

SBA Guidance on PPP Loan Forgiveness

More guidance from the SBA is still pending and this document, and guidance provided below, is subject to change. Information accurate as of 5/20/2020.

The PPP Loan Forgiveness Application and instructions include: ^(a)

- Options for borrowers to calculate payroll costs using an “alternative payroll covered period” that aligns with borrowers’ regular payroll cycles.
- Flexibility to include eligible payroll and non-payroll expenses paid or incurred during the eight-week period after borrowers received their PPP loan.
- Step-by-step instructions on how to perform the calculations required by the CARES Act to confirm eligibility for loan forgiveness.
- Statutory exemptions from loan forgiveness reduction based on rehiring by June 30.
- The new exemption for borrowers whose good-faith, written offers to rehire workers were declined.

Documents that Each Borrower Must Submit with its PPP Loan Forgiveness Application: ^(b)

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:
 - a. Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
 - b. 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 month employed by the Borrower between February 15, 2019 and June 30, 2019;
- B. The average number of FTE employees on payroll per month 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 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.

Documents that Each Borrower Must Maintain but is Not Required to Submit: (b)

PPP Schedule A Worksheet or its equivalent and the following:

- A. Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1, including the "Salary/Hourly Wage Reduction" calculation, if necessary.
- B. 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.
- C. Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule.
- D. Documentation supporting the PPP Schedule A Worksheet "FTE Reduction Safe Harbor."
- E. 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 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.

Independent contractors / sole proprietors can find information in the SBA Forgiveness Application on how to submit for forgiveness.

Reference

- a. The following information was compiled by the ICBA (Independent Community Bankers of America), and has been provided here for your reference. <https://www.icba.org/news/news-details/2020/05/18/agencies-issue-ppp-loan-forgiveness-application>
- b. Compiled by Thomas Daiber of the U.S. Small Business Administration, St. Louis District Office.

The attached application has been created by the SBA. More guidance from the SBA is still pending and this document, and guidance provided above, is subject to change.

MidwestBankCentre.com/ppploan

