

PPP Loan Forgiveness Information

Please note: The Borrower should only include documentation to the extent the Borrower is including it in their forgiveness calculation. If they used 100% of their PPP Loan for Payroll only, then documentation expense for their mortgage or rent, utilities, etc. would not need to be included.

APPLICATION AND DOCUMENTATION REQUIREMENTS

Use SBA Form 3508EZ if you can check at least one of the three boxes below:

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

The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000); **AND** The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period. (Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee’s hours that the Borrower offered to restore and the employee refused. See 85 FR 33004, 33007 (June 1, 2020) for more details.

The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000); **AND** The Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

Documentation needed from Borrower if using Short Form 3508EZ:

Completed Application 3508EZ Application

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

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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.

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

Documentation needed from the Borrower if using the Long Form 3508:

Completed 3508 Application including Schedule A, the Schedule A Worksheet, or supplemental attachments to the Schedule A Worksheet

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)).

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

a. the average number of FTE employees on payroll per week employed by the Borrower between February 15, 2019 and June 30, 2019.

b. the average number of FTE employees on payroll per week 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 week employed by the Borrower between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or any consecutive 12-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

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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.

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.

Additional items to note:

- The Borrower will need the loan # assigned by SBA AND the Legence PPP Loan # for their application.
- Demographic info from Borrower is **optional**.
- Borrower must retain all verification documentation for 6 years after the loan is forgiven or paid in full.
- Please review pages 13 - 15 & 25 - 27 from the June 22nd IFR (**which is included as an attachment**).
- EIDL loans may impact the Forgiveness amount.
- Deadline for submitting Loan Forgiveness apps is 10 months after the end of the covered period. Otherwise, the Borrower will be required to make P & I payments.
- Any questions may be directed via email to the SBA: 7aQuestions@sba.gov

Helpful Hints:

Q: When can a Borrower submit for loan forgiveness?

- At any time on or before the maturity date of the loan (including prior to the end of the Covered period) if the loan proceeds have been fully spent. The covered period can be 8 weeks or 24 as allowed.

Q: How does one look at self-employed or owners' compensation?

- If an 8-week period is elected, the maximum attributable to the owner is 8/52 of 2019 payroll (approx. 15.38%) up to a maximum of 15,385 per owner (whichever is lower).
- If a 24-week period is elected, the maximum attributable to the owner is 2.5 mos. of 2019 payroll (approx. 20.83%) up to a maximum of 20,833 per owner (whichever is lower).

A few specific items of note for owners:

- If the business is a C-Corp, the formula includes cash compensation, employer retirement benefits, and health insurance contributions made by the company on behalf of the owner.

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- If the business is an S-Corp, the formula includes cash compensation and employer retirement benefits only made by the company on behalf of the owner.
- For a Schedule C or F owners' compensation is the net profit from the respective schedule.
- General Partners: the amount allowed is taken from the Net Earnings from Self Employment (reduced by claimed section 179 expense; unreimbursed partnership expenses; & depletion from oil & gas properties) multiplied by 0.9235.
- Schedule C, Schedule F, and General Partners do not get "credit" for retirement or health insurance contributions nor any deduction shown on Schedule A.