

## PPP Forgiveness Guidelines & Checklist

The Paycheck Protection Program (“PPP”) loans will be forgivable upon submission of the [application for forgiveness](#). Here is a summary of the guidance and a checklist for borrowers to prepare for the forgiveness process.

### 1. Payroll Costs

#### Guidelines:

Payroll costs are defined in the following ways:

- 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, wages, commissions, income, or net earnings from self-employment, or similar compensation.

Payroll costs paid or incurred during the 24-week covered period are eligible for forgiveness. Borrowers can choose an eight-week period.

The covered period begins on:

- The date of disbursement of the borrower’s PPP loan proceeds from the Lender; or
- For borrowers using a weekly or bi-weekly pay period, the first day of the first pay period commencing following the PPP disbursement date.
  - The latter option provides borrowers with the administrative convenience of lining up the covered period with pay periods.

Payroll costs can either be paid or “incurred” during the covered period, so long as costs “incurred” but not paid are paid by the first pay date after the expiration of the covered period.

Payroll costs include costs for furloughed employees who are being paid.

Payroll costs for an individual employee are limited to wages and salary amounts capped at \$100,000 annually, prorated for the covered period. For borrowers using the eight-week covered period, the prorated cap is \$14,385. For borrowers using the 24-week covered period, the cap is \$46,154. Compensation for owner-employees is limited.

Compensation for owner-employees and self-employed individuals is limited to the lesser of:

- \$14,385 for eight-week borrowers; or
- \$20,833 for 24-week borrowers; or
- 2.5/12 (20.83%) of 2019 compensation.

Within the cap, "hazard pay" and bonuses are eligible for forgiveness.

Owner-employees with more than one business are limited to the above across all businesses owned.

Checklist:

- Submission of all documentation related to payroll
  - ✓ Employee salary, wages, and commission
  - ✓ Payment of cash tips
  - ✓ Payment of vacation
  - ✓ Parental, family, medical or sick leave;
  - ✓ Allowance for dismissal or separation
  - ✓ Payment required for group health benefits (including insurance premiums);
  - ✓ Payment for retirement benefits; and
  - ✓ Payment of state or local tax assessed on employee compensation.

- Details of full-time employees and their payroll costs
  - ✓ Name of employee and monthly eligible compensation;
  - ✓ Annual salaries prorated for the month
  - ✓ If annual cash compensation exceeds \$100,000, monthly proration should be based on \$100,000
  
- Proof of payroll
  - ✓ Provide copies of applicable 2019 tax forms;
  - ✓ Form 940;
  - ✓ Form 941;
  - ✓ Form 944;
  - ✓ 1099s;
  - ✓ Form 1040 Schedule C (for self-employed and independent contractors -- for an independent contractor or sole proprietor, payroll costs only include wages, commissions, income, or net earnings from self-employment, or similar compensation); and
  - ✓ Payroll processor records from a professional employer organization (PEO)
  
- Articles of incorporation including business formation and the established date
  
- Proof of ownership, for all owners of over 20 percent
  
- Copy of front and back of driver's license or passport for all authorized signers of business
  
- Completed payroll calculator worksheet

## 2. Non-Payroll Costs

### Guidelines:

Non-payroll costs that count towards forgiveness include:

- Interest payments on any business mortgage obligation on real or personal property that was incurred before February 15, 2020 (but not any prepayment or payment of principal);
- Payments on business rent obligations on real or personal property under a lease agreement in force before February 15, 2020; and
- Business utility payments for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.

The covered period will be the same period as for payroll costs.

Non-payroll costs can either be paid or “incurred” during the covered period, so long as costs “incurred” but not paid are paid by the first due date after the expiration of the covered period.

### Checklist:

- Mortgage interest payments for the business on real property or personal property and cancelled checks or lender account statements from February 2020 and covering the 24-week period;
- Rent or lease payments for the business on real or personal property. A copy of current lease and receipts or cancelled checks or lessor account statements from February 2020, and covering the 24-week period;
- Utility payments for the business for electricity, gas, transportation, telephone, or internet access. Copy of invoices from February 2020 and the 24-week period and receipts, cancelled checks or account statements.
- For an independent contractor or sole proprietor, you must have claimed or be entitled to claim a deduction for these expenses on your 2019 form 1040 Schedule C in order to claim them as expenses eligible for PPP loan forgiveness in 2020.

### **3. FTE Adjustment & Safe Harbors**

Guidelines:

Full-time equivalent (“FTE”) employees employed during the covered period will be compared to FTEs employed during a “base period.” The forgiveness may be adjusted proportionately if the ratio is less than 1.0 (100 percent).

Checklist:

- Documentation showing the average number of FTEs on payroll per month between February 15, 2019 and June 30, 2019;
- Documentation showing the average number of FTEs per month between January 1, 2020 and February 29, 2020; or
- For seasonal employees, either of these two options above or any consecutive 12-week period between May 1, 2019 and September 15, 2019.

### **4. Documents that must be retained but are not required to be submitted**

Guidelines:

The PPP Schedule A Worksheet is not required to accompany the PPP loan forgiveness application. Still, employers are required to keep the Worksheet or retain documents that support the information that appears on that worksheet. Applicants for a PPP loan must also keep the following documents:

Checklist:

- Documentation that accompanied the PPP loan application;
- Documentation that supports the certification of necessity of the loan (applies to borrowers of loans over \$2 million);
- Documentation showing the applicant’s compliance with PPP requirements.
- The above documents must be retained by the applicant for six years after the date the loan is either forgiven or paid in full.