of the borrower's loan forgiveness covered 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.

PPP Forgiveness Overview

Applying for PPP Loan Forgiveness

- *Revised* Loan Forgiveness Application Forms – (5) pages
- Separated into 5 sections: pages 1 - 3 must be submitted to Lender:
  1. PPP Forgiveness Application Calculation and Attestation (*pp 1 & 2)*
  2. Schedule A (*p 3)*
  3. Schedule A worksheet (*p 4)*
  4. Borrower Demographics *(p 5)*

The Application Forms and Detailed Instructions forms are located on the SBA's website at:

www.sba.gov under Coronavirus Funding Options.

3508EZ Forgiveness Form

- *New* Loan Forgiveness Application 3508EZ Forms – (3) pages
- Separates into 3 sections: pages 1 and 2 must be submitted to the lender:
  1. PPP Forgiveness Application and Attestation *(pp 1 & 2)*
  2. Borrower Demographics *(p 3)*

This application is only for the following Borrowers:

- Self employed and have no employees
- Did not reduce the salaries or wages of their employees by 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%

The Application and Detailed Instructions forms are located on the SBA's website at: www.sba.gov under Coronavirus Funding Options.

When Completing You Will Need

- PPP Forgiveness Application packages:
  - www.sba.gov/ppp under ‘Loan Details and Forgiveness
- Calendar
- Calculator
- Loan documents
- Business records for use when applying
- Patience and…

Covered 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.

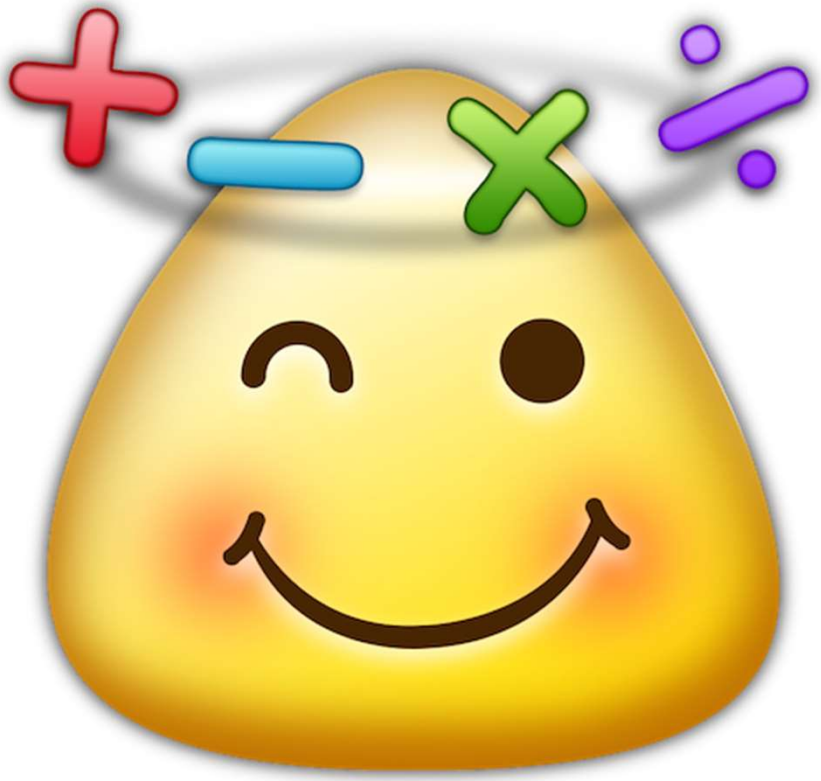
Required FTE Calculation

The actual loan forgiveness amount that the Borrower will receive may be less, depending on whether the Borrower'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, for the appropriate period (Covered or Alternate Covered)

1. Take 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.
2. 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

Smile!



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;

- and 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 eight-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 the Borrower 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

Documents Required

Documents to Submit for Payroll

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)).

Documents to Submit for Payroll - 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.

Document to Submit for FTE

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 to Submit for Non Payroll

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.

Required to Keep (6 Years); Not 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, 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

Schedule A Worksheet

Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

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

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
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

Schedule A Worksheet

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
Totals:		**Box 4**	**Box 5**

Attach additional tables if additional rows are needed.

Schedule A Worksheet

FTE Reduction Safe Harbor 2:

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, FTE Reduction Safe Harbor 2 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 the earlier of December 31, 2020, and the date this application is submitted:_____.

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 2 has been satisfied. Otherwise, FTE Reduction Safe Harbor 2 does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

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FTE Reduction Safe Harbor

Borrower is exempt from the reduction in loan forgiveness based on FTE employees described above 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 December 31, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020

FTE Reduction Exception

Indicate the FTE of:

1. any positions for which the Borrower made a good-faith, written offer to rehire an employee during the … Covered Period which was rejected by the employee; and
2. any employees who during the … Covered Period
    1. were fired for cause
    2. voluntarily resigned, or
    3. voluntarily requested and received a reduction of their hours.
    4. (or) if unable to rehire individuals who were employees of the borrower on February 15, 2020
    5. (or) if unable to hire similarly qualified employees for unfilled positions by December 31, 2020.
3. In all of these cases, include these FTEs **only if the position was not filled** by a new employee.
4. Any FTE reductions in these cases do not reduce the Borrower's loan forgiveness

PPP Forgiveness Application Schedule A

Schedule A

Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

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: _____

Schedule A

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid or incurred by Borrower for employer contributions for employee health insurance: _____

Line 7. Total amount paid or incurred by Borrower for employer contributions to employee retirement plans: _____

Line 8. Total amount paid or incurred 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): _____

Schedule A

Full-Time Equivalency (FTE) Reduction Calculation

If you satisfy **any** of the following three criteria, check the appropriate box, skip lines 11 and 12, and enter **1.0** on line 13; otherwise, complete lines 11, 12, and 13:

No reduction in employees or average paid hours: 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 ☐.

FTE Reduction Safe Harbor 1: If you were 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, check here ☐.

FTE Reduction Safe Harbor 2: If you satisfy FTE Reduction Safe Harbor 2 (see PPP Schedule A Worksheet), check here ☐.

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 any of the above criteria are met: _____

PPP Forgiveness Application Calculation

Forgiveness Application Calculation

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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: ☐

Forgiveness Application Calculation

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): _____

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Certification

Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

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;
- includes payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $20,833 per individual; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 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 U.S.C. 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to $250,000; under 15 U.S.C. 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 U.S.C. 1014 by imprisonment of not more than thirty years and/or a fine of not more than $1,000,000.

Certification

_____ 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.

_____ If the Borrower has checked the box for FTE Reduction Safe Harbor 1 on PPP Schedule A, 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.

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

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PPP Forgiveness 3508 EZ Application

Forgiveness Application 3508EZ

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** _____

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: ☐

Forgiveness Application 3508EZ

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): _____

Form 3508 EZ Certification

Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ

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 payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $20,833 per individual; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 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 did not reduce salaries or hourly wages by more than 25 percent for any employee during the Covered Period or Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020. For purposes of this certification, the term "employee" includes 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.

_____ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.

Form 3508 EZ Certification

____	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.

Form 3508 EZ Certification

In addition, the Authorized Representative of the Borrower must certify by **initialing at least ONE** of the following two items:

_____ 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 (other than any 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, and reductions in an employee's hours that a borrower offered to restore and were refused).

_____ 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.

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.

_____ _____

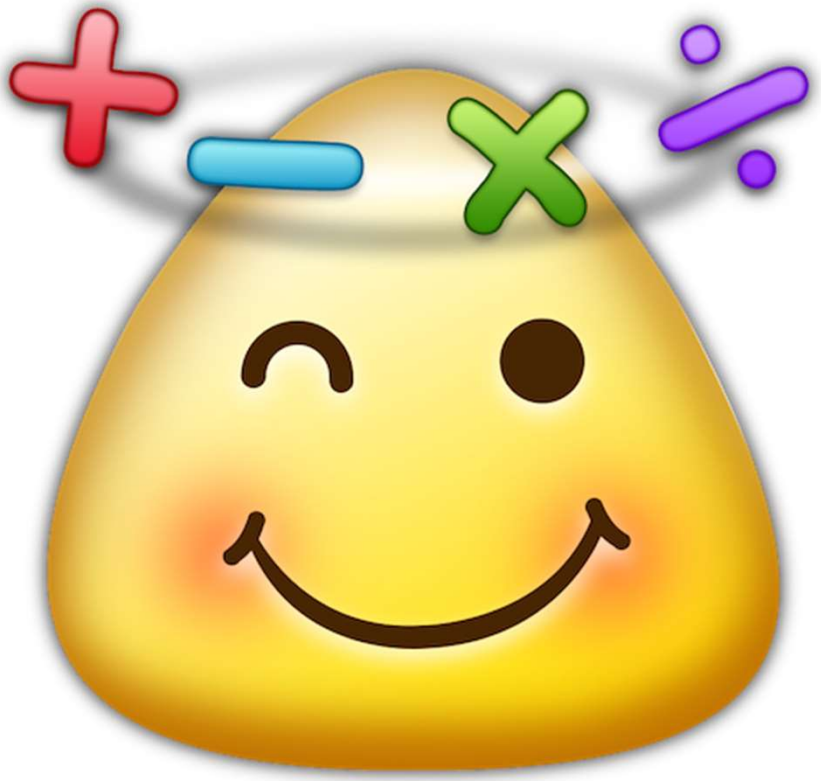
Signature of Authorized Representative of Borrower | Date

_____ _____

Print Name | Title

SBA Form 3508EZ (06/20)

Smile!



May 22 IFR 136 / Borrower

Pertinent Summary

See the IFR for all details

https://home.treasury.gov/system/files/136/PPP-IFR-SBA-Loan-Review-Procedures-and-Related-Borrower-and-Lender-Responsibilities.pdf

May 22 IFR 136 / Borrower

This is ONLY a Summary

You should review the information for yourself

IRF 136 - 2. Loan Forgiveness Process

- … complete and submit the Loan Forgiveness Application… 3508 or lender equivalent… to lender.
- … The lender has 60 days to … issue a decision to SBA.
- …SBA will deduct EIDL Advance Amounts from the forgiveness amount remitted to the Lender…
- If SBA determines … that the borrower was ineligible … the loan will not be eligible for loan forgiveness.
- 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 five-year maturity of the loan.

IRF 136 – 3. Payroll Costs Eligible for Loan Forgiveness

a. When must payroll costs be incurred and/or paid to be eligible for forgiveness?

Borrowers may seek forgiveness for payroll costs for 24 weeks (may not exceed December 31, 2020) or 8 weeks beginning on either:

i. the date of disbursement of the borrower's PPP loan proceeds from the Lender…
ii. Or the first day of the first payroll cycle in the covered period (the "alternative payroll covered period").

… Payroll costs incurred during the borrower's last pay 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 (or alternative payroll covered period) to be eligible for forgiveness.

… this … is limited to payroll cycles that are bi-weekly or more frequent

IRF 136 - 3a. Example (Alternative Covered Period)

- A borrower has a bi-weekly payroll schedule.
- … eight-week covered period begins on June 1 and ends on July 26.
- The first day of the borrower's first payroll cycle … is June 7.
- The borrower may elect an alternative payroll covered period … that starts on June 7 and ends … August 1.
- … payroll costs incurred during this … period are eligible for forgiveness as long as they are paid on or before the first regular payroll date occurring after August 1.
- Payroll costs that were both paid and incurred during the … period … may only be counted once.

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

IRF 136 - 3c. Are there caps on the amount of loan forgiveness available for owner-employees and self-employed individuals' own payroll compensation?

- Yes… lesser of 8/52 of 2019 compensation… or **$15,385** per individual in total across all businesses.
- In particular … capped by the amount of their 2019 employee cash compensation and employer retirement and health care contributions made on their behalf.
- Schedule C filers … by the amount of their owner compensation replacement, calculated based on 2019 net profit.
- General partners … by the amount of their 2019 net earnings from self-employment (reduced by claimed section 179 expense deduction, unreimbursed partnership expenses, and depletion from oil and gas properties) multiplied by 0.9235.
- No additional forgiveness is provided for retirement or health insurance contributions … as such expenses are paid out of their net self-employment income.

FAQ/Summary of IRF 136 (1 of 2)

5b. What effect does a reduction in a borrower's number of full-time equivalent (FTE) employees have on the loan forgiveness amount?

The borrower 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.

IRF 136 – 5e. What effect does a borrower's reduction in employees' salary or wages have on the loan forgiveness amount?

… in excess of 40 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 – 5e. Example

- A borrower reduced a full-time employee's weekly salary from $1,000 per week during the reference period to $700 per week during the covered period.
- The employee continued to work on a full-time basis during the covered period with an FTE of 1.0.
- In this case, the first $250 (25 percent of $1,000) is exempted from the reduction.
- Borrowers seeking forgiveness would list $400 as the … reduction for that employee (the extra $50 weekly reduction multiplied by eight weeks).

IRF 136 - 5f. How should borrowers 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.

Example:

- An hourly wage employee had been working 40 hours per week during the borrower selected reference period (FTE employee of 1.0)
- … the borrower reduced… hours to 20 hours per week during the covered period (FTE employee of 0.5).
- … no change to the employee's hourly wage during the covered period.
- Because the hourly wage did not change, the reduction in the employee's total wages is entirely attributable to the FTE employee reduction
- and the borrower is not required to conduct a salary/wage reduction calculation for that employee.

SBA Resources

Texas Gulf Coast Small Business Development Center (SBDC)

713-752-8444

www.sbdc.uh.edu

WBEA Women's Business Center (WBC)

713-681-9232

www.wbea-texas.org/womens-business-center

Houston SCORE

713-487-6565

www.houston.score.org

For EIDL Loan Applicants

- 1-800-659-2955
- (TTY: 1-800-877-8339)
- e-mail disastercustomerservice@sba.gov

Houston District Office - SBA

- 713-773-6500
- Houston@sba.gov
- Twitter: @SBA_Houston

Other SBA District Offices

www.sba.gov/about-sba/sba-locations