

Small Business Assistance

Paycheck Protection Program Forgiveness Documentation

Introduction

PPP Borrowers are responsible for understanding the Small Business Administration’s rules. We are providing this information based on current laws, regulations, and guidance from the SBA (and other regulatory authorities).

You will be required to submit documentation supporting your application for loan forgiveness, unless you qualify to use Form 3508S. The documents required may differ depending on whether you are using Form 3508EZ or Form 3508. For a complete list of documentation required, please see the Loan Forgiveness Application Instructions for Borrowers for Forms 3508EZ and 3508 (links to these instructions can be found [here](#) in this document).

Subject to additional SBA guidance, we anticipate that Borrowers will be expected to (1) complete the applicable PPP Loan Forgiveness Application (via your Bank of America online portal) and (2) submit the following documentation: [Payroll Documentation](#), [FTE Documentation](#) (as applicable), and [Non-Payroll Documentation](#).

Checklist for Submitting Documentation with Your Application

- ✓ Please make sure that all documentation uploaded to support your PPP loan forgiveness application:
 - o Includes your Business name/DBA or TIN / EIN / SSN /ITIN
 - **NOTE:** It is important that the documentation you submit be in the **same** Business name/DBA or Trade name (if applicable)/Business TIN (EIN, SSN, ITIN) as the Borrower name in the forgiveness application.
 - o Covers the [applicable period](#) as noted below
 - o Is the type of documentation permitted to support such claim as noted below
- ✓ Please make sure that all documentation needed to support the applicable claim is provided (e.g. some claims require at least two documents or may require multiple documents to cover the entire applicable period)
- ✓ It may be necessary to prorate certain payroll and/or non-payroll expenses

Payroll Documentation

Payroll documentation verifying the eligible employee cash compensation and non-cash benefit payments during the applicable [Covered Period](#), may include:

<p>Cash Compensation Paid to Employees:</p>	<ul style="list-style-type: none"> • Bank account statements or third-party payroll service provider reports, documenting the gross amount of all cash compensation paid to employees (including 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
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	<p>Response Act), and allowances for dismissal or separation paid or incurred during the Covered Period)</p>
<p>Compensation Paid to Owners (including owner-employees with an ownership stake of 5% or more)</p>	<ul style="list-style-type: none"> • Sole Proprietors, Independent Contractors: 2019 (or for second - draw PPP loan forgiveness, 2019 or 2020) IRS Form 1040 Schedule C • Self-Employed Farmers: 2019 (or for second - draw PPP loan forgiveness, 2019 or 2020) IRS Form 1040 Schedule F • Partnerships: 2019 (or for second draw PPP loan forgiveness, 2019 or 2020) Schedule K-1(s) (IRS Form 1065) and 2020/2021 bank account statements or 2020/2021 third-party payroll service provider reports to evidence disbursement to partners during the Covered Period • C or S Corporations: 2020/2021 third-party payroll service provider reports or bank statements identifying payroll payments paid to owner-employees during the Covered Period

<p>Employer Contributions for Health Insurance and Retirement Plans</p>	<ul style="list-style-type: none"> • Payment receipts, cancelled checks (front and back), or account statements from the Covered Period documenting the amount of any employer contributions to employee health insurance and retirement plans that the Borrower included in the forgiveness amount • Payment Evidence: <ul style="list-style-type: none"> ○ ACH transactions are acceptable as evidence of a payment if it contains the payment date, payee, payer and payment amount ○ Cash application receipts (e.g. Zelle®, Venmo, etc.) are acceptable as evidence of a payment receipt if the document contains the payment date, payee, payer and payment amount. If the documentation does not contain all the required information, a supporting Bank Statement containing the missing items (i.e. payment date, payee, payer and payment amount) can be used if the document reflects the appropriate debit amount and contains the information missing from the cash application receipt
<p>Employer Paid State and Local Taxes</p>	<ul style="list-style-type: none"> • State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state (or equivalent third-party payroll service provider reports) documenting the amount of employer state and local taxes assessed on employee compensation (e.g. state unemployment insurance tax) for the periods that overlap with the Covered Period
<p>Payroll Tax Documentation</p>	<ul style="list-style-type: none"> • Documentation for the periods that overlap with the Covered Period, including 2020 / 2021 Payroll tax filings reported, or that will be reported, to the IRS (typically, IRS Form 941), or equivalent third-party payroll service provider reports

Important Notes Related to Payroll Documentation:

- When are payroll costs “incurred” and “paid”:

- 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 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.
- It may be necessary to prorate payroll expenses if expenses were incurred during, but paid after, the Covered Period.

• **Maximum Payroll Amounts**

- **In general:** For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed a prorated annual salary of \$100,000 (i.e. \$46,154 for any individual employee for Borrowers using a 24-week Covered Period or \$15,385 for Borrowers using an 8-week Covered Period)
 - **U.S. Residents:** Include only payroll costs for employees whose principal place of residence is in the United States.
 - **Owner-employees and self-employed individuals:** The amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation is capped at, in total across all businesses, the lesser of (a) \$20,833 or (b) 2.5/12 of the individual's applicable compensation in the year that was used to calculate the loan amount (2019 or 2020).
 - For owner-employees, "compensation" includes both cash compensation and employer retirement and health care contributions made on their behalf, except as provided below.
 - **Schedule C or F Filers:** For self-employed individuals (including Schedule C or F filers), retirement and health, life, disability, vision or dental insurance contributions are included in their net self-employment income and therefore cannot be separately added to their payroll calculation.
 - **S-Corporation & C-Corporation Owner-Employees:** C-corporation owner-employees are capped by the prorated amount of their 2019 or 2020 employee cash compensation and employer retirement and health, life, disability, vision and dental insurance contributions made on their behalf. S-corporation owner-employees are capped by the prorated amount of their 2019 or 2020 employee cash compensation and employer retirement contributions made on their behalf. Additionally, for S-corporation owner-employees, employer health, life, disability, vision and dental insurance contributions made on their behalf should not be separately added, as those payments are already included in their employee cash compensation. Owner employees with less than a 5 percent ownership stake in a C- or S- Corporation are not subject to the owner-employee compensation limits set forth above.
 - **General Partners:** The amount of loan forgiveness requested for general partners cannot exceed the amount of their 2019 or 2020 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. Further, retirement and health, life, disability, vision or dental insurance contributions are included in their net self-employment income and therefore cannot be separately added to their payroll calculation.
 - If total compensation across businesses that receive a PPP loan exceeds the cap, owners can choose how to allocate the capped amount across different businesses.
- **Third-Party Payers:** If an eligible Borrower contracts with a third-party payer such as a payroll provider or a Professional Employer Organization ("PEO") to process payroll and report payroll taxes, and state registration laws require the Borrower to report wage and other data on the EIN of the PEO or other payroll provider, then:

- o Payroll documentation provided by the payroll provider that indicates the amount of wages and payroll taxes reported to the IRS by the payroll provider for the Borrower’s employees will be considered acceptable PPP loan payroll documentation.
- o Relevant information from a Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers, attached to the PEO’s or other payroll provider’s Form 941, Employers’ Quarterly Federal Tax Return, should be used if it is available; otherwise, the eligible borrower should obtain a statement from the payroll provider documenting the amount of wages and payroll taxes paid on behalf of the borrower. The documentation from the third-party payer should include the borrower’s name, DBA, EIN/TIN/ITIN, and the relevant payment amount.

- **1099 Contractors** are not an eligible for Cash Compensation Paid to Employees

FTE Documentation

FTE documentation showing the average number of full-time equivalent (“FTE”) employees on payroll employed by the Borrower, during one of the applicable periods below, may include:

Payroll Tax	<ul style="list-style-type: none"> • Filings reported, or that will be reported, to the IRS (typically IRS Form 941) (or equivalent third party payroll service provider reports)
State Tax	<ul style="list-style-type: none"> • State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state (or equivalent third-party payroll service provider reports)

- For Borrowers using the standard **PPP Loan Forgiveness Application (SBA Form 3508)**, the FTE documentation must show the average number of FTE employees on payroll per week employed by the Borrower during one of the periods below (as elected by the Borrower):
 - o February 15, 2019 through June 30, 2019;
 - o January 1, 2020 through February 29, 2020; or
 - o For seasonal employers: February 15, 2019 through June 30, 2019; January 1, 2020 through February 29, 2020; or any consecutive 12-week period between February 15, 2019 and February 2020; provided that a seasonal employer that elects to use a 12-week period between February 15, 2019 and February 2020 to calculate its maximum PPP loan amount must use the same 12-week period as the reference period for calculation of any reduction in the amount of loan forgiveness
- For Borrowers using the **EZ PPP Loan Forgiveness Application (SBA Form 3508EZ)**, and who checked **only** the second box on the checklist on page 1 of the instructions to the EZ PPP Loan Forgiveness Application, the FTE documentation must show the average number of FTE employees on payroll employed by the Borrower on January 1, 2020 **and** at the end of the Covered Period.

Non-Payroll Documentation

Non-payroll documentation verifying the existence of obligations/services before February 15, 2020 (if required) and eligible payments from the Covered Period may include:

<p>Business Mortgage Interest Payments <i>Payments of mortgage interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before February 15, 2020</i></p>	<p>Proof that business mortgage obligation was in existence before February 15, 2020 (which can include a lender amortization schedule showing the obligation prior to February 15, 2020 or a lender account statement from February 2020), and one of the following:</p> <ul style="list-style-type: none"> • Copy of lender amortization schedule (proof of obligation) and receipts or cancelled checks (front and back) verifying eligible payments from the Covered Period (proof of payment); 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 (proof of obligation and payment)
<p>Business Rent or Lease Payments <i>Business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020.</i></p>	<p>Proof that business rent or lease obligation was in existence before February 15, 2020 (which can include a copy of a current lease agreement showing the lease was in existence prior to February 15, 2020 or a lessor account statement from February 2020), and one of the following:</p> <ul style="list-style-type: none"> • Copy of current lease agreement (proof of obligation) and receipts or cancelled checks (front and back) verifying eligible payments from the Covered Period (proof of payment); 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 (proof of obligation and payment) <p>Lease agreements should contain the following information:</p> <ul style="list-style-type: none"> ○ Tenant Name ○ Landlord Name ○ Dwelling Address ○ Effective Start & End Date ○ Payment Amount ○ Payment Due Date ○ Signature of Both Parties <p>Rent or lease payments made to a related party cannot exceed the amount of the mortgage interest owed on the property during the Covered Period that is attributable to the space being rented. <i>Thus, if such</i></p>

	<p><u>payments are being claimed, Borrowers should also provide the related mortgage statement.</u></p>
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<p>Business Utility Payments <i>Business payments for a service for the distribution of electricity, gas, water, telephone, transportation, or internet access for which service began before February 15, 2020.</i></p>	<ul style="list-style-type: none"> • Copy of invoices from February 2020 and those paid during the Covered Period (proof of obligation); and receipts, cancelled checks (front and back) or account statements verifying those eligible payments (proof of payment); and • Proof that the business utility obligation/service was in existence before February 15, 2020 which can include invoices from February 2020 or account statements from February 2020
<p>Covered Operations Expenditures <i>Payments for any business software or cloud computing service that facilitates business operations, product or service delivery, the processing, payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting of tracking of supplies, inventory, records and expenses.</i></p>	<ul style="list-style-type: none"> • Copy of invoices, orders or purchase orders paid during the Covered Period; and • Receipts, cancelled checks, or account statements verifying those eligible payments

<p>Covered Property Damage Costs <i>Costs related to property damage and vandalism or looting due to public disturbances that occurred during 2020 that were not covered by insurance or other compensation.</i></p>	<ul style="list-style-type: none"> • Copy of invoices, orders or purchase orders paid during the Covered Period; <u>and</u> • Receipts, cancelled checks, or account statements verifying those eligible payments; <u>and</u> • Documentation that the costs were related to property damage and vandalism or looting due to public disturbances that occurred during 2020; <u>and</u> • Documentation that such costs were not covered by insurance or other compensation
<p>Covered Supplier Costs <i>Expenditures made to a supplier of goods for the supply of goods that are essential to the operations of the Borrower at the time at which the expenditure is made, and made pursuant to a contract, order, or purchase order in effect prior to the beginning of the Covered Period (for perishable goods, the contract, order, or purchase order may have been in effect before or at any time during the Covered Period)</i></p>	<ul style="list-style-type: none"> • Copy of contracts, orders, or purchase orders in effect at any time before the Covered Period (except for perishable goods), copy of invoices, orders, or purchase orders paid during the Covered Period; <u>and</u> • Receipts, cancelled checks, or account statements verifying those eligible payments
<p>Covered Worker Protection Expenditures <i>Operating or capital expenditures that facilitate the adaption of the business activities of an entity to comply with the requirements established or guidance issued by the Department of Health and Human Services, the Centers for Disease Control, or the Occupational Safety and Health Administration, or any equivalent requirements established or guidance issued by a State or local government, during the period starting March 1, 2020 and ending on the date on which the national emergency declared by the President with respect to the Coronavirus Disease 2019 (COVID-19) expires related to maintenance standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19, but does not include residential real property or intangible property.</i></p>	<ul style="list-style-type: none"> • Copy of invoices, orders, or purchase orders paid during the Covered Period; <u>and</u> • Receipts, cancelled checks, or account statements verifying those eligible payments, and documentation that the expenditures were used by the Borrower to comply with applicable COVID-19 guidance during the Covered Period

*** Important Notes related to Non-Payroll Documentation:**

- For business mortgage interest payments, business rent or lease payments, and business utility payments, the Borrower must provide documentation evidencing that:
 - o the applicable obligation / service existed prior to February 15, 2020 **and**
 - o documentation that evidences an obligation to the borrower **and**
 - o documentation that evidences proof of payment from the borrower
- Eligible non-payroll costs 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. Thus, it may be necessary to prorate amounts paid after the Covered Period but on or before the next regular billing date.
- Prepayments of mortgage interest and payments of principal are not eligible for forgiveness.
- Eligible non-payroll costs cannot exceed 40% of the total forgiveness amount.
- Count non-payroll costs that were both paid and incurred during the Covered Period only once.
- Payments of interest on business mortgages on real or personal property (such as an auto loan) are eligible for loan forgiveness. Interest on unsecured credit is not eligible for forgiveness because the loan is not secured by real or personal property.
- The SBA has stated in an Interim Final Rule (Docket Number SBA-2020-0020) that for individuals with self-employment income who file a Form 1040 Schedule C, eligible business mortgage interest, business rent or lease or business utility payments are forgivable **to the extent they are deductible on Form 1040 Schedule C.**
- Proof of Payment Evidence:
 - o ACH transactions are acceptable as evidence of a payment if it contains the payment date, payee, payer and payment amount
 - o Cash application receipts (e.g. Zelle, Venmo, etc.) are acceptable as evidence of a payment receipt if the document contains the payment date, payee, payer and payment amount. If the documentation does not contain all the required information, a supporting Bank Statement containing the missing items (i.e. payment date, payee, payer and payment amount) can be used if the document reflects the appropriate debit amount and contains the information missing from the cash application receipt.

Applicable Periods

The **Covered Period** begins on the date the loan was originally disbursed. It ends on a date selected by the Borrower that is at least 8 weeks following the date of loan disbursement and not more than 24 weeks after the date of loan disbursement. For example, if the Borrower received their PPP loan proceeds on Monday, April 20, 2020, the first day of the Covered Period is Monday, April 20, 2020 and the final day of the Covered Period is any date selected by the Borrower between Sunday, June 14, 2020 and Sunday, October 4, 2020.

The Paycheck Protection Program Forgiveness Applications (SBA Form 3508 or 3508EZ) cover many special circumstances, provide information on selection of the Covered Period for payroll, and address how to treat FTE Reduction. The SBA also continues to provide updates on forgiveness documentation requirements at SBA.gov

External Resources:

[SBA Form 3508](#)

[SBA Form 3508EZ](#)

[SBA Form 3508S](#)

[SBA's website](#)

[U.S. Treasury website](#)

[U.S. Treasury Forgiveness FAQs](#)

Important Note: *This document is for informational purposes only, and is based on the SBA guidance available at the time. The Small Business Administration and the Department of Treasury continue to provide additional guidance concerning the Paycheck Protection Program, including amending or rescinding prior guidance. Thus, Bank of America makes no representation that information contained herein is up-to-date or complete. Before submitting a request for loan forgiveness, Borrowers should visit the SBA, U.S. Treasury Assistance for Small Businesses, and U.S. Treasury FAQ websites for the latest information and guidance related to the Paycheck Protection Program.*

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