

Updated as of 09/25/20

# PPP Loan Forgiveness Form EZ

*This information is for illustrative purposes only and is not intended to provide specific planning, financial, legal, or other types of advice for you and should not be relied upon in that regard. GPEC does not accept any responsibility for accuracy of outcomes of loan forgiveness application. Please consult appropriate financial or legal professionals for further assistance.*



# PPP Loan Forgiveness Application Form 3508EZ

- There are **multiple** forgiveness applications. You need to submit only one **based on your criteria**.
- Complete the 3508EZ version if you meet at least ONE of the following criteria:
  - a) You are self-employed (includes independent contractor and sole proprietor) AND you have no employees at time of PPP loan application
  - b) You have employees and both
    - did not reduce salaries/wages by more than 25% during CP/APCP\* (vs. Jan 1 - Mar 31, 2020), and
    - did not reduce the number of employees or hours of employees
    - Exclude employees that fall under FTE Reduction Exceptions\*
  - c) You have employees and both
    - did not reduce salaries/wages by more than 25% during CP/APCP\* vs Jan 1 - Mar 31, 2020, and
    - experienced decreased business activity because of health directives related to COVID-19 (vs. before Feb 15, 2020)

\*see DEFINITIONS for clarity

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# Definitions

# PPP Loan Forgiveness Application

Terminology	Definition	Definition does NOT include	Notes
<b>PPP Loan Disbursement Date</b>	<ul style="list-style-type: none"> <li>Date you received PPP loan from your lender</li> </ul>		<ul style="list-style-type: none"> <li>If you received the loan on more than one date, enter the 1st date you received PPP loan money (this date may not be the same date on the acceptance letter so check your checking account statement)</li> </ul>
<b>Covered Period (CP)</b>	<ul style="list-style-type: none"> <li>If you received your PPP loan before June 5, 2020: you can choose to use an 8-week (56-day) period, with first date = PPP Loan Disbursement Date OR</li> <li>Regardless of when you received your PPP loan, CP is a 24-week (168-day) period, with the first date = PPP Loan Disbursement Date</li> <li>Under no circumstance can the last date of CP be after Dec 31, 2020</li> </ul>	<ul style="list-style-type: none"> <li>1st date is NOT when loan was approved (e.g., loan was approved on Apr 13, but 1st date would still be when money was deposited into your account on Apr 20)</li> </ul>	<ul style="list-style-type: none"> <li>Some parts of the Application give you the option to use CP or APCP; however, you must specifically use CP wherever Application specifically references "Covered Period"</li> </ul>
<b>Alternative Payroll Covered Period (APCP)</b>	<ul style="list-style-type: none"> <li>APCP exists so that you have the option to neatly align your "covered period" with the beginning of a pay period</li> <li>If you received your PPP loan before June 5, 2020: you can choose to use an 8-week (56-day) period, with the first date = <u>first pay period</u> after PPP Loan Disbursement Date OR</li> <li>Regardless of when you received your PPP loan, CP is a 24-week (168-day) period, with the first date = <u>first pay period</u> after PPP Loan Disbursement Date</li> <li>Under no circumstance can the last date of APCP be after Dec 31, 2020</li> <li>E.g., <ul style="list-style-type: none"> <li>PPP Loan Disbursement Date = Apr 20</li> <li>1st date of pay period = Apr 26</li> <li>1st date of APCP = Apr 26</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>Remember: applies to PAYROLL COSTS only</li> <li>Option to make things easier if your payroll frequency is biweekly or more frequent</li> <li>If you use this alternative time frame, you must consistently use it through the application EXCEPT where specifically noted to use "Covered Period"</li> </ul>
<b>Employee (EE)</b>	<ul style="list-style-type: none"> <li>Received a W-2 (salary or hourly, full-time or part-time with a consistent schedule) during CP or APCP</li> <li>Principal place of residence is in the U.S.</li> <li>Must have SSN</li> </ul>	<ul style="list-style-type: none"> <li>Self-employed (independent contractors, sole proprietors)***</li> <li>Owner-EEs who do not receive a W-2</li> <li>Partners</li> </ul>	<ul style="list-style-type: none"> <li>Anyone with a 1099 is considered its own business under PPP and can apply for its own PPP loan (the reason why PPP had even bothered to ask if you have any 1099-MISC forms was only to determine if your business even qualified to apply for the PPP loan)</li> </ul>

\*Indicates uncertain areas that remain to be clarified \*\*FFCRA: Families First Coronavirus Response Act, Section 7001 \*\*\*If you report business income on Schedule C of Form 1040, you can still qualify for forgiveness - please talk to your advisor

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# PPP Loan Forgiveness Application

Terminology	Definition	Definition does NOT include	Notes
Payroll Costs Eligible for Forgiveness	<p>Sum as paid to each EE by you:</p> <p><b>1. Cash Compensation:</b></p> <ul style="list-style-type: none"> <li>Gross salary, wage, commission, and similar compensation (including bonus as long as total salary does not exceed \$100,000 annualized)</li> <li>Payment of cash tip or equivalent</li> <li>Payment for paid leave (vacation PTO, parental, family, medical, or sick)</li> <li>Allowance for dismissal or separation</li> <li>Payments made to furloughed employees</li> </ul> <p><b>2. Employee Benefits</b></p> <ul style="list-style-type: none"> <li>Payment for benefits (group healthcare/ dental/vision benefits including insurance premiums)</li> <li>Employer retirement plan contribution</li> <li>Note: contributions on behalf of owner-employees are capped at 2.5 months' worth of 2019 contribution amount</li> </ul> <p><b>3. Payment of state or local tax assessed on compensation of EE</b></p> <p>For non-EE (owner-employees, self-employed, or general partners):</p> <ul style="list-style-type: none"> <li>Up to \$15,385 (8-week) or \$20,833 (24-week) in pay for owners</li> <li>Based on 8-weeks or 24-weeks of self-employment income (2019 Form 1040 Schedule C line 31 net profit amount)</li> </ul>	<p><b>1. Cash Compensation</b></p> <ul style="list-style-type: none"> <li>Qualified sick and family leave wages under FFCRA**</li> <li>Payments to independent contractors (1099)</li> <li>Cash compensation in excess of annualized \$100K - thus cap per EE is <ul style="list-style-type: none"> <li>For 8-week period: \$15,385 (\$100K / 52 weeks * 8-week)</li> <li>For 24-week period: \$46,154 (\$100K / 52 weeks * 24-week)</li> </ul> </li> </ul> <p><b>2. Employee Benefits</b></p> <ul style="list-style-type: none"> <li>Contributions made on behalf of self-employed individuals, general partners, or owner-employees of an S-corporation (these payments are already included in their compensation)</li> <li>Your (employer) share of federal taxes on compensation (e.g., FICA)</li> <li>Taxes withheld from EE earnings</li> </ul>	<ul style="list-style-type: none"> <li>≥60% of total loan forgiveness must be Payroll Costs</li> <li>Count ONLY ONCE any cost that was both incurred and paid</li> <li>Payroll Costs are eligible if they were: <ol style="list-style-type: none"> <li>Both <u>incurred</u> (day that EE worked) during CP/APCP <u>and paid</u> (day the paycheck is distributed or the day you originate an ACH credit transaction) during CP/APCP</li> <li><u>Incurred</u> during CP/APCP <u>but paid</u> by your next regular payroll date after CP/APCP</li> <li><u>Incurred</u> one* pay period before CP/APCP <u>but paid</u> during CP/APCP</li> </ol> </li> </ul>
Nonpayroll Costs Eligible for Forgiveness	<p>Applies to business obligations on real or personal property:</p> <ol style="list-style-type: none"> <li>Business mortgage INTEREST only on any mortgage signed before Feb 15, 2020. Includes interest payments on mortgages refinanced during CP as long as mortgage was in place prior to Feb 15, 2020</li> <li>Business rent or lease payments (includes personal property lease such as leased equipment) on any rental/lease agreement in place before Feb 15, 2020. Includes leases that were signed prior to Feb 15, 2020 but renewed during CP</li> <li>Business utilities (electricity, gas, water, sewage, transportation, telephone, or internet access) on any service that began before Feb 15, 2020</li> </ol>	<ul style="list-style-type: none"> <li>Mortgage: excludes prepayment or payment of principal</li> <li>Utility may exclude trash, hosting (e.g., Amazon Web Services)*</li> </ul>	<ul style="list-style-type: none"> <li>Up to 40% of total loan forgiveness may be Nonpayroll Costs</li> <li>Count ONLY ONCE any cost that was both incurred and paid</li> <li>Nonpayroll Costs are eligible if they were: <ol style="list-style-type: none"> <li>Incurred during CP and paid during CP</li> <li>Incurred during CP and paid by your next regular billing date after CP</li> <li>Owed in arrears before CP and paid during CP</li> </ol> </li> <li>The APCP does not apply to nonpayroll costs</li> </ul>

\*Indicates uncertain areas that remain to be clarified \*\*FFCRA: Families First Coronavirus Response Act, Section 7001 \*\*\*If you report business income on Schedule C of Form 1040, you can still qualify for forgiveness - please talk to your advisor

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# PPP Loan Forgiveness Application

Terminology	Definition	Definition does NOT include	Notes
Avg FTE	<ul style="list-style-type: none"> <li>Average Full-Time Equivalent (FTE)</li> <li>"Avg # of hours paid per week" / 40 (round to nearest tenth)</li> <li>Maximum per EE is capped at 1.0 (or, if you want to skip the math and simplify, enter "1.0" for EE who work ≥40 hours, and "0.5" for EE who work &lt;40 hours)</li> </ul>		<ul style="list-style-type: none"> <li>Applies to CP / APCP</li> <li>References hours PAID not necessarily WORKED</li> <li>Although amounts paid to owners are eligible for forgiveness, owners are not included in FTE calculations</li> </ul>
Salary/Hourly Wage Reduction Safe Harbor (Calculation)	This calculation applies only if you reduced salary or hourly wages for any EE by >25% during CP/APCP (vs during Jan 1, 2020 to Mar 31, 2020). You can avoid the reduced forgivable amount if you restored your salary/hourly wage levels		
FTE Reduction Exceptions	<p>Sum the FTE of both</p> <ol style="list-style-type: none"> <li>Any positions for which you made a good-faith, written offer to rehire an EE during CP/APCP which was rejected by that EE, and</li> <li>Any EEs who during CP/APCP were a) fired for cause, b) voluntarily resigned, or c) voluntarily requested and received a reduction of their hours</li> </ol> <p>Enter this total # only if the position(s) was not filled by a new EE</p>		<ul style="list-style-type: none"> <li>This helps you avoid a reduction in forgivable loan amount</li> </ul>

*\*Indicates uncertain areas that remain to be clarified \*\*FFCRA: Families First Coronavirus Response Act, Section 7001 \*\*\*If you report business income on Schedule C of Form 1040, you can still qualify for forgiveness - please talk to your advisor*

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# Step 1: Documentation





# Documentation Overview

- Intent of the Payroll Protection Program (PPP) loan is to continue employment of staff as part of your business' long-term viability
- Purpose of this forgiveness application is to determine how much of your PPP loan is eligible for forgiveness
  - Amount of loan forgiveness is a calculation process based on the CARES Act guidance by the U.S. Treasury Department and SBA. Your lender and/or SBA will review your supporting documentation to ensure that your business is eligible for loan forgiveness
  - Primary criteria for loan forgiveness are employee headcount and employee compensation: decreases in either could potentially decrease the amount of your loan forgiveness
- All documentation must be retained on file for 6 years after loan is forgiven or paid in full
- As you start gathering documentation listed below, decide whether you will use "Covered Period (CP)"\* or "Alternative Payroll Covered Period (APCP)"\*

*\*see DEFINITIONS for clarity*

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# Documentation

## Documents that you MUST submit to your Lender

**1. Payroll:** documentation that shows the cash compensation and non-cash benefits you paid during CP/APCP\*:

- a. Bank statements or third-party payroll service provider reports documenting how much "cash compensation"\* was paid to EEs
- b. Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with CP/APCP:
  - 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 EE health insurance and retirement plans that you included in the forgiveness amount
- d. if, on Slide 2, you qualify for (b), then you must also provide documentation showing the average number of FTE EEs on payroll that you employed on both Jan 1, 2020 and at the end of the CP

**2. Nonpayroll:** documentation for your business that 1) verifies existence of the obligations/services in place before Feb 15, 2020 and 2) paid during CP

- a. mortgage interest:
  - i. copy of lender amortization schedule, and receipts or cancelled checks that verify payments from CP, or
  - ii. lender account statements from Feb 2020, month(s) covering CP, and one additional month after end of CP that verifies eligible interest and payments
- b. rent or lease payments:
  - i. copy of current lease agreement, and receipts or cancelled checks verifying eligible payments from CP, or
  - ii. lessor account statements from Feb 2020, month(s) covering CP, and one additional month after end of CP that verifies eligible payments
- c. utility payments:
  - i. copy of invoices from Feb 2020 and during CP, and
  - ii. receipts, cancelled checks, or account statements verifying those eligible payments

## Documents you do not need to submit but should have on hand

**1.** Documentation for any EE who qualifies under the FTE Reduction Exceptions\* e.g., letter of resignation, before Dec 31, 2020

**2.** Documentation (per EE) that salaries/wages were not reduced by >25% during CP/APCP (vs. Jan 1-Mar 31, 2020)

As applicable:

**3.** If you chose (b) from slide 2: documentation that you did not reduce number of EE or avg paid hours of EE b/w Jan 1, 2020 and end of CP (other than for FTE Reduction Exceptions)

**4.** If you chose (c) from slide 2: documentation that you were unable to sustain your level of business activity from Feb 15, 2020 because of compliance with requirements/guidance related to COVID-19, e.g., social distancing or other customer safety requirement

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# Step 2: Form 3508EZ

(page 1)



# Form 3508EZ

(select prompts detailed below)

## Top Part of Form

- Business Legal Name, Contact Info: enter the same # as on your PPP Loan Application
- SBA PPP Loan #: 10-digit # assigned by SBA (ask Lender if you need)
- Lender PPP Loan #: should be on closing documents (ask Lender if you need)
- PPP Loan Amount: this total is the “principal” = maximum amount of loan eligible for forgiveness
- PPP Loan Disbursement Date\*
- EE at Time of Loan: actual # does not affect determination of forgiveness
- EE at Time of Forgiveness: actual # does not affect determination of forgiveness
- EIDL information: application number and any advance received
  - Any EIDL amount received between Jan 31, 2020-Apr 3, 2020 AND used to cover payroll was LIKELY refinanced into your PPP loan (SBA will reduce the forgivable amount by any EIDL Advance received). Include the EIDL information in your application
- Covered Period (CP)\*: must fill-out
- Alternative Payroll Covered Period (APCP)\*: optional
- If Borrower...: ONLY check if loan is over \$2mm (loans with ≤\$2mm receive safe harbor and trusted to make required certification that loan was necessary in good faith)

\*see DEFINITIONS



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 Amount Calculation:**

Payroll and Nonpayroll Costs

Line 1. Payroll Costs: \_\_\_\_\_

Line 2. Business Mortgage Interest Payments: \_\_\_\_\_

Line 3. Business Rent or Lease Payments: \_\_\_\_\_

Line 4. Business Utility Payments: \_\_\_\_\_

Potential Forgiveness Amounts

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

Line 6. PPP Loan Amount: \_\_\_\_\_

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

Forgiveness Amount

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



# Form 3508EZ (continued)

(select prompts detailed below)

## Payroll and Nonpayroll Costs

Only include payments you want to be considered for forgiveness

- Line 1\*: includes amounts incurred or paid during CP/APCP
- Line 2-4\*

## Potential Forgiveness Amounts

Note: you do not need to report payments that you do not want to submit for forgiveness

- Line 6: same amount you listed on top of application ("PPP Loan Amount")

## Forgiveness Amount

We determine the forgiveness amount

- Line 7: ensures that no more than 40% of potential forgiveness amount was used on nonpayroll costs



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 Amount Calculation:

#### Payroll and Nonpayroll Costs

Line 1. Payroll Costs: \_\_\_\_\_

Line 2. Business Mortgage Interest Payments: \_\_\_\_\_

Line 3. Business Rent or Lease Payments: \_\_\_\_\_

Line 4. Business Utility Payments: \_\_\_\_\_

#### Potential Forgiveness Amounts

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

Line 6. PPP Loan Amount: \_\_\_\_\_

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

#### Forgiveness Amount

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

\*see DEFINITIONS

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