

**LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS**

[Green are comments. Yellow are highlights of instructions. No text of the forms or instructions has been modified. As a separate document a sample of what a lender may require of a borrower to submit for forgiveness is attached. Note that lenders may require additional documentation and substantiation beyond what these SBA documents require. Whether or not this is permissible may be academic. The sample attached will provide practitioners insight as to the records that should be maintained]

To apply for forgiveness of your Paycheck Protection Program (PPP) loan, you (the Borrower) must complete this application as directed in these instructions, and **submit it to your Lender** (or the Lender that is servicing your loan). Borrowers may also complete this application electronically through their Lender. **Comment**: There was some question as to whom borrowers would file for forgiveness, and the answer is the lender.

This application has the following components: (1) the PPP Loan Forgiveness Calculation Form; (2) PPP Schedule A; (3) the PPP Schedule A Worksheet; and (4) the (optional) PPP Borrower Demographic Information Form. All Borrowers must submit (1) and

1. to their Lender. **Comment**: Items 3 and 4 are thus presumably for the borrower’s records.

# Instructions for PPP Loan Forgiveness Calculation Form

**Business Legal Name (“Borrower”)/DBA or Tradename (if applicable)/Business TIN (EIN, SSN):** Enter the same information as on your Borrower Application Form.

**Business Address/Business Phone/Primary Contact/E-mail Address:** Enter the same information as on your Borrower Application Form, unless there has been a change in address or contact information.

**SBA PPP Loan Number:** Enter the loan number assigned by SBA at the time of loan approval. Request this number from the Lender if necessary.

**Lender PPP Loan Number:** Enter the loan number assigned to the PPP loan by the Lender.

**PPP Loan Amount:** Enter the disbursed principal amount of the PPP loan (the total loan amount you received from the Lender).

**Employees at Time of Loan Application:** Enter the total number of employees at the time of the Borrower’s PPP Loan Application.

**Employees at Time of Forgiveness Application:** Enter the total number of employees at the time the Borrower is applying for loan forgiveness.

**PPP Loan Disbursement Date:** Enter the date that you received the PPP loan proceeds from the Lender. If loan proceeds were received on more than one date, enter the first date on which you received PPP loan proceeds.

**EIDL Advance Amount:** If the Borrower received an Economic Injury Disaster Loan (EIDL) advance, enter the amount. **Comment**: For an EIDL advance of up to $10,000 the amount forgiven under the PPP loan forgiveness will be reduced.

**EIDL Application Number:** If the Borrower applied for an EIDL, enter the Borrower’s EIDL Application Number.

**Payroll Schedule:** Select the box that corresponds to your payroll schedule.

**Covered Period:** Enter the eight-week (56-day) Covered Period of your PPP loan. The first day of the Covered Period must be the same as the PPP Loan Disbursement Date. For example, if the Borrower 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, June 14. **Comment**: Practitioners should confirm the date the funds were credited to the borrower’s account which may differ from the dates contained in various loan documents. For example, the loan documents the lender requires be signed may include an estimated date with language such as “on or about April x, 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 eight-week (56-day) period that begins on the first day of their first pay period following their PPP Loan Disbursement Date (the “Alternative Payroll Covered Period”). For example, if the Borrower 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, June 20. Borrowers who 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. **Comment**: FAQ 21 provided: “The eight-week period begins on the date the lender makes the first disbursement of the PPP loan to the borrower...” If the loan proceeds were received on April 20 and payroll is paid bi-monthly and the borrower paid the first payroll on April 30 that included the bi-monthly period from April 15 to April 30 do not appear covered by the alternative payroll covered period since it is not biweekly or more frequent. But if payroll is stable during the entire Covered Period, does it matter economically? It wouldn’t. But the Covered Period may suggest that payroll for the stub period of April 15 to April 20 since it preceded the Loan Disbursement Date may not be a qualified cost.

**If Borrower Received PPP Loans in Excess of $2 Million:** Check the box if the Borrower, together with its affiliates (to the extent required under SBA’s interim final rule on affiliates ([85 FR 20817](https://www.govinfo.gov/content/pkg/FR-2020-04-15/pdf/2020-07673.pdf) (April 15, 2020)) and not waived under 15 U.S.C.

636(a)(36)(D)(iv)), received PPP loans with an original principal amount in excess of $2 million. **Comment:** This box is clearly to identify those that will be subject to the 100% promised audit rate. Also, for those that check this box the certification. See FAQ 39. FAQ 41 provides: “PPP loans with an original principal amount of less than $2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith”

# Forgiveness Amount Calculation (see Summary of Costs Eligible for Forgiveness below):

**Line 1:** Enter total eligible payroll costs incurred or paid during the Covered Period or the Alternative Payroll Covered Period.

**Comment**: This might require allocating payroll costs for the initial stub period and a final stub period of the payroll. FAQ 1 indicated: “…calculations based on a payroll report by a recognized third-party payroll processor would be reasonable. In addition, as the PPP Interim Final Rule indicates, lenders may rely on borrower representations, including with respect to amounts required to be excluded from payroll costs.” Why would the SBA not be satisfied with third party payroll records to demonstrate payroll? Payroll costs include Salary, wages, commissions, tips, paid leave. Payroll costs also include healthcare payments and retirement benefit payments but these are not subject to the prorated $100,000 cap.

To calculate these costs, complete PPP Schedule A. Enter the amount from PPP Schedule A, line 10.

**Line 2:** Enter the amount of 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:** Enter the amount of business rent or lease payments for real or personal property during the Covered Period, pursuant to lease agreements in force before February 15, 2020. **Comment**: Lenders may require additional steps, such as providing a copy of the actual lease agreement.

**Line 4:** Enter the amount of business utility payments during the Covered Period, for business utilities for which service began before February 15, 2020. **Comment**: See guidance above on what constitutes “utilities.”

*NOTE: For lines 2-4, you are not required to report payments that you do not want to include in the forgiveness amount.*

**Line 5:** Enter the number from PPP Schedule A, line 3. This amount reflects the loan forgiveness reduction required for salary/hourly wage reductions in excess of 25% for certain employees as described in PPP Schedule A. **Comment**: See H. R. 748, the CARES ACT, SEC. 1106

**Line 6:** Add lines 1 through 4, subtract line 5, enter the total. If this amount is less than zero, enter a zero.

**Line 7:** Enter the number from PPP Schedule A, line 13.

**Line 8:** Enter the amount on line 6 multiplied by the amount on line 7. This calculation incorporates the loan forgiveness reduction required for any full-time equivalency (FTE) employee reductions as described in PPP Schedule A. **Comment**: one of the reduction formulas is: 𝐹𝑜𝑟𝑔𝑖𝑣𝑒𝑛𝑒𝑠𝑠 𝑒𝑙𝑖𝑔𝑖𝑏𝑙𝑒 𝑐𝑜𝑠𝑡𝑠 × (𝐴𝑣𝑔. 𝐹𝑇𝐸 𝐸𝑚𝑝𝑙𝑜𝑦𝑒𝑒𝑠 𝑝𝑒𝑟 𝑀𝑜𝑛𝑡ℎ 𝐷𝑢𝑟𝑖𝑛𝑔 𝑡ℎ𝑒 𝐶𝑜𝑣𝑒𝑟𝑒𝑑 𝑃𝑒𝑟𝑖𝑜𝑑)**/**(𝐴𝑣𝑔. 𝐹𝑇𝐸 𝐸𝑚𝑝𝑙𝑜𝑦𝑒𝑒𝑠 𝑝𝑒𝑟 𝑀𝑜𝑛𝑡ℎ 𝐽𝑎𝑛. 1, 2020 −𝐹𝑒𝑏. 29, 2020 ) = Forgiveness. The other formula for reduction is 𝐹𝑜𝑟𝑔𝑖𝑣𝑒𝑛𝑒𝑠𝑠 𝑒𝑙𝑖𝑔𝑖𝑏𝑙𝑒 𝑐𝑜𝑠𝑡𝑠 × (𝐴𝑣𝑔. 𝐹𝑇𝐸 𝐸𝑚𝑝𝑙𝑜𝑦𝑒𝑒𝑠 𝑝𝑒𝑟 𝑀𝑜𝑛𝑡ℎ 𝐷𝑢𝑟𝑖𝑛𝑔 𝑡ℎ𝑒 𝐶𝑜𝑣𝑒𝑟𝑒𝑑 𝑃𝑒𝑟𝑖𝑜𝑑)/(𝐴𝑣𝑔. 𝐹𝑇𝐸 𝐸𝑚𝑝𝑙𝑜𝑦𝑒𝑒𝑠 𝑝𝑒𝑟 𝑀𝑜𝑛𝑡ℎ 𝐹𝑒𝑏. 15, 2019 −𝐽𝑢𝑛𝑒 30, 2019 ) = Forgiveness.

**Line 9:** Enter the PPP Loan Amount.

**Line 10:** Divide the amount on line 1 by 0.75, and enter the amount. This determines whether at least 75% of the potential forgiveness amount was used for payroll costs. For more information, see Interim Final Rule on Paycheck Protection Program posted on April 2, 2020 ([85 FR 20811](https://www.govinfo.gov/content/pkg/FR-2020-04-15/pdf/2020-07672.pdf)). **Comment**: There was some question as to whether the 75% of loan proceeds had to be used for payroll costs but it appears that remains the SBA position. What constitutes payroll? “What qualifies as “payroll costs?” 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.” Section III.2.f. of the 4/2/20 interim guidance.

**Line 11:** Enter the smallest of lines 8, 9, or 10. Note: If applicable, SBA will deduct EIDL Advance Amounts from the forgiveness amount remitted to the Lender. **Comment**: “Payroll Protection” loan forgiveness is to be reduced by the EIDL advance.

# Summary of Costs Eligible for Forgiveness:

Borrowers are eligible for loan forgiveness for the following costs:

* 1. **Eligible payroll costs.** Borrowers are generally eligible for forgiveness for the payroll costs paid and payroll costs incurred during the eight-week (56-day) Covered Period (or Alternative Payroll Covered Period) (“payroll costs”). 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 (or Alternative Payroll Covered Period) are eligible for forgiveness if paid on or before the next regular payroll date. **Comment**: Then why not use the same simplifying approaches suggested in the application (e.g. use 2019 payroll to simplify pro-rating months). This seems to require that the first payroll that can qualify will have to be allocated for the period after the Covered Period. So if the loan was received on April 20 and payroll is bi-monthly the first payroll would be paid on April 30 but only 10/15 of that payroll about would be incurred during the pay period. Yet the above instruction permits the final payroll to be paid after the Covered Period but that too would have to be prorated. It would be much easier for all to provide another alternative to permit payroll during the period to merely be counted if employee and compensation did not change during the period. Otherwise, payroll costs must be paid during the Covered Period (or Alternative Payroll 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. **Comment**: This prevents paying a large amount to a high income key employee or owner to reach the 75% requirement as the cap of $100,000 must be prorated. Note that this cap does not apply to large dollar pension plans. Count payroll costs that were both paid and incurred only once. For information on what qualifies as payroll costs, see Interim Final Rule on Paycheck Protection Program posted on April 2, 2020 ([85 FR 20811](https://www.govinfo.gov/content/pkg/FR-2020-04-15/pdf/2020-07672.pdf)).
	2. **Eligible nonpayroll costs.** Nonpayroll costs eligible for forgiveness consist of:
		1. 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 (“business mortgage interest payments”);
		2. covered rent obligations: business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020 (“business rent or lease payments”); **Comment**: Note that lenders may require a copy of the lease agreement. Regardless, practitioners might recommend that borrowers maintain a copy of all lease agreements to prove that they existed on February 14, 2020 in their PPP loan back up files. and
		3. 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 (“business utility payments”). **Comment**: This is the first guidance on what “utilities” includes and it does include internet which may not have been certain previously. It is not clear what “transportation” applies to. Also, note that the February 15 date might preclude including internet access the business began paying for at employees’ homes because of remote work, even though that might be essential for continued business operations. This would seem so even if the costs of such internet were paid and incurred during the Covered Period.

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 25% of the total forgiveness amount. Count nonpayroll costs that were both paid and incurred only once.

The amount of loan forgiveness the Borrower applies for may be subject to reductions as explained in PPP Schedule A.

**Comment**: This may occur due to reductions in full time equivalent employees (“FTE”) during the optional measuring periods.

# 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:**  **Comment**: Be cautious not to count independent contractors.

**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:** ☐

**Comment**: If you check this box assume you will be audited as a promised 100% audit rate has been stated. Prepare now for the inevitable audit by guiding clients/borrowers on what documentation to retain and organize it in preparation.

**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 75% Requirement (divide line 1 by 0.75):

Forgiveness Amount

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

**Comment**: There is no line item to reflect funds repaid (See FAQ 31) so this may have to be manually entered. It would seem that the SBA would want borrowers who repaid to file the form reporting and disclosing the required information and reporting a partial or full repayment of PPP funds. Perhaps a future revision of the forms will include lines for such disclosures.

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;
	+ does not include nonpayroll costs in excess of 25% of the amount requested; and
	+ does not exceed eight weeks’ worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $15,385 per individual. **Comment**: This is $100,000 annualized.

 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. **Comment**: Some may have misunderstood the leniency of FAQ 46 to imply that harsh penalties would no longer apply. They can. The leniency of FAQ 46 is limited only to the “necessary” certification so many found unclear and only for borrowers of less than $2 million. This certification makes it clear that lying or misusing PPP funds can still result in substantial penalties.

 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. **Comment**: Is this the documentation the SBA requires or that the lender requires or both?

 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. **Comment**: All borrowers should anticipate that the IRS and SBA forms and reporting will be matched and discrepancies audited.

 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.

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. **Comment**: Is the highlighted language consistent with the concept in FAQ 17 that the guidance as of the date of the application so later guidance should not govern.

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Signature of Authorized Representative of Borrower Date

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Print Name Title

# Instructions for PPP Schedule A

**Lines 1 through 5:** Enter the amounts from PPP Schedule A Worksheet Tables as directed.

Enter the amount from line 3 of PPP Schedule A on line 5 of the Loan Forgiveness Application Form.

**For lines 6 through 9,** during the Covered Period or the Alternative Payroll Covered Period:

**Line 6:** Enter the total amount paid by the Borrower for employer contributions for employee health insurance, including employer contributions to a self-insured, employer-sponsored group health plan, but excluding any pre-tax or after tax contributions by employees.

**Line 7:** Enter the total amount paid by the Borrower for employer contributions to employee retirement plans, excluding any pre-tax or after-tax contributions by employees.

**Line 8:** Enter the total amount paid by the Borrower for employer state and local taxes assessed on employee compensation (e.g., state unemployment insurance tax); do not list any taxes withheld from employee earnings. **Comment**: There was uncertainty that this would be included.

**Line 9:** Enter any amounts paid to owners (owner-employees, a self-employed individual, or general partners). This amount is capped at $15,385 (the eight-week equivalent of $100,000 per year) for each individual or the eight-week equivalent of their applicable compensation in 2019, whichever is lower. See Interim Final Rule on Additional Eligibility Criteria and Requirements for Certain Pledges of Loans posted on April 14, 2020 for more information ([85 FR 21747,](https://www.govinfo.gov/content/pkg/FR-2020-04-20/pdf/2020-08257.pdf) 21749).

**Line 10:** Add lines 1, 4, 6, 7, 8, and 9. Enter this amount on line 1 on the PPP Loan Forgiveness Calculation Form.

**Line 11:** Enter the Borrower’s total average weekly full-time equivalency (FTE) during the chosen reference period. For purposes of this calculation, the reference period is, at the Borrower’s election, either (i) February 15, 2019 to June 30, 2019; (ii) January 1, 2020 to February 29, 2020; or (iii) in the case of seasonal employers, either of the preceding periods or a consecutive twelve-week period between May 1, 2019 and September 15, 2019. For each employee, follow the same method that was used to calculate Average FTE on the PPP Schedule A Worksheet. Sum across all employees during the reference period and enter that total on this line. Comment: This is a very important choice and should be tested both ways

The calculations on lines 11, 12, and 13 will be used to determine whether the Borrower’s loan forgiveness amount must be reduced based on reductions in full-time equivalent employees, as required by the statute. Specifically, the actual loan forgiveness amount that the Borrower will receive may be reduced if the Borrower’s average weekly FTE employees during the Covered Period (or the Alternative Payroll Covered Period) was less than during the Borrower’s chosen reference period. The Borrower is exempt from such a reduction if the FTE Reduction Safe Harbor applies. *See* PPP Schedule A Worksheet—FTE Reduction Safe Harbor. Comment Both tests can be cured by rehiring and by restoring salaries and wages.

**Line 12:** Add lines 2 and 5.

**Line 13:** Divide line 12 by line 11 (or enter 1.0 if the FTE Reduction Safe Harbor has been met, according to PPP Schedule A Worksheet—FTE Reduction Safe Harbor). If more than 1.0, enter 1.0. Enter this amount on line 7 of the Loan Forgiveness Calculation Form.

# 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:

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

|  |  |  |
| --- | --- | --- |
| Line 6. | Total amount paid by Borrower for employer contributions for employee health insurance: \* |   |
| Line 7. | Total amount paid by Borrower for employer contributions to employee retirement plans: \* |   |
| Line 8. | Total amount paid by Borrower for employer state and local taxes assessed on employee compensation: |  |

\* **Comment**: These amounts were not subject to the $100,000 cap. Thus, it would appear that a highly compensated executive could have salary capped at $100,000 but have dramatically higher pension payments that would be permitted. While it does not appear that there is any direct requirement to pro-rate retirement plan contributions or health insurance it would seem from the examples in these instructions that govern the prorating of the $100,000 cap on salary that a similar prorating of annual health insurance costs and retirement plan payments. But that does not appear to be an express requirement.

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. **Comment**: This would apply to gig workers and sole proprietors that qualify for the PPP program.

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):

Full-Time Equivalency (FTE) Reduction Calculation

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 ☐, skip lines 11 and 12 and enter **1.0** on line 13.

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 FTE Safe Harbor is met:

# Instructions for PPP Schedule A Worksheet

Complete the PPP Schedule A Worksheet or obtain an equivalent report from the Borrower’s payroll system or payroll processor.

# Table Instructions

**Employee’s Name:** Separately list each employee. Do not include any independent contractors, owner-employees, self-employed individuals, or partners.

**Employee Identifier:** Enter the last four digits of each employee’s Social Security Number.

**Cash Compensation:** Enter the sum of gross salary, gross wages, gross tips, gross commissions, paid leave (vacation, family, medical or sick leave, not including leave covered by the Families First Coronavirus Response Act), and allowances for dismissal or separation paid or incurred during the Covered Period or the Alternative Payroll 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; therefore, do not enter more than $15,385 in Table 1 or Table 2 for any individual employee.

**Average FTE:** This calculates the average full-time equivalency (FTE) 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. A simplified method that 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.

This calculation will be used to determine whether the Borrower’s loan forgiveness amount must be reduced due to a statutory requirement concerning reductions in full-time equivalent employees. Borrowers are eligible for loan forgiveness for certain expenditures during the Covered Period or the Alternative Payroll Covered Period. However, 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 (*see* Instructions to PPP Schedule A, Line 11). The Borrower is exempt from such a reduction if the FTE Reduction Safe Harbor applies. See the FTE Reduction Safe Harbor instructions below.

**Salary/Hourly Wage Reduction:** This calculation will be used to determine whether the Borrower’s loan forgiveness amount must be reduced due to a statutory requirement concerning reductions in employee salary and wages. Borrowers are eligible for loan forgiveness for certain expenditures during the Covered Period or the Alternative Payroll Covered Period. However, the actual amount of loan forgiveness the Borrower will receive may be less, depending on whether the salary or hourly wages of certain employees during the Covered Period or the Alternative Payroll Covered Period was less than during the period from January 1, 2020 to March 31, 2020. If the Borrower restored salary/hourly wage levels, the Borrower may be eligible for elimination of the Salary/Hourly Wage Reduction amount. Borrowers must complete this worksheet to determine whether to reduce the amount of loan forgiveness for which they are eligible. Complete the Salary/Hour Wage Reduction column only for employees whose salaries or hourly wages were reduced by more than 25% during the Covered Period or the Alternative Payroll Covered Period as compared to the period of January 1, 2020 through March 31, 2020. For each employee listed in Table 1, complete the following (using salary for salaried employees and hourly wage for hourly employees):

Step 1. Determine if pay was reduced more than 25%.

* + - 1. Enter average annual salary or hourly wage during Covered Period or Alternative Payroll Covered Period:

 .

* + - 1. Enter average annual salary or hourly wage between January 1, 2020 and March 31, 2020: .
			2. Divide the value entered in 1.a. by 1.b.: .

If 1.c. is 0.75 or more, enter zero in the column above box 3 for that employee; otherwise proceed to Step 2.

Step 2. Determine if the Salary/Hourly Wage Reduction Safe Harbor is met.

1. Enter the annual salary or hourly wage as of February 15, 2020: .
2. Enter the average annual salary or hourly wage between February 15, 2020 and April 26, 2020:

 .

If 2.b. is equal to or greater than 2.a., skip to Step 3. Otherwise, proceed to 2.c.

1. Enter the average annual salary or hourly wage as of June 30, 2020: .

If 2.c. is equal to or greater than 2.a., the Salary/Hourly Wage Reduction Safe Harbor has been met – enter zero in the column above box 3 for that employee. Otherwise proceed to Step 3.

Step 3. Determine the Salary/Hourly Wage Reduction.

1. Multiply the amount entered in 1.b. by 0.75: .
2. Subtract the amount entered in 1.a. from 3.a.: .

If the employee is an hourly worker, compute the total dollar amount of the reduction that exceeds 25% as follows:

1. Enter the average number of hours worked per week between January 1, 2020 and March 31, 2020:

 .

1. Multiply the amount entered in 3.b. by the amount entered in 3.c. . Multiply this amount by 8: . Enter this value in the column above box 3 for that employee.

If the employee is a salaried worker, compute the total dollar amount of the reduction that exceeds 25% as follows:

1. Multiply the amount entered in 3.b. by 8: . Divide this amount by 52: . Enter this value in the column above box 3 for that employee.

**FTE Reduction Exceptions:** 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 or the Alternative Payroll Covered Period which was rejected by the employee; and (2) 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. In all of these cases, include these FTEs on this line only if the position was not filled by a new employee. Any FTE reductions in these cases do not reduce the Borrower’s loan forgiveness.

**Boxes 1 through 5:** Enter the sums of the amounts in each of the columns.

# FTE Reduction Safe Harbor

A safe harbor under applicable law and regulation exempts certain borrowers from the loan forgiveness reduction based on FTE employee levels. Specifically, the 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 June 30, 2020 to its FTE employee levels in the Borrower’s pay period that included February 15, 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** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
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|  |  |  |  |  |
|  |  |  |  |  |
| **FTE Reduction Exceptions:** |  |  |  |  |
| **Totals:** |  | **Box 1** | **Box 2** | **Box 3** |

**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** |

**Comment**: The guidance issued before these forms did not appear to require separating and identifying employees who received compensation at an annualized rate of more than $100,000. Perhaps the SBA is endeavoring to highlight and identify what portion of the PPP funds go to highly compensated employees or owner/employees? Highly compensation employees are not subject to the 25% reduction test.

Attach additional tables if additional rows are needed.

# FTE Reduction Safe Harbor:

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, the FTE Reduction Safe Harbor 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 June 30, 2020: .

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

# Documents that Each Borrower Must Submit with its PPP Loan Forgiveness Application

**PPP Loan Forgiveness Calculation Form PPP Schedule A**

**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:

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) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
	1. Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
	2. State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
3. 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)). **Comment:** Practitioners might consider recommending to borrowers to include account statements indicating how much pension contributions were made to each employee to disclose how pension/retirement plan payments were handled. This might also corroborate that there was no bunching of retirement contributions from outside the Covered Period. If pension contributions substantially exceed the $100,000 cap and favor selected owners and highly compensated employees the borrower might choose not to provide this data as it is not required. However, future guidance might suggest otherwise. In these cases practitioners will have to consider whether extra disclosure is beneficial or damagingin.

**FTE:** Documentation showing (at the election of the Borrower):

1. the average number of FTE employees on payroll per month employed by the Borrower between February 15, 2019 and June 30, 2019;
2. the average number of FTE employees on payroll per month employed by the Borrower between January 1, 2020 and February 29, 2020; or
3. 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. **Comment**: It might suffice to attach a statement explaining what changes if any occurred during the measuring periods to FTEs.

**Nonpayroll:** Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period.

1. 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.
2. 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.
3. 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.

# Documents that Each Borrower Must Maintain but is Not Required to Submit

PPP Schedule A Worksheet or its equivalent and the following:

1. Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1, including the “Salary/Hourly Wage Reduction” calculation, if necessary.
2. 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.

1. Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule.
2. Documentation supporting the PPP Schedule A Worksheet “FTE Reduction Safe Harbor.”

All records relating to the Borrower’s PPP loan, including documentation submitted with its PPP loan application, documentation supporting the Borrower’s certifications as to the necessity of the loan request **Comment**: This requirement to maintain documentation supporting the “necessity” certification should have been made obsolete by FAQ 46 issued May 13, 2020 but it remains listed here. It would seem that this should only apply to those borrowing $2 million or more but the requirement is not so limited. Practitioners should consider guiding clients on collecting and maintaining corroboration of having met the necessity requirement to be safe. and its eligibility for a PPP loan, documentation necessary to support the Borrower’s loan forgiveness application, and documentation demonstrating the Borrower’s material compliance with PPP requirements. The Borrower must retain all such documentation in its files for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request. **Comment:** Be certain to retain files for the requisite period.

# PPP Borrower Demographic Information Form (Optional)

**Instructions**

* 1. **Purpose**. Veteran/gender/race/ethnicity data is collected for program reporting purposes only.
	2. **Description**. This form requests information about each of the Borrower’s Principals. Add additional sheets if necessary.
	3. **Definition of Principal**. The term “Principal” means:
		+ For a self-employed individual, independent contractor, or a sole proprietor, the self-employed individual, independent contractor, or sole proprietor.
		+ For a partnership, all general partners and all limited partners owning 20% or more of the equity of the Borrower, or any partner that is involved in the management of the Borrower’s business.
		+ For a corporation, all owners of 20% or more of the Borrower, and each officer and director.
		+ For a limited liability company, all members owning 20% or more of the Borrower, and each officer and director.
		+ Any individual hired by the Borrower to manage the day-to-day operations of the Borrower (“key employee”).
		+ Any trustor (if the Borrower is owned by a trust).
		+ For a nonprofit organization, the officers and directors of the Borrower.
	4. **Principal Name**. Insert the full name of the Principal.
	5. **Position**. Identify the Principal’s position; for example, self-employed individual; independent contractor; sole proprietor; general partner; owner; officer; director; member; or key employee.

|  |  |
| --- | --- |
| Principal Name | Position |
|  |  |
| Veteran | 1=Non-Veteran; 2=Veteran; 3=Service-Disabled Veteran; 4=Spouse of Veteran; X=Not Disclosed |  |
| Gender | M=Male; F=Female; X=Not Disclosed |  |
| Race (more than 1 may be selected) | 1=American Indian or Alaska Native; 2=Asian; 3=Black or African-American; 4=Native Hawaiian or Pacific Islander; 5=White; X=Not Disclosed |  |
| Ethnicity | H=Hispanic or Latino; N=Not Hispanic or Latino; X=Not Disclosed |  |

# Disclosure is voluntary and will have no bearing on the loan forgiveness decision

**Paperwork Reduction Act** – You are not required to respond to this collection of information unless it displays a currently valid OMB Control Number. The estimated time for completing this application, including gathering data needed, is 180 minutes. Comments about this time or the information requested should be sent to Small Business Administration, Director, Records Management Division, 409 3rd St., SW, Washington DC 20416, and/or SBA Desk Officer, Office of Management and Budget, New Executive Office Building, Washington DC 20503.