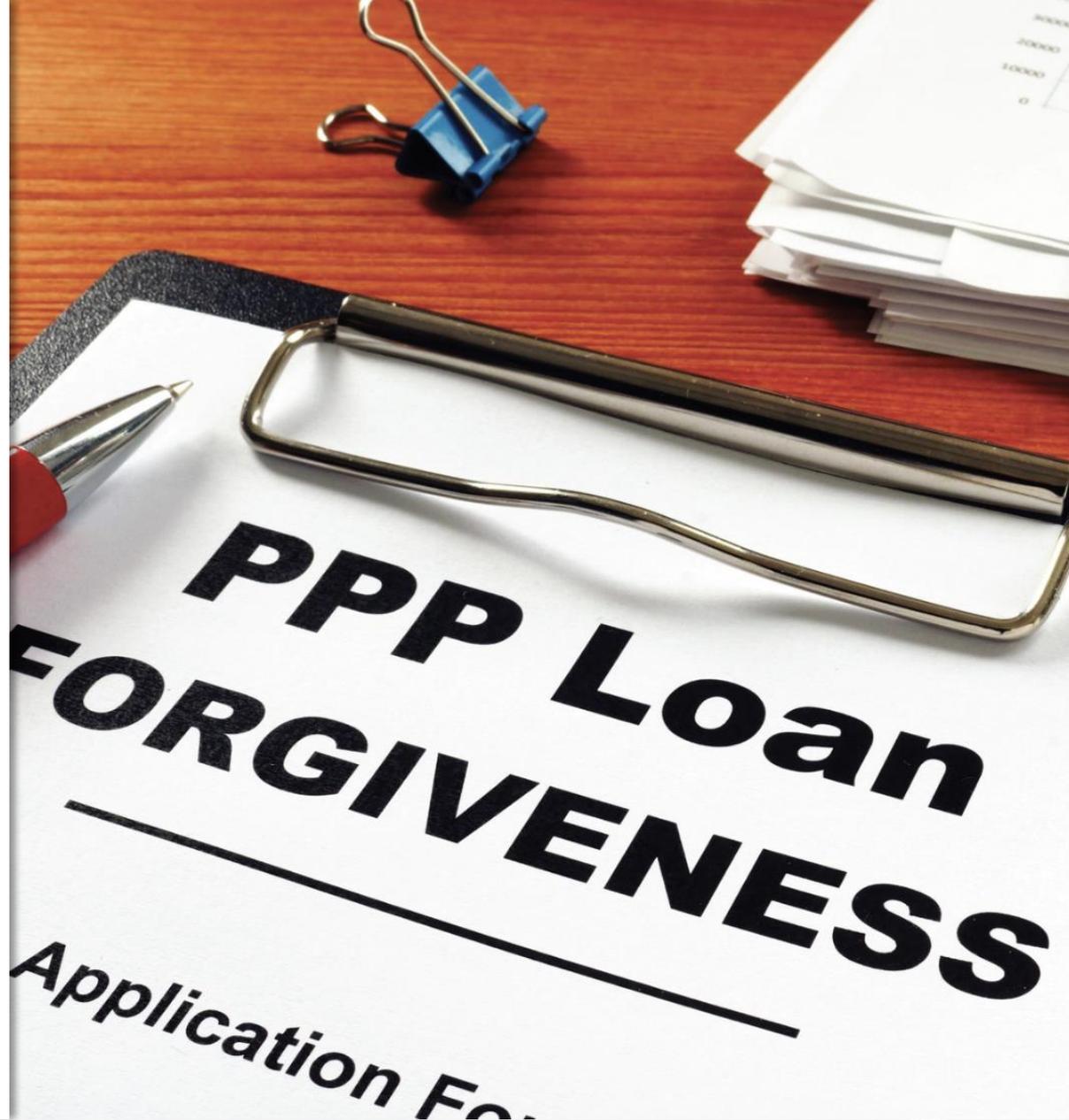


# PPP Loan Forgiveness: A Toolkit For

## **BUSINESSES WITH NON- OWNER EMPLOYEES**

- ALL ENTITIES: SLIDES 1 – 60
- SELF-EMPLOYED: SLIDES 61 – 85
- S-CORPS: SLIDES 86 – 113
- C-CORPS: SLIDES 114 – 145
- ALL ENTITIES: SLIDES 146 – 155



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**BILL HOLMES, CPA/ABV/CVA/CFE**  
**Holmes & Company, PC**

**P** 503.270.5400  
**E** ppp@pdxcpas.com

Bill has approximately 30 years of experience in public accounting and private industry. He began his career in Portland, Oregon at Deloitte and was a corporate controller and principal accounting officer for a publicly traded international manufacturing and technology company.

Bill serves as a CPA representing clients in tax and accounting matters, as well as acting as a plaintiff and defense counsel consultant / subject matter expert in complex litigation cases involving accountants' professional liability, anti-trust, bankruptcy, business valuation, commercial contract disputes, construction defects, criminal defense ("white-collar" crime), economic damages, embezzlement, employment matters, forensic accounting, intellectual property, personal injury, securities fraud, and shareholder rights and oppression.

Bill is an invited speaker for defense law firms and related organizations on topics including accountants' liability and consults with several national insurance company (professional liability) risk management departments on matters involving accountants' liability.

Bill has worked with start-up, rapidly growing and troubled companies, organizational management restructuring, initial and secondary public offerings, private placements of debt and equity, ESOPs, and corporate Ownership transition, including family-owned business planning.

He is a member of the Oregon Society of Certified Public Accountants, American Institute of Certified Public Accountants, National Association of Certified Valuation Analysts, and Association of Certified Fraud Examiners. Mr. Holmes served on the Oregon Board of Accountancy Complaints Committee (BOACC) for 5 years and on multiple non-profit Boards throughout his career.

Bill holds a Bachelor of Science degree from Oregon State University where he graduated with honors.



# ▶ Video Discrepancies

# Discrepancies Between Video and Slides

The following table indicates changes to the electronic slides (which are different from the slides included in the video) due to new SBA rules issued after the production of the video, or minor audio errors. In the instances where the video slides are inconsistent with the electronic sides, use the information on the electronic slides. Also, because of the updated SBA guidance, the slide numbers in the video will not correspond with the slide numbers in the electronic slide deck.

VIDEO TIME-STAMP	VIDEO SLIDE #	SLIDE DECK SLIDE #	SLIDE TOPIC	ITEMS TO NOTE
2:10	6	9	Forgivable vs. Allowable	Refer to “New Rule Changes” slides #47 - #51 in the electronic slide deck.
3:25	8	11	Alternative Covered Payroll Period	In the Example, the audio says “October” when it should be “April”. Electronic slide deck is correct.
8:36	12	15	Payroll Cost Rules (cont’d)	The audio says “incurred” instead of “paid” at the end of the description of the issue. Electronic slide deck is correct.
12:45	16	19	Forgivable Payroll Costs Vary by Type of Owners	Audio refers to the original definition of “Owner”. See slide for the updated definition. Electronic slide deck is correct.

## PPP VIDEO DISCREPANCIES – RULES AND GUIDELINES VIDEO

### Discrepancies Between Video and Slides (cont'd)

VIDEO TIME-STAMP	VIDEO SLIDE #	SLIDE DECK SLIDE #	SLIDE TOPIC	ITEMS TO NOTE
51:59	46	49	General Rule	Refer to “New Rule Changes” slides #47 - #51 in the electronic slide deck.
51:59	N/A	50	New Rule Changes: Rents	New Guidance, new slide added to the electronic slide deck
51:59	N/A	51	New Rule Changes: Related Party Rents	New Guidance, new slide added to the electronic slide deck
51:59	N/A	52	New Rule Changes: Mortgage Interest	New Guidance, new slide added to the electronic slide deck
51:59	N/A	53	New Rule Changes: Related Party Mortgage interest	New Guidance, new slide added to the electronic slide deck
51:59	N/A	54	New Rule Changes: Home Office	New Guidance, new slide added to the electronic slide deck



# Program Overview

# Forgiveness Rules



- To be a “forgivable” cost, an expense must be incurred or paid during the Covered Period and qualify as “forgivable.” (ACT §1106(b)) (IFRN2 #9)
- A Covered Period is either the 8-week or 24-week period starting the day the Lender makes a PPP loan disbursement to the Borrower. (IFRN #13) (FAQ #20)
- A Borrower can choose either an 8-week or a 24-week Covered Period if the loan was funded before June 5, 2020; however, Borrowers must use the 24-week period if the loan was funded on or after June 5, 2020. A 24-week period may automatically lead to 100% forgiveness.
- The amount of forgivable Payroll Costs will determine the total amount of Non-Payroll costs eligible for loan forgiveness. Forgiveness may be reduced if there are reductions in employee salaries or FTE during the Covered Period (explained in detail below).
- Rules require at least 60% of the PPP loan proceeds to be spent or incurred on Payroll Costs during the Covered Period or forgiveness may be reduced. (IFRN #16) (IFRN #14 and #16) (ACT §1106(b)) (IFRN2 #9)
- Rules state no more than 40% of the loan forgiveness can be spent on other permitted Non-Payroll expenses such as rent, utilities, and mortgage interest, or forgiveness may be reduced. (IFRN #14)



# Forgivable vs. Allowable

- **Forgivable expenses** include Payroll Costs, as well as “covered” expenses, such as mortgage interest on (secured) real or personal property, rent obligation under a leasing agreement, and utilities for electricity, gas, water, transportation, telephone, or internet access (all “covered” expenses must be in place or in existence prior to 2/15/20). (ACT §1106(a)) / (IFRN #14) (IFRN2 #12)
- **Allowable expenses** include Payroll Costs, any mortgage interest, rent (including rent under a lease agreement), and utilities (no requirement is stated for an “in place” date or for existence prior to 2/15/20). Also, interest on any other debt obligation that was incurred before 2/15/20 is allowable. Allowable expenses are not necessarily forgivable. **See New Rule Changes herein.** (ACT §1102(a)(2)(F)) / (IFRN #15)

**VERY IMPORTANT!**



DEDUCTIONS  
AMOUNT

317.00  
159.29  
187.85  
9.80  
2.00

BALANCE

# Overview of Payroll Cost Rules



# Alternative Payroll Covered Period

**Alternative Payroll Covered Period (APCP)** – may simplify payroll report generation

- An election to replace the Covered Period for forgivable Payroll Costs only (not Non-Payroll costs)
  - Borrower can choose either an 8-week or a 24-week APCP if the loan was funded before June 5, 2020; however, Borrower's must use the 24-week period if the loan was funded on or after June 5, 2020.
  - Available only to Borrowers with a biweekly (or more frequent) payroll schedule
  - Begins on the 1st day of the 1st pay period following loan disbursement date
  - If election made, Borrower must use APCP for all calculation purposes
- ▶ **Example:** *If Borrower receives loan proceeds on Monday, April 20, and if the 1st day of the 1st pay period following loan disbursement is Sunday, April 26, then the APCP begins on April 26 and ends on Saturday, June 20 (if 8-week elected) or Sunday, October 10 (if 24-week period elected).* (IFRN2 #12)

**“Covered Period”** is used herein for Payroll purposes to mean either Covered Period or APCP.



# Components of Forgivable Payroll Costs

- a) Gross salary, gross wages, gross commissions, gross tips, paid leave (vacation, family, medical or sick leave, not including leave covered by the Families First Coronavirus Response Act), and allowances for dismissal or separation paid or incurred during the Covered Period (\$15,385 is the forgivable max for an 8-week period and \$46,154 for a 24-week period) – see additional limits (\$20,833) on Owners discussed herein (ACT §102(a)(2)(A)(viii))/(FAQ #7); PLUS
- b) Employee benefits, including payments required for the provisions of group health care benefits, including insurance premiums; and payment of any retirement benefit (limits for Owners discussed herein) (ACT §102(a)(2)(A)); PLUS
- c) State/local taxes assessed on compensation paid by the employer (i.e. unemployment insurance tax and workers' compensation tax). (ACT §102(a)(2)(A)(viii))/(FAQ 7) (IFRN2 #13)

# Payroll Cost Rules



- Payroll costs are considered paid on the day that paychecks are distributed or when the Borrower originates an ACH credit transaction. (IFRN2 #9)
- Payroll costs are considered incurred on the day the employee's pay is earned (i.e. on the day the employee worked or the day the employee would have worked if they are not performing work but are still on the Borrower's payroll). (IFRN2 #9)
- Salaries, wages, or commissions paid to furloughed employees, bonuses, or hazard pay during the Covered Period are considered forgivable (\$15,385 is max for the 8-week period and \$46,154 is max for the 24-week period; see other limits for Owners herein). (IFRN2 #11)
- Forgiveness is allowed for Borrowers who pay their employees even if those employees are not able to perform their day-to-day duties, whether due to lack of economic demand or public health considerations (\$15,385 is max for the 8-week period and \$46,154 is max for the 24-week period). (ACT §102(a)(2)(A)(viii))/(FAQ 7) (IFRN2 #11)

# Payroll Cost Rules (cont'd)



- First Covered Period payroll issue – Payroll Costs paid during the Covered Period for a pay period ending before the Covered Period began counts toward forgiveness. (IFRN 3)
  - ▶ **Example:** Assume an 8-week Covered Period from June 1 – July 26 and on June 5 Borrower pays its payroll (or health insurance or retirement benefits or state / local payroll taxes) that was incurred during the period May 15 – 31. The Borrower may seek loan forgiveness for this payroll cost because it was paid during the Covered Period.



# Payroll Cost Rules (cont'd)

- Last Covered Period payroll issue – Payroll Costs incurred during the Borrower’s last pay period of the Covered Period (but not paid during the Covered Period) are eligible for forgiveness if the payroll is paid on or before the next regular payroll date; otherwise, Payroll Costs must be paid during the Covered Period to be eligible for forgiveness. (IFRN2 #9)
  - ▶ **Example:** Assume an 8-week Covered Period from June 1 – July 26 and on August 5 Borrower pays its payroll (or health insurance or retirement benefits or state / local payroll taxes) that was incurred during the period July 15 – July 31. Assuming that August 5 is the next regular payroll date for the payroll after the Covered Period ended, the Borrower may seek loan forgiveness for the portion of its Payroll Costs incurred from July 15 – July 26 (the end of the Covered Period) because it was incurred during the Covered Period and paid on the next regular billing date.

# Payroll Costs Calculated Separately By Employee Type



**Payroll Costs** will be calculated differently for the 3 separate types of employees because rules differ among each type. (SBA Form 3508)

- ▶ **Type 1** – All non-Owner employees who were not employed at any point in 2019 and non-Owner employees that made **\$100,000 or less** on an *annualized basis* in 2019 as follows:

*Employees who were not employed by Borrower in 2019 (regardless of pay amount) and employees who did not receive more than \$100,000 on an annualized basis for any pay period in 2019. For example, if Borrower paid employee payroll on a bi-monthly basis in 2019 (24 total periods), the maximum compensation that an employee in this category could receive in **any pay period** during 2019 is \$4,167 ( $\$100,000 / 24 = \$4,167$ ); otherwise, the employee is considered to have made on an annualized basis more than \$100,000 and is classified as Type 2 (even if the total wages for the employee for 2019 was \$100,000 or less).*

- ▶ **Type 2** – Employees that made more than \$100,000 on an *annualized basis* in 2019 – see example above
- ▶ **Type 3** – Business Owners (all entity types). Individuals are considered “Owners” if they a) are self-employed (i.e. independent contractor or sole proprietor); or b) a general partner owning any % of an entity taxed as a partnership (such as a LLC, LLP, or general partnership); or c) own a 5% or more ownership stake in an entity taxed as a S-Corp or C-Corp – individuals with less than 5% ownership stake in a S-Corp or C-Corp are considered Type 1 or Type 2 “employees” for purposes of loan forgiveness, depending on the amount of compensation they received (see Type 1 and Type 2 employee rules).

# Forgivable Payroll Costs – Type 1 and 2 Employees (Non-Owners)



- a) Gross salary, gross wages, gross commissions, gross tips, paid leave (vacation, family, medical or sick leave, not including leave covered by the Families First Coronavirus Response Act), and allowances for dismissal or separation paid or incurred during the Covered Period (\$15,385 is the forgivable max for an 8-week period and \$46,154 is the forgivable max for a 24-week period) (ACT §102(a)(2)(A)(viii))/(FAQ #7); PLUS
- b) Employer paid employee benefits, including payments required for the provisions of group health care benefits (including insurance premiums) and payment of any retirement benefits (ACT §102(a)(2)(A)); PLUS
- c) Employer paid state/local taxes assessed on compensation (i.e. unemployment insurance tax and workers' compensation tax) (ACT §102(a)(2)(A)(viii))/(FAQ #7) (IFRN2 #13).



# Overview of Owner Compensation Rules

# Forgivable Payroll Costs Vary By Type of Owners



- Individuals are considered “Owners” if they a) are self-employed (i.e. independent contractor or sole proprietor); or b) a general partner owning any % of an entity taxed as a partnership (such as a LLC, LLP, or general partnership); or c) own a 5% or more ownership stake in an entity taxed as a S-Corp or C-Corp – individuals with less than 5% ownership stake in a S-Corp or C-Corp are considered Type 1 or Type 2 “employees” for purposes of loan forgiveness, depending on the amount of compensation they received (see Type 1 and Type 2 employee rules).
- The amount of forgivable compensation for Owners who work at their business depends on the business type and whether the Borrower is using an 8-week or a 24-week Covered Period.
- In general, the amount of loan forgiveness requested for Owner-employees and Self-employed individuals’ cash compensation is capped at \$20,833 for a 24-week Covered Period (per individual) in total across all businesses in which he or she has an Ownership stake. For Borrowers who received a PPP loan before June 5, 2020 and elect to use an 8-week Covered Period, this cap is \$15,385. If their total cash compensation across businesses who received a PPP loan exceeds the cap, Owners can choose how to allocate the capped amount across their different businesses.
- Owner compensation rules changed on August 4, 2020 – it can be confusing. We address both the components of Owner compensation and the cap for each entity type in the following slides.

# Payroll Cost Components for Owners



- Owner Payroll Cost Components And Cap Rules (Depends on Tax Filing Status):
  - a) **C-Corporation Owner-employees** – Payroll Cost components include employee cash compensation (W-2 payroll), employer retirement contributions made on their behalf, employer health care contributions made on their behalf, and state/local taxes paid by the employer and assessed on Owner compensation. (IFRN3 #13) (FFAQ #8)
    - i. Cash Compensation Cap Rule: Cash compensation costs are limited to the lesser of what you made in 2019 or a fixed dollar amount. Let me explain: For an 8-week Covered Period, the limit is \$15,385 vs. (.1538 multiplied by 2019 cash compensation). For a 24-week Covered Period, the limit is \$20,833 vs. (.20833 multiplied by 2019 cash compensation). (FFAQ #8) As an example, if cash compensation for an Owner-employee was \$85,000 for the year 2019, the maximum forgivable cash compensation is \$13,073 if using 8-week Covered Period ( $\$85,000 * .1538 = \$13,073$  vs. \$15,385) and \$17,708 if using a 24-week Covered Period ( $\$85,000 * .20833 = \$17,708$  vs. \$20,833). Non-cash compensation components do not count toward this cap (benefits for a C-Corporation Owner are stacked but are subject to other limitations).

# Payroll Cost Components for Owners (cont'd)



- Owner Payroll Cost Components And Cap Rules (Depends on Tax Filing Status) – cont'd:
  - ii. Non-Cash Compensation Rule: C-Corporation Borrowers are also eligible for loan forgiveness on Owner-employee non-cash payroll cost components (taxes, health insurance, and retirement discussed below). Non-cash compensation items are also capped as follows and do not count against the cash compensation cap discussed above:
    - State / local taxes paid by employer and assessed on Owner compensation (actual)
    - Health insurance premiums paid by employer on behalf of the Owner-employee (actual)
    - Retirement plan contributions paid by employer on behalf of the Owner-employee is capped at .20833 multiplied by the 2019 employer retirement contributions paid on behalf of Owner-employee. (FFAQ #8)

# Payroll Cost Components for Owners (cont'd)



- Owner Payroll Cost Components And Cap Rules (Depends on Tax Filing Status) – cont'd:
  - b) **S-Corporation Owner-employees** – Payroll Cost components include employee cash compensation (W-2 payroll), employer paid retirement contributions and state/local taxes paid by the Borrower and assessed on Owner compensation. (IFRN3 #13) (FFAQ #8)
    - i. Cash Compensation Cap Rule: Cash compensation costs are limited to the lesser of what you made in 2019 or a fixed dollar amount. Let me explain: For an 8-week Covered Period, the limit is \$15,385 vs. (.1538 multiplied by 2019 cash compensation). For a 24-week Covered Period, the limit is \$20,833 vs. (.20833 multiplied by the 2019 cash compensation). (FFAQ #8) As an example, if cash compensation for an Owner-employee was \$85,000 for the year 2019, the maximum forgivable cash compensation is \$13,073 if using 8-week Covered Period ( $\$85,000 * .1538 = \$13,073$  vs. \$15,385) and \$17,708 if using a 24-week Covered Period ( $\$85,000 * .20833 = \$17,708$  vs. \$20,833). Non-cash compensation components do not count toward this cap (benefits for a S-Corporation Owner are stacked (except for health insurance) but are subject to other limitations).

# Payroll Cost Components for Owners (cont'd)



- Owner Payroll Cost Components And Cap Rules (Depends on Tax Filing Status) – cont'd:
  - ii. Non-Cash Compensation Rule: S-Corporation Borrowers are also eligible for loan forgiveness on some Owner-employee non-cash payroll cost components (taxes and retirement discussed below). Non-cash compensation items are also capped as follows and do not count against the cash compensation cap discussed above:
    - State / local taxes paid by employer and assessed on Owner compensation (actual)
    - Retirement plan contributions paid by employer on behalf of the Owner-employee is capped at .20833 multiplied by 2019 employer retirement contributions paid on behalf of Owner-employee. (FFAQ #8)
    - **No health insurance contributions for S-Corps** as they're already included in cash compensation (W-2).

# Payroll Cost Components for Owners (cont'd)



- Owner Payroll Cost Components And Cap Rules (Depends on Tax Filing Status) – cont'd:
  - c) **Self-employed Owners (Schedule C or F tax filers)** – Include only cash compensation (no retirement contributions, no state/local taxes, no health care insurance costs). (IFRN3 #13) (FFAQ #8)
    - i. Cash Compensation Cap Rule: Cash compensation costs are limited to the lesser of what you made in 2019 or a fixed dollar amount. Let me explain: For an 8-week Covered Period, the limit is \$15,385 vs. (.1538 multiplied by 2019 net profit as reported on IRS Form 1040 Schedule C line 31 or IRS Form 1040 Schedule F line 34). For a 24-week Covered Period, the limit is \$20,833 vs. (.20833 multiplied by 2019 net profit as reported on IRS Form 1040 Schedule C line 31 or IRS Form 1040 Schedule F line 34). (FFAQ #8) As an example, if 2019 net profit for an Owner was \$85,000, the maximum forgivable cash compensation is \$13,073 if using 8-week Covered Period ( $\$85,000 * .1538 = \$13,073$  vs. \$15,385) and \$17,708 if using a 24-week Covered Period ( $\$85,000 * .20833 = \$17,708$  vs. \$20,833). Again, no non-cash compensation is allowed for forgiveness for a Self-employed individual because these expenses are paid out of net self-employment income. (FFAQ #8).

## Payroll Cost Components for Owners (cont'd)



- Owner Payroll Cost Components And Cap Rules (Depends on Tax Filing Status) – cont'd:
  - ii. Cash Compensation Cap Rule – **New** Schedule C or F businesses: If the business was in operation on February 15, 2020, but was not in operation during the entire time period between February 15, 2019 and June 30, 2019, the Borrower will compare the fixed dollar amount to the average net profit for the months of January 2020 and February which is multiplied by 2.5 (FFAQ #8). For example, if the net profit for the two-month period in January 2020 and February 2020 was \$13,000, the maximum forgivable cash compensation is calculated as \$15,385 if using an 8-week Covered Period ( $\$13,000 / 2 = \$6,500 \times 2.5 = \$16,250$  vs. \$15,385) and \$16,250 if using a 24-week Covered Period ( $\$13,000 / 2 = \$6,500 \times 2.5 = \$16,250$  vs. \$20,833).

## Payroll Cost Components for Owners (cont'd)

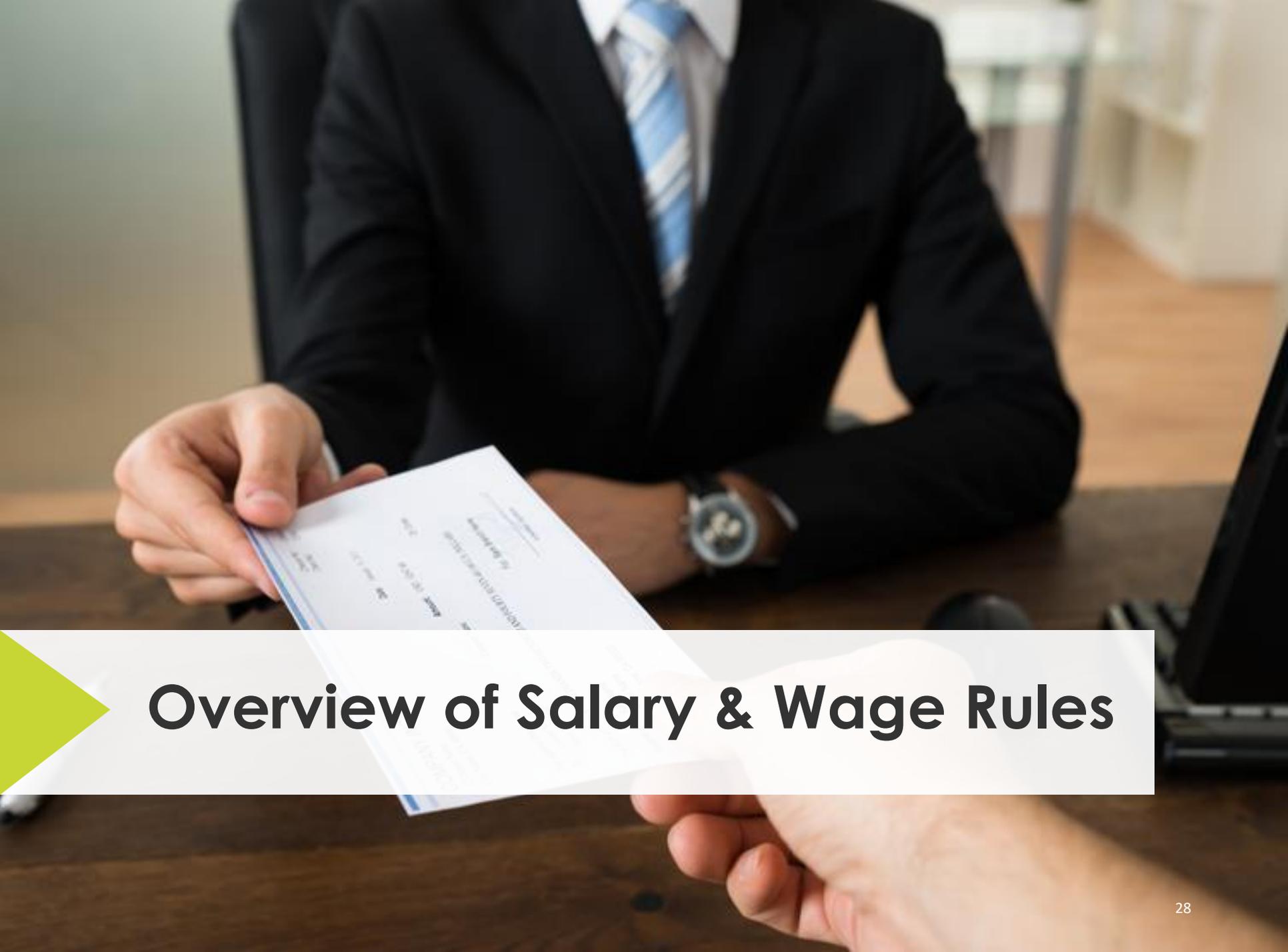


- Owner Payroll Cost Components And Cap Rules (Depends on Tax Filing Status) – cont'd:
  - d) **General Partner** (whether an LLC Owner taxed as a partnership or an Owner of a general partnership) – Include only cash compensation (**no** retirement contributions, **no** state/local taxes, **no** health care insurance costs). (IFRN3 #13) (FFAQ #8)
    - i. Cash Compensation Cap Rule: Cash compensation costs are limited to the lesser of what you made in 2019 or a fixed dollar amount. Let me explain: For an 8-week Covered Period, the limit is \$15,385 or for a 24-week Covered Period, the limit is \$20,833 vs. (.1538 multiplied by 2019 net earnings from self-employment as reported on IRS Form 1065 Schedule K-1 box 14a which is reduced by box 12 section 179 expense deduction, unreimbursed partnership expenses deducted on their IRS Form 1040 Schedule SE, and depletion claimed on oil and gas properties) multiplied by .9235. (FFAQ #8)

## Payroll Cost Components for Owners (cont'd)



- Owner Payroll Cost Components And Cap Rules (Depends on Tax Filing Status) – cont'd:
  - ii. As an example, if 2019 net earnings from self-employment were \$85,000, if section 179 deduction was \$10,000, if unreimbursed partnership expenses were \$2,500, if depletion claimed on oil and gas properties was \$1,000, the maximum forgivable cash compensation is \$13,756 if using 8-week Covered Period ( $(\$85,000 - \$10,000 - \$2,500 - \$1,000) = \$71,500 / 12 * 2.5 = \$14,896 * .9235 = \$13,756$  vs. \$15,385) and \$13,756 if using a 24-week Covered Period ( $(\$85,000 - \$10,000 - \$2,500 - \$1,000) = \$71,500 / 12 * 2.5 = \$14,896 * .9235 = \$13,756$  vs. \$20,833).
  - iii. Again, **no non-cash compensation is allowed** for forgiveness for General Partners. (FFAQ #8)



# Overview of Salary & Wage Rules

# Salary/Wage Reductions Can Reduce Forgiveness



- “What effect does a Borrower's reduction in employees’ salary or wages have on the loan forgiveness amount?”
  - ▶ “The Borrower must reduce the total forgiveness amount by the total dollar amount of the salary or wage reductions that are in excess of 25% of base salary or wages between January 1, 2020 and March 31, 2020 (the reference period), subject to exceptions...” (IFRN2 #18)

# Salary/Wage Reductions – No Double Jeopardy



- “How should a Borrower seeking loan forgiveness account for the reduction based on a reduction in the number of employees (Section 1106(d)(2)) relative to the reduction relating to salaries and wages (Section 1106 (d)(3))?”
  - ▶ “To ensure that Borrowers are **not doubly penalized**, the salary/wage reduction applies only to the portion of the decline in employees’ salary and wages that is not attributable to the FTE reduction.” (IFRN2 #18)



# Reductions in Salary or Wage Rates – Requires Interpretation

THIS IS NOT A CALCULATION OF TOTAL WAGES PAID – THIS IS CALCULATION OF REDUCTIONS IN BASE SALARY AND HOURLY WAGE RATES (REQUIRES INTERPRETATION BECAUSE SBA GUIDANCE IS VAGUE; HOWEVER, OUR INTERPETATION FAVORS BORROWERS).

- Base salary / hourly wage rate reduction calculation is performed only for Type 1 employees.
- Two steps to determine base salary / hourly wage rate reductions:
  1. Determine if there was a reduction in base salary / hourly wage rate during the Covered Period that are in excess of 25% of the base salary / hourly wage rate during January 1, 2020 – March 31, 2020 (**employee by employee calculation**).
  2. Determine if the wage reductions in excess of 25% in 1. above are eligible for restoration as of the date of the forgiveness application or December 31, 2020, whichever is earlier, by using the Salary/Hourly Wage Reduction Safe Harbor (**employee by employee calculation**).



## Salary/Wage Reduction Safe Harbor (3 Steps)

1. Compare annual base salary / hourly wage rate for each employee affected as of February 15, 2020 to the average annual base salary / hourly wage rate between February 15, 2020 and April 26, 2020 (the Safe Harbor period). (IFRN2 #21)
2. If base wage rates during the Safe Harbor period are less than the base wage rates at February 15, 2020, Borrower is eligible for the Safe Harbor and can restore the base wage rates for the pay period encompassing the date of the forgiveness application, or for the pay period encompassing December 31, 2020, whichever is earlier, to amounts equal to the base wage rates existing in the payroll period that included February 15, 2020. (IFRN2 #21)
3. If restorations to February 15, 2020 base wage rates are made for these eligible employees (Type 1), then the wage reductions to these employees (during the Covered Period) do not decrease loan forgiveness. (IFRN2 #21)



# Base Wage Reduction Safe Harbor (Form 3508 – 3 Steps)

**Step 1 –** Determine if pay was reduced more than 25%.

- a. Enter the average annual **base** salary or hourly **base** wage during Covered Period: \_\_\_\_\_
- b. Enter the average annual **base** salary or hourly **base** wage between January 1, 2020 – March 31, 2020: \_\_\_\_\_
- c. Divide the value entered in 1.a by 1.b: \_\_\_\_\_. If 1.c. is .75 or more, then no reduction in forgiveness will occur. Otherwise, proceed to Step 2.

**Step 2 –** Determine if Salary/Hourly Wage Reduction Safe Harbor is met.

- a. Enter then annual **base** salary or **base** hourly rate as of February 15, 2020: \_\_\_\_\_
- b. Enter the average annual **base** salary or hourly **base** wage between February 15, 2020 – April 26, 2020: \_\_\_\_\_. If 2.b. is equal to or greater than 2.a, skip to Step 3. Otherwise, proceed to Step 2.c.
- c. Enter the average annual base salary or hourly **base** wage for the payroll period encompassing the date of this **forgiveness** application, or the pay period encompassing December 31, 2020, whichever is earlier: \_\_\_\_\_. If 2.c. is equal to or greater than 2.a, the Salary/ Hourly Wage Reduction Safe Harbor has been met and no reduction in forgiveness will occur. Otherwise, proceed to Step 3.



# Base Wage Reduction Safe Harbor (Form 3508 – 3 Steps)

## Step 3 – Determine the Salary/Hourly Wage Reduction.

- a. Multiply the amount entered in 1.b. by 0.75: \_\_\_\_\_
- b. Subtract the amount entered in 1.a. from 3.a: \_\_\_\_\_. **If the employee is an HOURLY worker**, compute the total dollar amount of the reduction that exceeds 25% as follows:
- c. Enter the average number of hours worked per week between January 1, 2020 – March 31, 2020: \_\_\_\_\_
- d. Multiply the amount entered in 3.b. by the amount entered in 3.c.: \_\_\_\_\_. Multiply this amount by 8 (if an 8-week Covered Period) or 24 (if a 24-week Covered Period): \_\_\_\_\_. This is the amount of wage reduction for this employee. **If the employee is a SALARY worker**, compute the total dollar amount of the reduction that exceeds 25% as follows:
- e. Multiply the amount entered in 3.b. by 8 (if an 8-week Covered Period) or 24 (if a 24-week Covered Period): \_\_\_\_\_. Divide this amount by 52: \_\_\_\_\_. This is the amount of wage reduction for this employee.



# Overview of FTE Rules





# Reductions in FTE Can Reduce Forgiveness

- Full-time equivalency (FTE) calculations are used to reduce loan forgiveness by comparing the FTE of Type 1 & 2 employees in a Covered Period to a Borrower's chosen reference period unless :
  - a) No change in # employees (not FTE) or avg. paid hours between January 1, 2020 and end of Covered Period
  - b) FTE Reduction Safe Harbor #1 (Employee Availability Exception) applies
  - c) FTE Reduction Safe Harbor #2 (Reduction Safe Harbor) applies
  - d) FTE Reduction Exception applies
- Reference period for: non-seasonal employers – February 15, 2019 through June 30, 2019 or January 1, 2020 through February 29, 2020; Seasonal employers – either of the two preceding periods or a consecutive 12-week period between May 1, 2019 and September 15, 2019 )
- 1.0 FTE means an employee who works 40 hours or more, on average, each week.
- Employees who work less than 40 hours are calculated as proportions of an FTE rounded to the nearest one-tenth (.1).
- Election to use simplified method of calculating FTE is allowed (maximum 1.0 FTE per employee)
  - ▶ 1.0 for employees working 40 hours or more per week
  - ▶ .5 for employees working less than 40 hours per week

# FTE Reduction Safe Harbor # 1: Employee Availability Exception



- FTE Reduction Safe Harbor #1 (Employee Availability Exception) is available for the following employee availability situations (IFRN3 #8):

“During the period beginning on February 15, 2020 and ending on December 31, 2020, the amount of loan forgiveness under this section shall be determined without regard to a proportional reduction in the number of full-time equivalent employees if an eligible recipient, in good faith...

is able to document **an inability to return to the same level of business activity as such business was operating at before February 15, 2020, due to compliance with requirements established or guidance issued** 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 during the period beginning on March 21, 2020, and ending December 31, 2020, **related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.”**

# FTE Reduction Safe Harbor #2: Reduction Safe Harbor



- FTE Reduction Safe Harbor #2 is a complete exemption to reductions in forgiveness related to FTE reasons if **both** of the following apply (IFRN2 #21):
  - ▶ The Borrower reduced its total FTE employee levels in the period beginning February 15, 2020 and ending April 26, 2020 (“Safe Harbor Period”); and
  - ▶ The Borrower then restored its total FTE employee levels by the date the forgiveness application is submitted, or December 31, 2020, whichever is earlier, to its total FTE employee levels in the Borrower’s pay period that included February 15, 2020.
- Complete a 5-step calculation (described herein) to determine if the FTE Reduction Safe Harbor applies. If it applies, a complete exemption to FTE reduction is granted.



## FTE Reduction Safe Harbor #2 (5-Step Calculation)

- STEP 1** – Enter Borrower’s average FTE between February 15, 2020 – April 26, 2020 (Safe Harbor Period): \_\_\_\_\_
  
- STEP 2** – Enter Borrower’s total FTE for the pay period inclusive of February 15, 2020: \_\_\_\_\_
  
- STEP 3** – If the entry for Step 2 is greater than Step 1, proceed to Step 4. Otherwise, the FTE Reduction Safe Harbor is not available.
  
- STEP 4** – Enter Borrower’s total FTE as of the date this application is submitted or December 31, 2020, whichever is earlier: \_\_\_\_\_
  
- STEP 5** – If the entry for Step 4 is greater than or equal to Step 2, the FTE Reduction Safe Harbor has been met and no reduction in loan forgiveness for FTE will be made.

(SBA Form 3508)

# FTE Reduction Exception



An FTE Reduction Exception is available for the following employee situations (employee by employee analysis) (IFRN2 #14):

- ▶ (1) Any position for which Borrower made a good-faith, written offer to rehire an individual who was an employee on February 15, 2020 and the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020;
- ▶ (2) Any positions for which the Borrower made a good-faith, written offer to restore any reduction in hours, at the same salary or wages, during the Covered Period and the employee rejected the offer, and

## FTE Reduction Exception (cont'd)



- ▶ (3) Any employee who during the Covered Period was fired for cause, voluntarily resigned, or voluntarily requested and received a reduction of their hours.

In all of these cases, include these FTEs in the FTE calculation **only** if the position was not filled by a new employee. Any FTE reductions in these cases do not reduce the Borrower's loan forgiveness. (IFRN2 #22)

# FTE Calculation For 8-Week Covered Period



*Example: To calculate the average FTE for the 8-week Covered Period **April 16, 2020 – June 10, 2020** for Employee #1 who worked 140 total hours during the period and for Employee #2 who worked 600 hours during the period, divide the hours worked in the period by 320 hours (standard hours available):*

- ▶ The # of days in period = 56
- ▶ The # of weeks in period = 8.0 (56 days / 7 days per week = 8 weeks)
- ▶ **The # of hours available in period = 320 (8.0 weeks \* 40 hours per week = 320 hours)**
- ▶ Employee #1 FTE = .4 (140 hours worked / 320 hours available = .44 (round to nearest tenth is .4))
- ▶ Employee #2 FTE = 1.0 (600 hours worked / 320 hours available = 1.88 (maximum is 1.0, not 1.88 as the math in this example indicates))
- ▶ *Total FTE equals 1.4 (.4 for Employee #1 plus 1.0 for Employee #2)*

(IFRN2 #17)

# FTE Calculation For 24-Week Covered Period



*Example: To calculate the average FTE for the 24-week Covered Period **April 16, 2020 – September 30, 2020** for Employee #1 who worked 140 total hours during the period and for Employee #2 who worked 600 hours during the period, divide the hours worked in the period by 960 hours (standard hours available):*

- ▶ The # of days in period = 168
- ▶ The # of weeks in period = 24.0 (168 days / 7 days per week = 24 weeks)
- ▶ **The # of hours available in period = 960 (24 weeks \* 40 hours per week = 960 hours)**
- ▶ Employee #1 FTE = .1 (140 hours worked / 960 hours available = .145 (round to nearest tenth is .1))
- ▶ Employee #2 FTE = .6 (600 hours worked / 960 hours available = .625 (round to nearest tenth is .6))
- ▶ *Total FTE equals .7 (.1 or Employee #1 plus .6 for Employee #2)*

(IFRN2 #17)



# FTE Calculation for Reference Period #1

*Example: To calculate the average FTE for the reference period **February 15, 2019 – June 30, 2019** for Employee #1 who worked 140 total hours during the period and for Employee #2 who worked 600 hours during the period, divide the hours worked in the period by 776 hours (standard hours available):*

- ▶ The # of days in period = 136
- ▶ The # of weeks in period = 19.4 (136 days / 7 days per week = 19.4 weeks)
- ▶ **The # of hours available in period = 776 (19.4 weeks \* 40 hours per week = 776 hours)**
- ▶ Employee #1 FTE = .2 (140 hours worked / 776 hours available = .18 (round to nearest tenth is .2))
- ▶ Employee #2 FTE = .8 (600 hours worked / 776 hours available = .77 (rounded to nearest tenth is .8))
- ▶ *Total FTE equals 1.0 (.2 for Employee #1 plus .8 for Employee #2)*

(IFRN2 #17)



## FTE Calculation for Reference Period #2

**Example:** To calculate the average FTE for the reference period **January 1, 2020 – February 29, 2020** for Employee #1 who worked 140 total hours during the period and for Employee #2 who worked 600 hours during the period, divide the hours worked in the period by 344 hours (standard hours available):

- ▶ The # of days in period = 60
- ▶ The # of weeks in period = 8.6 (60 days / 7 days per week = 8.6 weeks)
- ▶ **The # of hours available in period = 344 (8.6 weeks \* 40 hours per week = 344 hours)**
- ▶ Employee #1 FTE = .4 (140 hours worked / 344 hours available = .41 (round to nearest tenth is .4))
- ▶ Employee #2 FTE = 1.0 (600 hours worked / 344 hours available = 1.745 (maximum is 1.0, not 1.74 as the math in this example indicates))
- ▶ *Total FTE equals 1.4 (.4 for Employee #1 plus 1.0 for Employee #2)*

(IFRN2 #17)

# FTE Calculation for Reference Period #3 (Seasonal)



**Example:** To calculate the average FTE for the 12-week reference period between May 1, 2019 and September 15, 2019 (seasonal employer option) from **February 5, 2019 – July 27, 2019** for Employee #1 who worked 140 total hours during the period and for Employee #2 who worked 600 hours during the period, divide the hours worked in the period by 480 hours (standard hours available):

- ▶ The # of days in period = 84
- ▶ The # of weeks in period = 12.0 (84 days / 7 days per week = 12.0 weeks)
- ▶ **The # of hours available in period = 480 (12.0 weeks \* 40 hours per week = 480 hours)**
- ▶ Employee #1 FTE = .3 (140 hours worked / 480 hours available = .29 (round to nearest tenth is .3))
- ▶ Employee #2 FTE = 1.0 (600 hours worked / 480 hours available = 1.25 (maximum is 1.0, not 1.25 as the math in this example indicates))
- ▶ *Total FTE equals 1.3 (.3 or Employee #1 plus 1.0 for Employee #2)*

(IFRN2 #17)

# FTE Reduction Safe Harbor #2 Period Calculation



- To calculate the FTE for each employee during the Safe Harbor Period **February 15, 2020 – April 26, 2020** divide the # hours worked in the period by 411 (standard hours available). *For example, assume Employee #1 worked 140 total hours during the Safe Harbor Period and Employee #2 worked 600 hours during the Safe Harbor Period:*
  - ▶ *The # of days in Safe Harbor Period = 72*
  - ▶ *The # of weeks in Safe Harbor Period = 10.28 (72 days / 7 days per week = 10.28 weeks)*
  - ▶ ***The # of hours available in Safe Harbor Period = 411 (10.28 weeks \* 40 hours per week = 411 hours)***
  - ▶ *Employee #1 FTE in Safe Harbor Period = .3 (140 hours worked / 411 hours available = .34 (round to nearest tenth is .3)*
  - ▶ *Employee #2 FTE in Safe Harbor Period = 1.0 (600 hours worked / 411 hours available = 1.46 (maximum is 1.0, not 1.46 as the math in this example indicates)*
  - ▶ *Total Safe Harbor FTE equals 1.3 (.3 for Employee #1 plus 1.0 for Employee #2)*

(IFRN2 #17)



# Overview of Non-Payroll Cost Rules

# General Rule



- **Avoid Non-Payroll Costs** if possible because if a Borrower can achieve complete forgiveness utilizing only Payroll Cost components, the forgiveness process is more efficient and the Borrower has less documents to submit.
- **Forgivable Non-Payroll Costs** include mortgage interest on (secured) debt for real or personal property, rent obligation under a leasing agreement, and utilities for electricity, gas, water, transportation, telephone, or internet access (all “forgivable” expenses must be in place or in existence prior to 2/15/20). (ACT §1106(a)) / (IFRN #14) (IFRN 2 #12)
- **Allowable Non-Payroll Costs** include any mortgage interest, rent (including rent under a lease agreement), and utilities (no requirement is stated for an “in place” date or for existence prior to 2/15/20). Also, interest on any other debt obligation that was incurred before 2/15/20 is allowable. Allowable expenses are not necessarily forgivable. **See New Rule Changes herein.** (ACT §1102(a)(2)(F)) / (IFRN #15)

# General Overview – New Rule Changes



- **Rents.** Rents must be stated on a “net basis”. “The amount of loan forgiveness requested for nonpayroll costs may not include any amount attributable to the business operation of a tenant or sub-tenant of the PPP Borrower or, for home-based businesses, household expenses. The examples below illustrate this rule.
- Example: A Borrower rents an office building for \$10,000 per month and subleases out a portion of the space to other businesses for \$2,500 per month. Only \$7,500 per month is eligible for loan forgiveness.
- Example: A Borrower shares a rented space with another business. When determining the amount that is eligible for loan forgiveness, the borrower must prorate rent and utility payments in the same manner as on the Borrower’s 2019 tax filings, or if a new business, the Borrower’s expected 2020 tax filings.

# General Overview – New Rule Changes (cont'd)



- **Related Party Rents.** Rents paid to related parties are forgivable as long as (1) the amount of loan forgiveness requested for rent or lease payments to a related party is no more than the amount of mortgage interest owed on the property during the Covered Period that is attributable to the space being rented by the business, and (2) the lease and the mortgage were entered into prior to February 15, 2020.
- Any ownership in common between the business and the property Owner is a related party for these purposes. The borrower must provide its lender with mortgage interest documentation to substantiate these payments.
- PPP loans are intended to help businesses cover certain nonpayroll obligations that are owed to third parties, not payments to a business's Owner that occur because of how the business is structured. This will maintain equitable treatment between a business Owner that holds property in a separate entity and one that holds the property in the same entity as its business operations.

## General Overview – New Rule Changes (cont'd)



- **Mortgage Interest.** Forgivable mortgage interest is limited to amounts allocated to the square footage not leased out to other businesses. The example below illustrates this rule.
- Example: A Borrower has a mortgage on an office building it operates out of, and it leases out a portion of the space to other businesses. The portion of mortgage interest that is eligible for loan forgiveness is limited to the percent share of the fair market value of the space that is not leased out to other businesses. As an illustration, if the leased space represents 25% of the fair market value of the office building, then the Borrower may only claim forgiveness on 75% of the mortgage interest.

# General Overview – New Rule Changes (cont'd)



- **Related Party Mortgage Interest.** Forgivable mortgage interest is limited to non-related parties.
- PPP loans are intended to help businesses cover certain nonpayroll obligations that are owed to third parties, not payments to a business's Owner that occur because of how the business is structured. This will maintain equitable treatment between a business owner that holds property in a separate entity and one that holds the property in the same entity as its business operations.

# General Overview – New Rule Changes (cont'd)



- **Home Office.** Home office expenses are limited. The example below illustrates this rule.
- Example: A Borrower works out of his or her home. When determining the amount of nonpayroll costs that are eligible for loan forgiveness, the Borrower may include only the share of covered expenses that were deductible on the Borrower's 2019 tax filings, or if a new business, the Borrower's expected 2020 tax filings.

# Forgiveness For Amounts Incurred OR Paid



Non-Payroll (forgivable) costs are similar to Payroll Costs in that they are eligible for forgiveness if they are (IFRN2 #12):

- Paid during the Covered Period (not APCP); or incurred during the Covered Period (not APCP) and paid on or before the next regular billing date, even if the billing date is after the Covered Period (not APCP).

***Example:** Assume 8-week Covered Period from June 1 – July 26. Borrower pays its May utility bill in June (during Covered Period) and pays its July utility bill on August 10 (next regular billing date).*

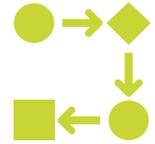
*The Borrower may seek loan forgiveness for its **May and June** utility bills, because they were **paid** during the Covered Period. In addition, the Borrower may seek loan forgiveness for the portion of its utility bill **for July through July 26** (the end of the Covered Period) because it was **incurred** during the Covered Period and paid on the next regular billing date.*



# Loan Forgiveness Process

Paycheck Deduction Program  
**Loan Forgiveness Application**  
("owner")

# Forgiveness Process Is Efficient



- Complete Loan Forgiveness Verifier™ (“Loan Verifier™”) in Excel.
- Upload completed Loan Verifier™ in the Excel native format (required) to the secure file transfer link sent directly by Holmes & Company, PC via email from ([ppp@pdxcpas.com](mailto:ppp@pdxcpas.com)).
- Borrower will receive an email from OnPoint Community Credit Union (“OnPoint”) granting access to the OnPoint loan forgiveness portal.
- Log in to the portal to complete the information requested using Loan Verifier™ reports. The amounts contained in the reports of Loan Verifier™ must match amounts entered into the loan forgiveness portal.
- Upload required supporting documents into the portal as directed.
- Application will be reviewed, calculations and required documents will be analyzed, and Borrower may receive an email from OnPoint if more information is necessary.
- OnPoint will notify SBA and Borrower of forgiveness amount within 60 days of completed application.
- SBA may deduct EIDL Advance Amounts remitted to the Lender.



**LOAN VERIFIER™**  
Required For Forgiveness

# 3 Entity Groups Determine Tabs Required For Completion



- The components of Loan Verifier™ to be completed depend on the type of Borrower
  - ✓ 1. Self-employed: Sole Proprietors, Independent Contractors, General Partners filing taxes using Schedule C, Schedule E, or Schedule F.
  - ✓ 2. S-Corporations
  - ✓ 3. C-Corporations
  
- The components of Loan Verifier™ to be completed also depend on whether a Borrower is eligible for the short form reporting on SBA Form 3508EZ or the standard form 3508.
  
- Numerous worksheet Tabs exist within Loan Verifier™ to help maximize loan forgiveness, but not all worksheet Tabs are required for every Borrower.
  
- Loan Verifier™ has been organized to require the minimum number of worksheet Tabs to be completed and Borrowers will be guided through each one.



# Loan Forgiveness Tips – Make It Simple (Avoid Red Flags!)

1. Consider a 24-week Covered Period (even for loans funded before June 5, 2020) to obtain complete forgiveness using only Payroll Costs (eliminating the need for Non-Payroll costs). A Borrower can apply for forgiveness early if the money has been used. A 24-week Covered Period provides more time to utilize funds, reduces documents that need to be provided (i.e. payroll only), increases speed of forgiveness and may reduce audit risk.
2. Provide only the documents required (Red flag: do not try to “sell it” with more documents ).
3. Highlight in red or yellow the number and dates on the documents you want the Lender to focus on (Red flag: do not encourage a full audit or questions about the document).
4. If there is math involved (i.e. a proration of the last invoice in the Covered Period, SHOW THE MATH on the invoice and highlight in red or yellow the number. If multiple documents are involved, prepare a spreadsheet showing how each total contributes to the total you are claiming (SHOW YOUR WORK).
5. If you can get full forgiveness with Payroll Costs alone, STOP there and get forgiveness with the least amount of documents required. You do not have to submit documents unless you are including the amount in the forgiveness calculation.
6. Include the fewest categories of Non-Payroll cost necessary to achieve forgiveness. If you can get full forgiveness without including non-payroll cost items as well as employer paid employee benefits (health insurance, retirement contributions, state/local taxes), STOP there and don't use other amounts for the application.



# **LOAN VERIFIER™**

Self-employed (Form 1040 Schedules C/E/F)



# ▶ Video Discrepancies

## PPP VIDEO DISCREPANCIES –SELF-EMPLOYED VIDEO

# Discrepancies Between Video and Slides

The following table indicates changes to the electronic slides (which are different from the slides included in the video) due to new SBA rules issued after the production of the video, or minor audio errors. In the instances where the video slides are inconsistent with the electronic slides, use the information on the electronic slides. Also, because of the updated SBA guidance, the slide numbers in the video will not correspond with the slide numbers in the new electronic slide deck.

<b>VIDEO TIME-STAMP</b>	<b>VIDEO SLIDE #</b>	<b>SLIDE DECK SLIDE #</b>	<b>SLIDE TOPIC</b>	<b>ITEMS TO NOTE</b>
38:46	80	85	Tab 19. Business Mortgage Interest	Added bullet point regarding home office mortgage interest expense.
39:57	81	86	Tab 20. Business Rent or Lease Payments	Added bullet point regarding home office rent or lease expense.
41:17	82	87	Tab 21. Business Utility Payments	Added bullet point regarding home office utilities expense.
45:42	142	152	Documentation Required with 3508EZ Application (cont'd)	Added new a) which details the requirements for documentation of home office expenses claimed: Requires Borrower to include Borrower's 2019 Form 1040 tax return, Form 8829.
53:31	147	157	Documentation Required with 3508 Application (cont'd)	Added new a) which details the requirements for documentation of home office expenses claimed: Requires Borrower to include Borrower's 2019 Form 1040 tax return, Form 8829.

# Overview – Self-employed



- The following Tabs are required to be completed (in this order but only items in yellow)
  - ✓ 1. General Input (items in yellow)
  - ✓ 2. Self-employed Owner Compensation (2019)
  - ✓ 8. Wage Rate Penalty
  - ✓ 9. FTE Reduction Exemption
  - ✓ 10. Type 1 Employee Cash Compensation (Covered Period) – if applicable
  - ✓ 12. Type 2 Employee Cash Compensation (Covered Period) – if applicable
  - ✓ 15. Chosen Reference Period (FTE Calculations) – if applicable

# Overview – Self-employed (cont'd)



- The following Tabs may be used (if applicable) if loan forgiveness is not at 100% after completing the above Tabs. Check Tab Rpt. 1 Loan Forgiveness App EZ or Tab Rpt. 1A Loan Forgiveness App to determine the applicable report to review and to see if forgiveness is at 100%.
  - ✓ 11. FTE Calculations (Covered Period) – Type 1 employees
  - ✓ 13. FTE Calculations (Covered Period) – Type 2 employees
  - ✓ 14. FTE Exceptions Calculations (Covered Period) – Type 1 and Type 2 employees
  - ✓ 16. FTE Reduction Safe Harbor #2 Calculation (Step 1)
  - ✓ 17. FTE Reduction Safe Harbor #2 Calculation (Step 2)
  - ✓ 18. FTE Reduction Safe Harbor #2 Calculation (Step 4)
  - ✓ 22. Health Insurance Contributions (Non-Owner employees)
  - ✓ 23. Retirement Plan Contributions (Non-Owner employees)
  - ✓ 24. State and Local Taxes on Employee Compensation (Non-Owner employees)
  - ✓ 19. Business Mortgage Interest Payments
  - ✓ 20. Business Rent or Lease Payments
  - ✓ 21. Business Utilities Payments

# Tab 1. General Input Sheet (All Borrowers)



- ✓ Purpose is to verify calculations and create reports to complete portal information – required
- ✓ Covered Period (8 or 24 weeks) – 24 weeks may maximize forgiveness
- ✓ Business legal name (Borrower)
- ✓ DBA or Trade Name, if applicable
- ✓ PPP loan amount
- ✓ PPP disbursement date (Covered Period begins on this date)
- ✓ If Borrower had **non-Owner** employees between 1/1/20 and the end of the Covered Period
- ✓ # **non-Owner** employees at application date (not FTE)
- ✓ # **non-Owner** employees at forgiveness date (not FTE)
- ✓ EIDL Loan advance amount and EIDL application number
- ✓ Indicate if PPP loan or affiliate PPP loans in total are over \$2 million
- ✓ Answer NO that Borrower was a Self-employed individual with no employees at time of loan and did not include employee salaries in forgiveness amount.
- ✓ Answer NO that Borrower was a General Partner (not partnership) with no employees at time of loan and did not include employee salaries in forgiveness amount.



## Tab 1. General Input Sheet (cont'd)

- ✓ Mark an X in the box that describes your payroll frequency
- ✓ Answer YES or NO if Borrower is electing to use the Alternative Payroll Covered Period - only available for bi-weekly or more frequent payrolls (see rules)
- ✓ If Borrower says YES to Alternative Payroll Covered Period, enter the first day of the pay period that begins after the PPP loan disbursement date
- ✓ Answer YES or NO if Borrower is eligible for Safe Harbor 1 (very important – see rules and the note on Row 41)
- ✓ All other non-yellow items will populate automatically in the OnPoint portal



## Tab 2. Self-employed Owner Compensation (2019)

1. For Sole Proprietors, Independent Contractors, and General Partners (Schedule C, Schedule F, or Schedule E). Purpose is to input 2019 compensation so Loan Verifier™ can verify limitations and loan forgiveness.
  - a) **Column A** – Number of Owners
  - b) **Column B** – Owner name
  - c) **Column D** – “GP” if Owner is a General Partner.
  - d) **Column E** – 2019 Owner compensation
    - Form 1040 Schedule C net income line 31
    - Form 1040 Schedule F line 34
    - Form 1065 Schedule K-1 Line 14
    - If not in business in 2019, annualized net income from 1/1/20 - 2/29/20
  - e) **Columns F – H** – General Partner specific information only (see Footnotes 2 and 3 in rows 19 and 20)
  - f) Now move to Tab 8 – Wage Rate Penalty and answer the questions and enter data if necessary



## Tab 8. Wage Rate Penalty

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify required loan forgiveness reductions for Type 1 employees (see Rules), if any. Note: Important Question in Row 13.
  - a) **Row 13** – Did Borrower reduce base wage rates by more than 25% between January 1, 2020 and the end of the Covered Period (if the forgiveness application is submitted prior to the end of a 24-week Covered Period, use the date the forgiveness application is submitted as the end date of the Covered Period) (Must answer Yes or No): If Borrower is unsure of the answer, you may use the tables below to determine your answer.
  - b) **Row 14** – If the answer in Row 13 is YES, enter the salary / hourly wage reduction penalty amount as provided to you from a third-party payroll service provider report or as calculated by the Borrower. If the Borrower is calculating the amount of the penalty, use the rows below in Loan Verifier™. Important, as you will see in the Documentation section, the information necessary to calculate the wage rate penalty is required to be maintained by the Borrower, but you will not have to turn that information in during the forgiveness process.
  - c) **Important** – If the answer in Row 13 is YES, the Borrower must enter a dollar amount in Cell H14 or complete the underlying rows so the amount of the penalty can be considered.
  - d) **Important** – The underlying rows (rows 17 and down) are recommended because they assist the Borrower in calculating the Salary/Hourly Wage Reduction Safe Harbor in the event that salaries or base wages were reduced by more than 25%.



## Tab 9. FTE Reduction Exemption

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify required FTE reduction penalties, if any.
2. Row 5 – If there is no red message in Row 5, complete the required items in Yellow in rows 12 and 14. Then review the pop-up message in Cell F16 for further instructions. Based on previous answers and amounts in other Tabs, one of 5 messages provided below may pop up in this row in red instructing the Borrower as follows:
  - a) Do not complete this schedule, Borrower is a Sole Proprietor or General Partner with no employees
  - b) Do not complete this schedule, Borrower has no non-Owner employees
  - c) Do not complete this schedule, 100% loan forgiveness achieved and Loan Verifier™ completed. Borrower is eligible to use Forgiveness Form 3508EZ. Go to OnPoint SBA Portal and complete application process.
  - d) Do not complete this schedule, Borrower eligible to complete Form 3508EZ - Safe Harbor 1 applies and wage rates did not decrease by more than 25%. Continue on Tab 10. Type 1 Employee Compensation (Covered Period).
  - e) Do not complete this schedule, Safe Harbor 1 applies.

# Tab 10. Cash Compensation for Type 1 Employees – Covered Period



1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using cash compensation paid to Type 1 employees (**see Payroll Rules**).
2. This is the dollar amount of the cash compensation – there are two ways to get the amount:
  - a. First, from a third-party payroll processing provider report (preferable), enter the total amount of compensation in Cell I13. Important: If this option is chosen, the same option must be chosen on Tab 11. Type 1 Emp 2020 FTE, Cell I14 (cannot mix methods – third party report vs. calculating) – Tabs 10 and 11 (FTE) work together. Skip rows 14 – 16 for now.
  - b. The second way to get the amount is to provide the information beginning in row 21; however, there are two ways to get amounts beginning in this row:
    - i. Enter the total Covered Period or Alternative Covered Payroll Period cash compensation by employee from a payroll system or 3<sup>rd</sup> party payroll report (preferable) – Column D, or
    - ii. Enter the amounts paid to each employee in the applicable week of payment (gross payroll) – Columns E – AC are available. Enter amounts only through the date the PPP loan amount is exhausted.
    - iii. Whatever method a Borrower uses to determine the information above, that same method **MUST** be used in Tab 11.

# Tab 10. Cash Compensation for Type 1 Employees – Covered Period (cont'd)



3. Rows 15 and 16 are required dates that are used in FTE calculations in other Tabs.
  - a. Row 15: What is the first day of the first pay period included in this application (Must enter M/D/YYYY)?
    - For example, if the Covered Period begins on 5/5/2020 and the first payroll paid with PPP funds is on 5/5/2020 for the pay period beginning 4/16/2020 through 4/30/2020, the answer to this question is 4/16/2020.
  - b. Row 16: What is the last day of the final pay period included in this application (Must be no later than the end of the covered period) (Must enter M/D/YYYY)?
    - For example, if the Covered Period begins on 5/5/2020 and ends on 10/19/2020 and the last payroll paid with PPP funds is on 11/5/2020 for the pay period beginning 10/16/2020 through 10/30/2020, the answer to this question is 10/19/2020 because that is the last day of the pro-rated payroll period which ends on the last day of the Covered Period.

# Tab 12. Cash Compensation for Type 2 Employees – Covered Period



1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using cash compensation paid to Type 2 employees (**see Payroll Rules**).
2. This is the dollar amount of the cash compensation – there are two ways to get the amount:
  - a. First, from a third-party payroll processing provider report (preferable) and enter the total amount of compensation in Cell H12. Important: If this option is chosen, the same option must be chosen on Tab 13. Type 2 Emp 2020 FTE, Cell H14 (cannot mix methods – third party report vs. calculating) – Tabs 12 and 13 (FTE) work together. Skip rows 14 – 16 for now.
  - b. The second way to get the amount is to provide the information beginning in row 21; however, there are two ways to get amounts beginning in this row:
    - i. Enter the total Covered Period or Alternative Covered Payroll Period cash compensation by employee from a payroll system or 3<sup>rd</sup> party payroll report (preferable) – Column D, or
    - ii. Enter the amounts paid to each employee in the applicable week of payment (gross payroll) – Columns E – AC. Enter amounts only through the date the PPP loan amount is exhausted.
    - iii. Once again, whatever method a Borrower uses to determine the information above, that same method **MUST** be used in Tab 13.

## Tab 12. Cash Compensation for Type 2 Employees – Covered Period (cont'd)



3. Rows 15 and 16 are required dates that are used in FTE calculations in other Tabs.
  - a. Row 15: What is the first day of the first pay period included in this application (Must enter M/D/YYYY)?
    - For example, if the Covered Period begins on 5/5/2020 and the first payroll paid with PPP funds is on 5/5/2020 for the pay period beginning 4/16/2020 through 4/30/2020, the answer to this question is 4/16/2020.
  - b. Row 16: What is the last day of the final pay period included in this application (Must be no later than the end of the covered period) (Must enter M/D/YYYY)?
    - For example, if the Covered Period begins on 5/5/2020 and ends on 10/19/2020 and the last payroll paid with PPP funds is on 11/5/2020 for the pay period beginning 10/16/2020 through 10/30/2020, the answer to this question is 10/19/2020 because that is the last day of the pro-rated payroll period which ends on the last day of the Covered Period.



## Tab 15. Chosen Reference Period (FTE Calculations)

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules).
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, there are two methods to obtain FTE information.
  - a. First, a third-party payroll processing provider report (preferable). Enter into Cell G9 the total amount of FTE from the report with the reference period that has the lowest FTE #.
  - b. The second way to get the amount is to provide the information beginning in row 12 from internal or third-party payroll reports:
    - i. For each employee, enter the total hours worked during each period (Column D and Column G), or for seasonal employers (see payroll rules), Column J can also be considered.
    - ii. Using information entered above, Loan Verifier™ will calculate the average FTE for the reference period.
3. The following Tabs may be used (if applicable) if loan forgiveness is not at 100% after completing the above Tabs. Check Tab Rpt. 1 Loan Forgiveness App EZ or Tab Rpt. 1A Loan Forgiveness App to determine the applicable report to review and to see if forgiveness is at 100%.



# Tab 11. FTE Calculations For Type 1 Employees – Covered Period

1. For all entities that have non-Owner Type 1 employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules).
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, there are two methods to obtain FTE information for the Covered Period, but first answer the question in row 12.
  - a. Row 12 – Must answer the question: is Borrower using the standard or simplified method of calculating FTE? 1 = Standard; 2 = Simplified (see Payroll Rules) in Cell I12.
  - b. First method of FTE calculation is a third-party payroll processing provider report (preferable). Enter the total amount of FTE during the Covered Period from the report in Cell I14.
  - c. The second way to get the amount is to provide the information beginning in row 19 from internal or third-party payroll reports but there are two ways to do this:
    - i. For each employee, enter the total hours worked during the Covered Period or Alternative Payroll Covered Period (Column E).
    - ii. For each employee, enter the total hours worked in each week or the total number of hours worked in each pay period (Columns F – AD): don't forget the prorated amount in Column AD. Example, for hours worked in week 1 and week 2 but paid in week 3, the total amount of the payroll can be entered into week 3.



## Tab 13. FTE Calculations For Type 2 Employees – Covered Period

1. For all entities that have non-Owner Type 2 employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules).
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, there are two methods to obtain FTE information for the Covered Period, but first answer the question in row 12.
  - a. Row 12 – Must answer the question: is Borrower using the standard or simplified method of calculating FTE? 1 = Standard; 2 = Simplified (see Payroll Rules) in Cell H12.
  - b. The first method of FTE calculation is a third-party payroll processing provider report (preferable). Enter into Cell H14 the total amount of FTE during the Covered Period from the report.
  - c. The second way to get the amount is to provide the information beginning in row 19 from internal or third-party payroll reports but there are two ways to do this:
    - i. For each employee, enter the total hours worked during the Covered Period or Alternative Payroll Covered Period (Column D).
    - ii. For each employee, enter the total hours worked in each week or the total number of hours worked in each pay period (Columns E – AC): don't forget the prorated amount in Column AC. Example, for hours worked in week 1 and week 2 but paid in week 3, the total amount of the payroll can be entered into week 3.



## Tab 14. FTE Reduction Exception Calculations – Covered Period

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules) – this is the add back of FTE to increase forgiveness for all employee Types 1 and 2.
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, complete the items in yellow beginning on row 16.
3. List employees in Columns B who:
  - Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is the United States; and
  - Were fired for cause, voluntarily resigned, voluntarily requested and received a reduction in hours, were employed as of February 15, 2020 and could not be rehired or replaced and employees not rehired or replaced due to reduced business activity due to compliance with COVID related regulations
4. Columns D to AB – For each listed employee, enter the hours the employee would have worked in the applicable periods if not for being fired for cause, voluntarily resigning, or voluntarily requesting and receiving a reduction in hours.



## Tab 16. FTE Reduction Safe Harbor #2 – Step 1

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules) – this is the Safe Harbor #2 add back of FTE to increase forgiveness for employee Types 1 and 2.
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, complete the items in yellow beginning on row 9.
3. Step 1 of Safe Harbor 2 calculates FTE between 2/15/2020 and 4/26/2020. There are two ways to get this information:
  - Third party payroll report – enter total amount in Cell F9.
  - Internal or third-party payroll report – For each non-Owner employee listed in Column B, enter the hours worked between 2/15/2020 and 4/26/2020 in Column E.



## Tab 17. FTE Reduction Safe Harbor #2 – Step 2

1. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, complete the items in yellow beginning on row 10.
2. Step 2 of Safe Harbor 2 calculates total FTE for the pay period that includes 2/15/2020 only. There are two ways to get this information:
  - Third-party payroll report – enter total amount in Cell F10.
  - Internal or third-party payroll report – Beginning in row 15, for each non-Owner employee, enter in Column E the total hours worked in the pay period that includes 2/15/2020 for the employees listed in Column B.
  - Row 12 – If “other” payroll frequency was selected in Tab 1. General input (Cell D37), input in Cell F12 of this Tab the number of days in the pay period that included February 15, 2020 and complete schedule beginning in row 15.



## Tab 18. FTE Reduction Safe Harbor #2 – Step 4

1. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, complete the items in yellow beginning on row 10 for all non-Owner employees.
2. Step 4 of Safe Harbor 2 calculates total FTE for the pay period inclusive of December 31, 2020, the date this application is filed, or from the final pay period in which payroll costs are included for forgiveness, whichever is earlier. There are two ways to get this information.
  - Third-party payroll report – enter total amount of FTE for the pay period encompassing December 31, 2020, or the total amount of FTE for the pay period encompassing the date this application is filed, or the total amount of FTE for the pay period encompassing the final pay period in which payroll costs are included for forgiveness, whichever is earlier, in Cell G10.
  - If a total amount is not available from a third-party payroll processor, enter the beginning and ending pay period dates for the applicable periods above (Cell G12 and G13).
  - From internal or third-party payroll report – Beginning in row 17, for each employee, enter the total hours worked during the selected pay period chosen above in Column E.



## Tab 22. Non-Owner Employee Health Insurance – Covered Period

1. Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section to the extent it provides 100% loan forgiveness.
2. This Tab is for employer paid health insurance for all non-Owner employees. Owner costs must be addressed in Tabs 5, 6 and 7 (as applicable) and cannot be input on this Tab.
  - a) **Column A** – Vendor name
  - b) **Column B** – Date paid (example 6/6/2020)
  - c) **Column C** – The date range the invoice covers (for example: a payment on 6/6/2020 may cover 6/1/2020 – 6/30/2020)
  - d) **Column D** – Total amount paid or prorated amount (see Payroll Cost Rules)
  - e) **Column E** – Enter as a positive number, the amount paid by employees, if any.
  - f) **Column F** – Enter as a positive number, the amount paid on behalf of Owner-employees, if any.



## Tab 23. Non-Owner Employee Retirement Plan Contributions – Covered Period

1. Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section to the extent it provides 100% loan forgiveness.
2. For employer paid retirement plan contributions for all non-Owner employees. Owner costs must be addressed in Tabs 5, 6 and 7 (as applicable) and cannot be input on this Tab.
  - a) **Column A** – Vendor name
  - b) **Column B** – Date paid (example 6/6/2020)
  - c) **Column C** – The date range the invoice covers (for example: a payment on 6/6/2020 may cover 6/1/2020 – 6/30/2020)
  - d) **Column D** – Total amount paid or prorated amount (see Payroll Cost Rules)
  - e) **Column E** – Enter as a positive number, the amount paid by employees, if any.
  - f) **Column F** – Enter as a positive number, the amount paid on behalf of Owner-employees, if any.



## Tab 24. Non-Owner Employee State / Local Taxes Assessed on Compensation – Covered Period

1. Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section to the extent it provides 100% loan forgiveness.
2. For employer paid state / local taxes assessed on compensation for all non-Owner employees (see Payroll Rules). Owner costs must be addressed in Tabs 5, 6 and 7 (as applicable) and cannot be input on this Tab.
  - a) **Column A** – Vendor name
  - b) **Column B** – Type of tax or assessment (i.e. unemployment tax)
  - c) **Column C** – Date paid (example 6/6/2020)
  - d) **Column D** – The date range the invoice covers (for example: a payment on 6/6/2020 may cover 6/1/2020 – 6/30/2020)
  - e) **Column E** – Total amount paid or prorated amount (see Payroll Cost Rules)
  - f) **Column F** – Enter as a positive number, the amount paid by employees, if any.
  - g) **Column G** – Enter as a positive number, the amount paid on behalf of Owner-employees, if any.



# Tab 19. Business Mortgage Interest

- ▶ Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section if needed to achieve additional forgiveness.
- ▶ The amount of business (secured) mortgage interest payments paid or incurred during the Covered Period for any business mortgage obligation on real or personal property incurred before February 15, 2020. **Do not include pre-payments. See NEW RULE CHANGES for limitations.**
- ▶ If Borrower chooses to claim home office mortgage interest expense, the amount claimed is based on Borrower's 2019 IRS 1040 income tax return Form 8829, or if a new business, the Borrower's expected 2020 tax filings. Enter in cell F7 the total calculated by multiplying the amount on Borrower's 2019 IRS Form 8829, line 19b by the home office percentage on Borrower's 2019 IRS Form 8829, line 7.
- ▶ If you choose to utilize this expense in forgiveness, proof will need to be provided that the agreement was in place prior to February 15, 2020 (see documentation requirements)
- ▶ Name of payee
- ▶ Date paid
- ▶ Period covering
- ▶ Amount paid or pro-rated amount if paid after Covered Period (see Non-Payroll Rules)



## Tab 20. Business Rent or Lease Payments

- ▶ Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section if needed to achieve additional forgiveness.
- ▶ The amount of business rent or lease payments paid or incurred for real or personal property during the Covered Period, pursuant to lease agreements in force before February 15, 2020. **Do not include pre-payments. See NEW RULE CHANGES for limitations.**
- ▶ If Borrower chooses to claim home office business rent or lease expense, the amount claimed is based on Borrower's 2019 IRS 1040 income tax return Form 8829, or if a new business, the Borrower's expected 2020 tax filings. Enter in cell F7 the total calculated by multiplying the amount on Borrower's 2019 IRS Form 8829, line 19b by the home office percentage on Borrower's 2019 IRS Form 8829, line 7.
- ▶ If you choose to utilize this expense in forgiveness, proof will need to be provided that the agreement was in place prior to February 15, 2020 (see documentation requirements).
- ▶ Name of payee
- ▶ Date paid
- ▶ Period covering
- ▶ Amount paid or pro-rated amount if paid after Covered Period (see Non-Payroll Rules)



## Tab 21. Business Utility Payments

- ▶ Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section to the extent it provides 100% loan forgiveness.
- ▶ The amount of business utilities (electricity, gas, water, transportation, telephone, internet access) paid or incurred during the Covered Period, for which service began before February 15, 2020. **See NEW RULE CHANGES for limitations.**
- ▶ If Borrower chooses to claim home office utilities expense, the amount claimed is based on Borrower's 2019 IRS 1040 income tax return Form 8829, or if a new business, the Borrower's expected 2020 tax filings. Enter in cell F7 the total calculated by multiplying the amount on Borrower's 2019 IRS Form 8829, line 21b by the home office percentage on Borrower's 2019 IRS Form 8829, line 7.
- ▶ If you choose to utilize this expense in forgiveness, proof will need to be provided that the service was in place prior to February 15, 2020 (see documentation requirements).
- ▶ Name of payee
- ▶ Date paid
- ▶ Period covering
- ▶ Amount paid or pro-rated amount if paid after Covered Period (see Non-Payroll Rules)



**LOAN VERIFIER™**  
S-Corporation



# ▶ Video Discrepancies

## PPP VIDEO DISCREPANCIES – S-CORPORATION VIDEO

# Discrepancies Between Video and Slides

The following table indicates changes to the electronic slides (which are different from the slides included in the video) due to new SBA rules issued after the production of the video, or minor audio errors. In the instances where the video slides are inconsistent with the electronic slides, use the information on the electronic slides. Also, because of the updated SBA guidance, the slide numbers in the video will not correspond with the slide numbers in the new electronic slide deck.

VIDEO TIME-STAMP	VIDEO SLIDE #	SLIDE DECK SLIDE #	SLIDE TOPIC	ITEMS TO NOTE
41:59	108	115	Tab 19. Business Mortgage Interest	Added bullet point regarding home office mortgage interest expense.
43:13	109	116	Tab 20. Business Rent or Lease Payments	Added bullet point regarding home office rent or lease expense.
44:33	110	117	Tab 21. Business Utility Payments	Added bullet point regarding home office utilities expense.
48:59	142	152	Documentation Required with 3508EZ Application (cont'd)	Added new a) which details requirements for documentation of home office expenses claimed: Requires Borrower to include Borrower's 2019 Form 1040 tax return Form 8829.
56:47	147	157	Documentation Required with 3508 Application (cont'd)	Added new a) which details requirements for documentation of home office expenses claimed: Requires Borrower to include Borrower's 2019 Form 1040 tax return Form 8829.

# Overview – S-Corporation / C-Corporation



- The following Tabs are required to be completed (in this order)
  - ✓ 1. General Input (items in yellow)
  - ✓ 3. Owner-Employee Compensation (Covered Period)
  - ✓ 4. Owner-Employee Compensation (2019)
  - ✓ 8. Wage Rate Penalty
  - ✓ 9. FTE Reduction Exemption
  - ✓ 10. Type 1 Employee Cash Compensation (Covered Period) – if applicable
  - ✓ 12. Type 2 Employee Cash Compensation (Covered Period) – if applicable
  - ✓ 15. Chosen Reference Period (FTE Calculations) – if applicable

# Overview – S-Corporation/C-Corporation (cont'd)



- The following Tabs may be used (if applicable) if loan forgiveness is not at 100% after completing the above Tabs. Check Tab Rpt. 1 Loan Forgiveness App EZ or Tab Rpt. 1A Loan Forgiveness App to determine the applicable report to review and to see if forgiveness is at 100%.
  - ✓ 5. Owner employee Health Insurance Contributions for **C-Corp. only** (Covered Period)
  - ✓ 6. Owner employee Retirement Contributions for C-Corp & S-Corp (Covered Period)
  - ✓ 7. Owner employee State/Local Taxes on Compensation for C-Corp & S-Corp (Covered Period)
  - ✓ 11. FTE Calculations (Covered Period) – Type 1 employees
  - ✓ 13. FTE Calculations (Covered Period) – Type 2 employees
  - ✓ 14. FTE Exceptions Calculations (Covered Period) – Type 1 and Type 2 employees
  - ✓ 16. FTE Reduction Safe Harbor #2 Calculation (Step 1)
  - ✓ 17. FTE Reduction Safe Harbor #2 Calculation (Step 2)
  - ✓ 18. FTE Reduction Safe Harbor #2 Calculation (Step 4)
  - ✓ 22. Health Insurance Contributions (Non-Owner employees)
  - ✓ 23. Retirement Plan Contributions (Non-Owner employees)
  - ✓ 24. State and Local Taxes on Employee Compensation (Non-Owner employees)
  - ✓ 19. Business Mortgage Interest Payments
  - ✓ 20. Business Rent or Lease Payments
  - ✓ 21. Business Utilities Payments

# Tab 1. General Input Sheet (All Borrowers)



- ✓ Purpose is to verify calculations and create reports to complete portal information – required
- ✓ Covered Period (8 or 24 weeks) – 24 weeks may maximize forgiveness
- ✓ Business legal name (Borrower)
- ✓ DBA or Trade Name, if applicable
- ✓ PPP loan amount
- ✓ PPP disbursement date (Covered Period begins on this date)
- ✓ If Borrower had **non-Owner** employees between 1/1/20 and the end of the Covered Period
- ✓ # **non-Owner** employees at application date (not FTE)
- ✓ # **non-Owner** employees at forgiveness date (not FTE)
- ✓ EIDL Loan advance amount and EIDL application number
- ✓ Indicate if PPP loan or affiliate PPP loans in total are over \$2 million
- ✓ Answer NO that Borrower was a Self-employed individual with no employees at time of loan and did not include employee salaries in forgiveness amount.
- ✓ Answer NO that Borrower was a General Partner (not partnership) with no employees at time of loan and did not include employee salaries in forgiveness amount.



## Tab 1. General Input Sheet (cont'd)

- ✓ Mark an X in the box that describes your payroll frequency
- ✓ Answer YES or NO if Borrower is electing to use the Alternative Payroll Covered Period - only available for bi-weekly or more frequent payrolls (see rules)
- ✓ If Borrower says YES to Alternative Payroll Covered Period, enter the first day of the pay period that begins after the PPP loan disbursement date
- ✓ Answer YES or NO if Borrower is eligible for Safe Harbor 1 (very important – see rules and the note on Row 41)
- ✓ All other non-yellow items will populate automatically in the OnPoint portal

# Tab 3. Owner-Employee Compensation – Covered Period



1. For Owner-employees of S-Corporation or C-Corporation only. **Do not use this Tab if you are a Sole Proprietor or General Partner (Schedule C, Schedule F, or Schedule E tax filers).** Purpose is for Loan Verifier™ to calculate and verify Owner compensation limitation.
  - a) **Column A** – Number of Owners
  - b) **Column B** – Owner name
  - c) **Column D** – Total gross payroll (cash compensation during the Covered Period) per 3<sup>rd</sup> party payroll report (if available)
  - d) **Column E through AC** – Total gross payroll by pay period during the Covered Period (if 3<sup>rd</sup> party payroll report for the entire Covered Period is not available). Using each payroll report, include the gross amount paid to each Owner-employee. Do not forget any pro-rated amounts required for complete forgiveness in Column AC.



## Tab 4. Owner-Employee Compensation – 2019

1. For Owner-employees of S-Corporation or C-Corporation only. **Do not use this Tab if you are a Sole Proprietor or General Partner (Schedule C, Schedule F, or Schedule E tax filers).** Purpose is for Loan Verifier™ to calculate and verify Owner compensation limitation.
  - a) **Column A** – Number of Owners
  - b) **Column B** – Owner name is linked from Tab 3 for Owners paid in 2020.
  - c) **Column D** – Total gross payroll (cash compensation during 2019) per 3<sup>rd</sup> party payroll report or W-2. If Borrower was not in business during 2019, annualize Owner compensation paid for the Period January 1, 2020 through February 29, 2020. For example, if Business began on February 1, 2020 and the Owner was paid \$4,000 for the month of February, the annualized 2019 payroll is \$50,483 and is calculated as follows:  $(\$4,000 / 29 \text{ days} * 366 \text{ days} = \$50,483)$ .



## Tab 8. Wage Rate Penalty

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify required loan forgiveness reductions for Type 1 employees (see Rules), if any. Note: Important Question in Row 13:
  - a) **Row 13** – Did Borrower reduce base wage rates by more than 25% between January 1, 2020 and the end of the Covered Period (if the forgiveness application is submitted prior to the end of a 24-week Covered Period, use the date the forgiveness application is submitted as the end date of the Covered Period) (Must answer Yes or No): If Borrower is unsure of the answer, you may use the tables below to determine your answer.
  - b) **Row 14** – If the answer in Row 13 is YES, enter the salary / hourly wage reduction penalty amount as provided to you from a third-party payroll service provider report or as calculated by the Borrower. If the Borrower is calculating the amount of the penalty, use the rows below in Loan Verifier™. Important, as you will see in the Documentation section, the information necessary to calculate the wage rate penalty is required to be maintained by the Borrower, but you will not have to turn that information in during the forgiveness process.
  - c) **Important** – If the answer in Row 13 is YES, the Borrower must enter a dollar amount in Cell H14 or complete the underlying rows so the amount of the penalty can be considered.
  - d) **Important** – The underlying rows (rows 17 and down) are recommended because they assist the Borrower in calculating the Salary/Hourly Wage Reduction Safe Harbor in the event that salaries or base wages were reduced by more than 25%.



## Tab 9. FTE Reduction Exemption

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify required FTE reduction penalties, if any.
2. Row 5 – If there is no red message in Row 5, complete the required items in Yellow in rows 12 and 14. Then review the pop-up message in Cell F16 for further instructions. Based on previous answers and amounts in other Tabs, one of 5 messages provided below may pop up in this row in red instructing the Borrower as follows:
  - a) Do not complete this schedule, Borrower is a Sole Proprietor or General Partner with no employees
  - b) Do not complete this schedule, Borrower has no non-Owner employees
  - c) Do not complete this schedule, 100% loan forgiveness achieved and Loan Verifier™ completed. Borrower is eligible to use Forgiveness Form 3508EZ. Go to OnPoint SBA Portal and complete application process.
  - d) Do not complete this schedule, Borrower eligible to complete Form 3508EZ - Safe Harbor 1 applies and wage rates did not decrease by more than 25%. Continue on Tab 10. Type 1 Employee Compensation (Covered Period).
  - e) Do not complete this schedule, Safe Harbor 1 applies.

# Tab 10. Cash Compensation for Type 1 Employees – Covered Period



1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using cash compensation paid to Type 1 employees (**see Payroll Rules**).
2. This is the dollar amount of the cash compensation – there are two ways to get the amount:
  - a. First, from a third-party payroll processing provider report (preferable), enter the total amount of compensation in Cell I13. Important: If this option is chosen, the same option must be chosen on Tab 11. Type 1 Emp 2020 FTE, Cell I14 (cannot mix methods – third party report vs. calculating) – Tabs 10 and 11 (FTE) work together. Skip rows 14 – 16 for now.
  - b. The second way to get the amount is to provide the information beginning in row 21; however, there are two ways to get amounts beginning in this row:
    - i. Enter the total Covered Period or Alternative Covered Payroll Period cash compensation by employee from a payroll system or 3<sup>rd</sup> party payroll report (preferable) – Column D, or
    - ii. Enter the amounts paid to each employee in the applicable week of payment (gross payroll) – Columns E – AC are available. Enter amounts only through the date the PPP loan amount is exhausted.
    - iii. Whatever method a Borrower uses to determine the information above, that same method **MUST** be used in Tab 11.

# Tab 10. Cash Compensation for Type 1 Employees – Covered Period (cont'd)



3. Rows 15 and 16 are required dates that are used in FTE calculations in other Tabs.
  - a. Row 15: What is the first day of the first pay period included in this application (Must enter M/D/YYYY)?
    - For example, if the Covered Period begins on 5/5/2020 and the first payroll paid with PPP funds is on 5/5/2020 for the pay period beginning 4/16/2020 through 4/30/2020, the answer to this question is 4/16/2020.
  - b. Row 16: What is the last day of the final pay period included in this application (Must be no later than the end of the covered period) (Must enter M/D/YYYY)?
    - For example, if the Covered Period begins on 5/5/2020 and ends on 10/19/2020 and the last payroll paid with PPP funds is on 11/5/2020 for the pay period beginning 10/16/2020 through 10/30/2020, the answer to this question is 10/19/2020 because that is the last day of the pro-rated payroll period which ends on the last day of the Covered Period.

# Tab 12. Cash Compensation for Type 2 Employees – Covered Period



1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using cash compensation paid to Type 2 employees (**see Payroll Rules**).
2. This is the dollar amount of the cash compensation – there are two ways to get the amount:
  - a. First, from a third-party payroll processing provider report (preferable) and enter the total amount of compensation in Cell H12. Important: If this option is chosen, the same option must be chosen on Tab 13. Type 2 Emp 2020 FTE, Cell H14 (cannot mix methods – third party report vs. calculating) – Tabs 12 and 13 (FTE) work together. Skip rows 14 – 16 for now.
  - b. The second way to get the amount is to provide the information beginning in row 21; however, there are two ways to get amounts beginning in this row:
    - i. Enter the total Covered Period or Alternative Covered Payroll Period cash compensation by employee from a payroll system or 3<sup>rd</sup> party payroll report (preferable) – Column D, or
    - ii. Enter the amounts paid to each employee in the applicable week of payment (gross payroll) – Columns E – AC. Enter amounts only through the date the PPP loan amount is exhausted.
    - iii. Once again, whatever method a Borrower uses to determine the information above, that same method **MUST** be used in Tab 13.

## Tab 12. Cash Compensation for Type 2 Employees – Covered Period (cont'd)



3. Rows 15 and 16 are required dates that are used in FTE calculations in other Tabs.
  - a. Row 15: What is the first day of the first pay period included in this application (Must enter M/D/YYYY)?
    - For example, if the Covered Period begins on 5/5/2020 and the first payroll paid with PPP funds is on 5/5/2020 for the pay period beginning 4/16/2020 through 4/30/2020, the answer to this question is 4/16/2020.
  - b. Row 16: What is the last day of the final pay period included in this application (Must be no later than the end of the covered period) (Must enter M/D/YYYY)?
    - For example, if the Covered Period begins on 5/5/2020 and ends on 10/19/2020 and the last payroll paid with PPP funds is on 11/5/2020 for the pay period beginning 10/16/2020 through 10/30/2020, the answer to this question is 10/19/2020 because that is the last day of the pro-rated payroll period which ends on the last day of the Covered Period.



## Tab 15. Chosen Reference Period (FTE Calculations)

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules).
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, there are two methods to obtain FTE information.
  - a. First, a third-party payroll processing provider report (preferable). Enter into Cell G9 the total amount of FTE from the report with the reference period that has the lowest FTE #.
  - b. The second way to get the amount is to provide the information beginning in row 12 from internal or third-party payroll reports:
    - i. For each employee, enter the total hours worked during each period (Column D and Column G), or for seasonal employers (see payroll rules), Column J can also be considered.
    - ii. Using information entered above, Loan Verifier™ will calculate the average FTE for the reference period.
3. The following Tabs may be used (if applicable) if loan forgiveness is not at 100% after completing the above Tabs. Check Tab Rpt. 1 Loan Forgiveness App EZ or Tab Rpt. 1A Loan Forgiveness App to determine the applicable report to review and to see if forgiveness is at 100%.



## Tab 6. Owner-Employee Retirement Plan Contributions – Covered Period

1. For employer paid retirement plan contributions for Owner-employees of C-Corporations and S-Corporations (use this input sheet only if full loan forgiveness is not achieved after completing the prior Tabs).
  - a) **Column A** – Number of Owners
  - b) **Column B** – Owner name (automatically populated from Tab 3. Owner Wages).
  - c) **Column C** – Total 2019 employer retirement plan contributions made on behalf of the Owner-employee
  - d) **Column E through AC** – Retirement plan contributions paid in each week during the Covered Period on behalf of each Owner-employee. Do not forget any pro-rated amounts required for complete forgiveness in Column AC.

# Tab 7. Owner-Employee State / Local Taxes on Compensation – Covered Period



1. For employer paid state and local taxes (e.g. unemployment insurance) paid on compensation of Owner-employees of C-Corporations and S-Corporations (use this input sheet only if full loan forgiveness is not achieved after completing the prior Tabs).
  - a) **Column A** – Number of Owners
  - b) **Column B** – Owner name (automatically populated from Tab 3. Owner Wages)
  - c) **Column C through AA** – Employer paid state and local taxes paid in each week during the Covered Period on behalf of each Owner-employee. Do not forget any pro-rated amounts required for complete forgiveness in Column AA.



## Tab 11. FTE Calculations For Type 1 Employees – Covered Period

1. For all entities that have non-Owner Type 1 employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules).
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, there are two methods to obtain FTE information for the Covered Period, but first answer the question in row 12.
  - a. Row 12 – Must answer the question: is Borrower using the standard or simplified method of calculating FTE? 1 = Standard; 2 = Simplified (see Payroll Rules) in Cell I12.
  - b. First method of FTE calculation is a third-party payroll processing provider report (preferable). Enter the total amount of FTE during the Covered Period from the report in Cell I14.
  - c. The second way to get the amount is to provide the information beginning in row 19 from internal or third-party payroll reports but there are two ways to do this:
    - i. For each employee, enter the total hours worked during the Covered Period or Alternative Payroll Covered Period (Column E).
    - ii. For each employee, enter the total hours worked in each week or the total number of hours worked in each pay period (Columns F – AD): don't forget the prorated amount in Column AD. Example, for hours worked in week 1 and week 2 but paid in week 3, the total amount of the payroll can be entered into week 3.



## Tab 13. FTE Calculations For Type 2 Employees – Covered Period

1. For all entities that have non-Owner Type 2 employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules).
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, there are two methods to obtain FTE information for the Covered Period, but first answer the question in row 12.
  - a. Row 12 – Must answer the question: is Borrower using the standard or simplified method of calculating FTE? 1 = Standard; 2 = Simplified (see Payroll Rules) in Cell H12.
  - b. The first method of FTE calculation is a third-party payroll processing provider report (preferable). Enter into Cell H14 the total amount of FTE during the Covered Period from the report.
  - c. The second way to get the amount is to provide the information beginning in row 19 from internal or third-party payroll reports but there are two ways to do this:
    - i. For each employee, enter the total hours worked during the Covered Period or Alternative Payroll Covered Period (Column D).
    - ii. For each employee, enter the total hours worked in each week or the total number of hours worked in each pay period (Columns E – AC): don't forget the prorated amount in Column AC. Example, for hours worked in week 1 and week 2 but paid in week 3, the total amount of the payroll can be entered into week 3.



## Tab 14. FTE Reduction Exception Calculations – Covered Period

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules) – this is the add back of FTE to increase forgiveness for all employee Types 1 and 2.
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, complete the items in yellow beginning on row 16.
3. List employees in Columns B who:
  - Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is the United States; and
  - Were fired for cause, voluntarily resigned, voluntarily requested and received a reduction in hours, were employed as of February 15, 2020 and could not be rehired or replaced and employees not rehired or replaced due to reduced business activity due to compliance with COVID related regulations
4. Columns D to AB – For each listed employee, enter the hours the employee would have worked in the applicable periods if not for being fired for cause, voluntarily resigning, or voluntarily requesting and receiving a reduction in hours.



## Tab 16. FTE Reduction Safe Harbor #2 – Step 1

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules) – this is the Safe Harbor #2 add back of FTE to increase forgiveness for employee Types 1 and 2.
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, complete the items in yellow beginning on row 9.
3. Step 1 of Safe Harbor 2 calculates FTE between 2/15/2020 and 4/26/2020. There are two ways to get this information:
  - Third party payroll report – enter total amount in Cell F9.
  - Internal or third-party payroll report – For each non-Owner employee listed in Column B, enter the hours worked between 2/15/2020 and 4/26/2020 in Column E.



## Tab 17. FTE Reduction Safe Harbor #2 – Step 2

1. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, complete the items in yellow beginning on row 10.
2. Step 2 of Safe Harbor 2 calculates total FTE for the pay period that includes 2/15/2020 only. There are two ways to get this information:
  - Third-party payroll report – enter total amount in Cell F10.
  - Internal or third-party payroll report – Beginning in row 15, for each non-Owner employee, enter in Column E the total hours worked in the pay period that includes 2/15/2020 for the employees listed in Column B.
  - Row 12 – If “other” payroll frequency was selected in Tab 1. General input (Cell D37), input in Cell F12 of this Tab the number of days in the pay period that included February 15, 2020 and complete schedule beginning in row 15.



## Tab 18. FTE Reduction Safe Harbor #2 – Step 4

1. Based on answers in the General Input Tab and others, a **red** pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, complete the items in yellow beginning on row 10 for all non-Owner employees.
2. Step 4 of Safe Harbor 2 calculates total FTE for the pay period inclusive of December 31, 2020, the date this application is filed, or from the final pay period in which payroll costs are included for forgiveness, whichever is earlier. There are two ways to get this information.
  - Third-party payroll report – enter total amount of FTE for the pay period encompassing December 31, 2020, or the total amount of FTE for the pay period encompassing the date this application is filed, or the total amount of FTE for the pay period encompassing the final pay period in which payroll costs are included for forgiveness, whichever is earlier, in Cell G10.
  - If a total amount is not available from a third-party payroll processor, enter the beginning and ending pay period dates for the applicable periods above (Cell G12 and G13).
  - From internal or third-party payroll report – Beginning in row 17, for each employee, enter the total hours worked during the selected pay period chosen above in Column E.



## Tab 22. Non-Owner Employee Health Insurance – Covered Period

1. Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section to the extent it provides 100% loan forgiveness.
2. This Tab is for employer paid health insurance for all non-Owner employees. Owner costs must be addressed in Tabs 5, 6 and 7 (as applicable) and cannot be input on this Tab.
  - a) **Column A** – Vendor name
  - b) **Column B** – Date paid (example 6/6/2020)
  - c) **Column C** – The date range the invoice covers (for example: a payment on 6/6/2020 may cover 6/1/2020 – 6/30/2020)
  - d) **Column D** – Total amount paid or prorated amount (see Payroll Cost Rules)
  - e) **Column E** – Enter as a positive number, the amount paid by employees, if any.
  - f) **Column F** – Enter as a positive number, the amount paid on behalf of Owner-employees, if any.



## Tab 23. Non-Owner Employee Retirement Plan Contributions – Covered Period

1. Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section to the extent it provides 100% loan forgiveness.
2. For employer paid retirement plan contributions for all non-Owner employees. Owner costs must be addressed in Tabs 5, 6 and 7 (as applicable) and cannot be input on this Tab.
  - a) **Column A** – Vendor name
  - b) **Column B** – Date paid (example 6/6/2020)
  - c) **Column C** – The date range the invoice covers (for example: a payment on 6/6/2020 may cover 6/1/2020 – 6/30/2020)
  - d) **Column D** – Total amount paid or prorated amount (see Payroll Cost Rules)
  - e) **Column E** – Enter as a positive number, the amount paid by employees, if any.
  - f) **Column F** – Enter as a positive number, the amount paid on behalf of Owner-employees, if any.



## Tab 24. Non-Owner Employee State / Local Taxes Assessed on Compensation – Covered Period

1. Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section to the extent it provides 100% loan forgiveness.
2. For employer paid state / local taxes assessed on compensation for all non-Owner employees (see Payroll Rules). Owner costs must be addressed in Tabs 5, 6 and 7 (as applicable) and cannot be input on this Tab.
  - a) **Column A** – Vendor name
  - b) **Column B** – Type of tax or assessment (e.g. unemployment tax)
  - c) **Column C** – Date paid (example 6/6/2020)
  - d) **Column D** – The date range the invoice covers (for example: a payment on 6/6/2020 may cover 6/1/2020 – 6/30/2020)
  - e) **Column E** – Total amount paid or prorated amount (see Payroll Cost Rules)
  - f) **Column F** – Enter as a positive number, the amount paid by employees, if any.
  - g) **Column G** – Enter as a positive number, the amount paid on behalf of Owner-employees, if any.



## Tab 19. Business Mortgage Interest

- ▶ Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section if needed to achieve additional forgiveness.
- ▶ The amount of business (secured) mortgage interest payments paid or incurred during the Covered Period for any business mortgage obligation on real or personal property incurred before February 15, 2020. **Do not include pre-payments. See NEW RULE CHANGES for limitations.**
- ▶ If Borrower chooses to claim home office mortgage interest expense, the amount claimed is based on Borrower's 2019 IRS 1040 income tax return Form 8829, or if a new business, the Borrower's expected 2020 tax filings. Enter in cell F7 the total calculated by multiplying the amount on Borrower's 2019 IRS Form 8829, line 19b by the home office percentage on Borrower's 2019 IRS Form 8829 line 7.
- ▶ If you choose to utilize this expense in forgiveness, proof will need to be provided that the agreement was in place prior to February 15, 2020 (see documentation requirements)
- ▶ Name of payee
- ▶ Date paid
- ▶ Period covering
- ▶ Amount paid or pro-rated amount if paid after Covered Period (see Non-Payroll Rules)

# Tab 20. Business Rent or Lease Payments



- ▶ Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section if needed for additional forgiveness.
- ▶ The amount of business rent or lease payments paid or incurred for real or personal property during the Covered Period, pursuant to lease agreements in force before February 15, 2020. **Do not include pre-payments. See NEW RULE CHANGES for limitations.**
- ▶ If Borrower chooses to claim home office business rent or lease expense, the amount claimed is based on Borrower's 2019 IRS 1040 income tax return Form 8829, or if a new business, the Borrower's expected 2020 tax filings. Enter in cell F7 the total calculated by multiplying the amount on Borrower's 2019 IRS Form 8829, line 19b by the home office percentage on Borrower's 2019 IRS Form 8829, line 7.
- ▶ If you choose to utilize this expense in forgiveness, proof will need to be provided that the agreement was in place prior to February 15, 2020 (see documentation requirements).
- ▶ Name of payee
- ▶ Date paid
- ▶ Period covering
- ▶ Amount paid or pro-rated amount if paid after Covered Period (see Non-Payroll Rules)



## Tab 21. Business Utility Payments

- ▶ Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section to the extent it provides 100% loan forgiveness.
- ▶ The amount of business utilities (electricity, gas, water, transportation, telephone, internet access) paid or incurred during the Covered Period, for which service began before February 15, 2020. **See NEW RULE CHANGES for limitations.**
- ▶ If Borrower chooses to claim home office utilities expense, the amount claimed is based on Borrower's 2019 IRS 1040 income tax return Form 8829, or if a new business, the Borrower's expected 2020 tax filings. Enter in cell F7 the total calculated by multiplying the amount on Borrower's 2019 IRS Form 8829, line 21b by the home office percentage on Borrower's 2019 IRS Form 8829, line 7.
- ▶ If you choose to utilize this expense in forgiveness, proof will need to be provided that the service was in place prior to February 15, 2020 (see documentation requirements).
- ▶ Name of payee
- ▶ Date paid
- ▶ Period covering
- ▶ Amount paid or pro-rated amount if paid after Covered Period (see Non-Payroll Rules)



**LOAN VERIFIER™**  
C-Corporation



# ▶ Video Discrepancies

## PPP VIDEO DISCREPANCIES – C-CORPORATION VIDEO

# Discrepancies Between Video and Slides

The following table indicates changes to the electronic slides (which are different from the slides included in the video) due to new SBA rules issued after the production of the video, or minor audio errors. In the instances where the video slides are inconsistent with the electronic slides, use the information on the electronic slides. Also, because of the updated SBA guidance, the slide numbers in the video will not correspond with the slide numbers in the new electronic slide deck.

VIDEO TIME-STAMP	VIDEO SLIDE #	SLIDE DECK SLIDE #	SLIDE TOPIC	ITEMS TO NOTE
12:12	117	127	Tab 4. Owner-Employee Compensation - 2019	In the example, the annualized 2019 payroll amount should be \$50,483 instead of \$50,345. Slide in electronic deck is correct.
13:35	118	128	Tab 8. Wage Rate Penalty – Covered Period	Under d) the underlying rows should be “rows 17 and down” instead of “rows 15 and down”. Slide in electronic deck is correct.
17:25	120	130	Tab 10. Cash Compensation for Type 1 Employees – Covered Period	2. should read that “there are two ways to get the amount” instead of “three”. In a) the cell reference in Tab 11. should be I14 and not I13. Slide in electronic deck is correct.
20:49	122	132	Tab 12. Cash Compensation for Type 2 Employees – Covered Period	2. Should read that “there are two ways to get the amount” instead of “three”. In a) the cell reference in Tab 13 should be H14 and not H13. Added note to 2. saying “skip rows 14-16 for now”. In b) it should say “beginning in row 21” and not “18”. Slide in electronic deck is correct.

## PPP VIDEO DISCREPANCIES – C-CORPORATION VIDEO

### Discrepancies Between Video and Slides (cont'd)

VIDEO TIME-STAMP	VIDEO SLIDE #	SLIDE DECK SLIDE #	SLIDE TOPIC	ITEMS TO NOTE
31:37	130	140	Tab 14. FTE Reduction Exception – Covered Period	Grammatical changes and in 3. it should say “list the employees in Column B” instead of “B & C”. Slide in electronic deck is correct.
33:18	131	141	Tab 16. FTE Reduction Safe Harbor #2 – Step 1	Grammatical changes and in 3. it should say “enter the hours in Column E” instead of “B, C and E”. Slide in electronic deck is correct.
42:36	137	147	Tab 19. Business Mortgage Interest	Added bullet point regarding home office mortgage interest expense.
43:49	138	148	Tab 20. Business Rent or Lease Payments	Added bullet point regarding home office rent or lease expense.
45:10	139	149	Tab 21. Business Utility Payments	Added bullet point regarding home office utilities expense.
49:35	142	152	Documentation Required with 3508EZ Application (cont'd)	Added new a) which details the requirements for documentation of home office expenses claimed: Requires Borrower to include Borrower’s 2019 Form 1040 tax return Form 8829.
57:23	147	157	Documentation Required with 3508 Application (cont'd)	Added new a) which details the requirements for documentation of home office expenses claimed: Requires Borrower to include Borrower’s 2019 Form 1040 tax return Form 8829.

# Overview – S-Corporation / C-Corporation



- The following Tabs are required to be completed (in this order)
  - ✓ 1. General Input (items in yellow)
  - ✓ 3. Owner-employee Compensation (Covered Period)
  - ✓ 4. Owner-employee Compensation (2019)
  - ✓ 8. Wage Rate Penalty
  - ✓ 9. FTE Reduction Exemption
  - ✓ 10. Type 1 Employee Cash Compensation (Covered Period) – if applicable
  - ✓ 12. Type 2 Employee Cash Compensation (Covered Period) – if applicable
  - ✓ 15. Chosen Reference Period (FTE Calculations) – if applicable

# Overview – S-Corporation / C-Corporation (Cont'd)



- The following Tabs may be used (if applicable) if loan forgiveness is not at 100% after completing the above Tabs. Check Tab Rpt. 1 Loan Forgiveness App EZ or Tab Rpt. 1A Loan Forgiveness App to determine the applicable report to review and to see if forgiveness is at 100%.
  - ✓ 5. Owner-employee Health Insurance Contributions for **C-Corp. only** (Covered Period)
  - ✓ 6. Owner-employee Retirement Contributions for C-Corp & S-Corp (Covered Period)
  - ✓ 7. Owner-employee State/Local Taxes on Compensation for C-Corp & S-Corp (Covered Period)
  - ✓ 11. FTE Calculations (Covered Period) – Type 1 employees
  - ✓ 13. FTE Calculations (Covered Period) – Type 2 employees
  - ✓ 14. FTE Exceptions Calculations (Covered Period) – Type 1 and Type 2 employees
  - ✓ 16. FTE Reduction Safe Harbor #2 Calculation (Step 1)
  - ✓ 17. FTE Reduction Safe Harbor #2 Calculation (Step 2)
  - ✓ 18. FTE Reduction Safe Harbor #2 Calculation (Step 4)
  - ✓ 22. Health Insurance Contributions (Non-Owner employees)
  - ✓ 23. Retirement Plan Contributions (Non-Owner employees)
  - ✓ 24. State and Local Taxes on Employee Compensation (Non-Owner employees)
  - ✓ 19. Business Mortgage Interest Payments
  - ✓ 20. Business Rent or Lease Payments
  - ✓ 21. Business Utilities Payments

# Tab 1. General Input Sheet (All Borrowers)



- ✓ Purpose is to verify calculations and create reports to complete portal information – required
- ✓ Covered Period (8 or 24 weeks) – 24 weeks may maximize forgiveness
- ✓ Business legal name (Borrower)
- ✓ DBA or Trade Name, if applicable
- ✓ PPP loan amount
- ✓ PPP disbursement date (Covered Period begins on this date)
- ✓ If Borrower had **non-Owner** employees between 1/1/20 and the end of the Covered Period
- ✓ # **non-Owner** employees at application date (not FTE)
- ✓ # **non-Owner** employees at forgiveness date (not FTE)
- ✓ EIDL Loan advance amount and EIDL application number
- ✓ Indicate if PPP loan or affiliate PPP loans in total are over \$2 million
- ✓ Answer NO that Borrower was a Self-employed individual with no employees at time of loan and did not include employee salaries in forgiveness amount.
- ✓ Answer NO that Borrower was a General Partner (not partnership) with no employees at time of loan and did not include employee salaries in forgiveness amount.



## Tab 1. General Input Sheet (cont'd)

- ✓ Mark an X in the box that describes your payroll frequency
- ✓ Answer YES or NO if Borrower is electing to use the Alternative Payroll Covered Period - only available for bi-weekly or more frequent payrolls (see rules)
- ✓ If Borrower says YES to Alternative Payroll Covered Period, enter the first day of the pay period that begins after the PPP loan disbursement date
- ✓ Answer YES or NO if Borrower is eligible for Safe Harbor 1 (very important – see rules and the note on Row 41)
- ✓ All other non-yellow items will populate automatically in the OnPoint portal

# Tab 3. Owner-Employee Compensation – Covered Period



1. For Owner-employees of S-Corporation or C-Corporation only. **Do not use this Tab if you are a Sole Proprietor or General Partner (Schedule C, Schedule F, or Schedule E tax filers).** Purpose is for Loan Verifier™ to calculate and verify Owner compensation limitation.
  - a) **Column A** – Number of Owners
  - b) **Column B** – Owner name
  - c) **Column D** – Total gross payroll (cash compensation during the Covered Period) per 3<sup>rd</sup> party payroll report (if available)
  - d) **Column E through AC** – Total gross payroll by pay period during the Covered Period (if 3<sup>rd</sup> party payroll report for the entire Covered Period is not available). Using each payroll report, include the gross amount paid to each Owner-employee. Do not forget any pro-rated amounts required for complete forgiveness in Column AC.



## Tab 4. Owner-Employee Compensation – 2019

1. For Owner-employees of S-Corporation or C-Corporation only. **Do not use this Tab if you are a Sole Proprietor or General Partner (Schedule C, Schedule F, or Schedule E tax filers).** Purpose is for Loan Verifier™ to calculate and verify Owner compensation limitation.
  - a) **Column A** – Number of Owners
  - b) **Column B** – Owner name is linked from Tab 3 for Owners paid in 2020.
  - c) **Column D** – Total gross payroll (cash compensation during 2019) per 3<sup>rd</sup> party payroll report or W-2. If Borrower was not in business during 2019, annualize Owner compensation paid for the Period January 1, 2020 through February 29, 2020. For example, if Business began on February 1, 2020 and the Owner was paid \$4,000 for the month of February, the annualized 2019 payroll is \$50,483 and is calculated as follows:  $(\$4,000 / 29 \text{ days} * 366 \text{ days} = \$50,483)$ .



## Tab 8. Wage Rate Penalty

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify required loan forgiveness reductions for Type 1 employees (see Rules), if any. Note: Important Question in Row 13:
  - a) **Row 13** – Did Borrower reduce base wage rates by more than 25% between January 1, 2020 and the end of the Covered Period (if the forgiveness application is submitted prior to the end of a 24-week Covered Period, use the date the forgiveness application is submitted as the end date of the Covered Period) (Must answer Yes or No): If Borrower is unsure of the answer, you may use the tables below to determine your answer.
  - b) **Row 14** – If the answer in Row 13 is YES, enter the salary / hourly wage reduction penalty amount as provided to you from a third-party payroll service provider report or as calculated by the Borrower. If the Borrower is calculating the amount of the penalty, use the rows below in Loan Verifier™. Important, as you will see in the Documentation section, the information necessary to calculate the wage rate penalty is required to be maintained by the Borrower, but you will not have to turn that information in during the forgiveness process.
  - c) **Important** – If the answer in Row 13 is YES, the Borrower must enter a dollar amount in Cell H14 or complete the underlying rows so the amount of the penalty can be considered.
  - d) **Important** – The underlying rows (rows 17 and down) are recommended because they assist the Borrower in calculating the Salary/Hourly Wage Reduction Safe Harbor in the event that salaries or base wages were reduced by more than 25%.



## Tab 9. FTE Reduction Exemption

1. For all entities that have non-Owner employees for Loan Verifier™ to calculate required FTE reduction penalties, if any.
2. **Row 5** – If there is no **red** message in Row 5, complete the required items in Yellow in rows 12 and 14 then review the pop up message in Cell F16 for further instructions. However, based on previous answers and amounts in other Tabs, one of 5 messages provided below may pop up in this row in **red** instructing the Borrower as follows:
  - a) Do not complete this schedule, Borrower is a Sole Proprietor or General Partner with no employees
  - b) Do not complete this schedule, Borrower has no non-Owner employees
  - c) Do not complete this schedule, 100% loan forgiveness achieved and Loan Verifier™ completed. Borrower is eligible to use Forgiveness Form 3508EZ. Go to OnPoint SBA Portal and complete application process.
  - d) Do not complete this schedule, Borrower eligible to complete Form 3508EZ - Safe Harbor 1 applies and wage rates did not decrease by more than 25%. Continue on Tab 10. Type 1 Employee Compensation (Covered Period).
  - e) Do not complete this schedule, Safe Harbor 1 applies

# Tab 10. Cash Compensation for Type 1 Employees – Covered Period



1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using cash compensation paid to Type 1 employees (**see Payroll Rules**).
2. This is the dollar amount of the cash compensation – there are two ways to get the amount:
  - a. First, from a third-party payroll processing provider report (preferable), enter the total amount of compensation in Cell I13. Important: If this option is chosen, the same option must be chosen on Tab 11. Type 1 Emp 2020 FTE, Cell I14 (cannot mix methods – third party report vs. calculating) – Tabs 10 and 11 (FTE) work together. Skip rows 14 – 16 for now.
  - b. The second way to get the amount is to provide the information beginning in row 21; however, there are two ways to get amounts beginning in this row:
    - i. Enter the total Covered Period or Alternative Covered Payroll Period cash compensation by employee from a payroll system or 3<sup>rd</sup> party payroll report (preferable) – Column D, or
    - ii. Enter the amounts paid to each employee in the applicable week of payment (gross payroll) – Columns E – AC are available. Enter amounts only through the date the PPP loan amount is exhausted.
    - iii. Whatever method a Borrower uses to determine the information above, that same method **MUST** be used in Tab 11.

# Tab 10. Cash Compensation for Type 1 Employees – Covered Period (cont'd)



3. Rows 15 – 16 are required dates that are used in FTE calculations in other Tabs.
  - a. What is the first day of the first pay period included in this application (Must enter M/D/YYYY)?
    - For example, if the Covered Period begins on 5/5/2020 and the first payroll paid with PPP funds is on 5/5/2020 for the pay period beginning 4/16/2020 through 4/30/2020, the answer to this question is 4/16/2020.
  - b. What is the last day of the final pay period included in this application (Must be no later than the end of the covered period) (Must enter M/D/YYYY)?
    - For example, if the Covered Period begins on 5/5/2020 and ends on 10/19/2020 and the last payroll paid with PPP funds is on 11/5/2020 for the pay period beginning 10/16/2020 through 10/30/2020, the answer to this question is 10/19/2020 because that is the last day of the prorated payroll period.

# Tab 12. Cash Compensation for Type 2 Employees – Covered Period



1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using cash compensation paid to Type 2 employees (**see Payroll Rules**).
2. This is the dollar amount of the cash compensation – there are two ways to get the amount:
  - a. First, from a third-party payroll processing provider report (preferable) and enter the total amount of compensation in Cell H12. Important: If this option is chosen, the same option must be chosen on Tab 13. Type 2 Emp 2020 FTE, Cell H14 (cannot mix methods – third party report vs. calculating) – Tabs 12 and 13 (FTE) work together. Skip rows 14 – 16 for now.
  - b. The second way to get the amount is to provide the information beginning in row 21; however, there are two ways to get amounts beginning in this row:
    - i. Enter the total Covered Period or Alternative Covered Payroll Period cash compensation by employee from a payroll system or 3<sup>rd</sup> party payroll report (preferable) – Column D, or
    - ii. Enter the amounts paid to each employee in the applicable week of payment (gross payroll) – Columns E – AC. Enter amounts only through the date the PPP loan amount is exhausted.
    - iii. Once again, whatever method a Borrower uses to determine the information above, that same method **MUST** be used in Tab 13.

## Tab 12. Cash Compensation for Type 2 Employees – Covered Period (cont'd)



3. Rows 15 and 16 are required dates that are used in FTE calculations in other Tabs.
  - a. Row 15: What is the first day of the first pay period included in this application (Must enter M/D/YYYY)?
    - For example, if the Covered Period begins on 5/5/2020 and the first payroll paid with PPP funds is on 5/5/2020 for the pay period beginning 4/16/2020 through 4/30/2020, the answer to this question is 4/16/2020.
  - b. Row 16: What is the last day of the final pay period included in this application (Must be no later than the end of the covered period) (Must enter M/D/YYYY)?
    - For example, if the Covered Period begins on 5/5/2020 and ends on 10/19/2020 and the last payroll paid with PPP funds is on 11/5/2020 for the pay period beginning 10/16/2020 through 10/30/2020, the answer to this question is 10/19/2020 because that is the last day of the pro-rated payroll period which ends on the last day of the Covered Period.



## Tab 15. Chosen Reference Period (FTE Calculations)

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules).
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, there are two methods to obtain FTE information.
  - a. First, a third-party payroll processing provider report (preferable). Enter into Cell G9 the total amount of FTE from the report with the reference period that has the lowest FTE #.
  - b. The second way to get the amount is to provide the information beginning in row 12 from internal or third-party payroll reports:
    - i. For each employee, enter the total hours worked during each period (Column D and Column G), or for seasonal employers (see payroll rules), Column J can also be considered.
    - ii. Using information entered above, Loan Verifier™ will calculate the average FTE for the reference period.
3. The following Tabs may be used (if applicable) if loan forgiveness is not at 100% after completing the above Tabs. Check Tab Rpt. 1 Loan Forgiveness App EZ or Tab Rpt. 1A Loan Forgiveness App to determine the applicable report to review and to see if forgiveness is at 100%.

## Tab 5. Owner-Employee Health Insurance – Covered Period



1. For employer paid health insurance for Owner-employees of **C-Corporation only** (use this input sheet only if full loan forgiveness is not achieved after completing the prior Tabs).
  - a) **Column A** – Number of Owners
  - b) **Column B** – Owner name (automatically populated from Tab 3. Owner Wages).
  - c) **Column C through AA** – Employer paid health insurance premiums paid in each week during the Covered Period. Do not forget any pro-rated amounts required for complete forgiveness in Column AA.



## Tab 6. Owner-Employee Retirement Plan Contributions – Covered Period

1. For employer paid retirement plan contributions for Owner-employees of C-Corporations and S-Corporations (use this input sheet only if full loan forgiveness is not achieved after completing the prior Tabs).
  - a) **Column A** – Number of Owners
  - b) **Column B** – Owner name (automatically populated from Tab 3. Owner Wages).
  - c) **Column C** – Total 2019 employer retirement plan contributions made on behalf of the Owner-employee
  - d) **Column E through AC** – Retirement plan contributions paid in each week during the Covered Period on behalf of each Owner-employee. Do not forget any pro-rated amounts required for complete forgiveness in Column AC.

# Tab 7. Owner-Employee State / Local Taxes on Compensation – Covered Period



1. For employer paid state and local taxes (e.g. unemployment insurance) paid on compensation of Owner-employees of C-Corporations and S-Corporations (use this input sheet only if full loan forgiveness is not achieved after completing the prior Tabs).
  - a) **Column A** – Number of Owners
  - b) **Column B** – Owner name (automatically populated from Tab 3. Owner Wages)
  - c) **Column C through AA** – Employer paid state and local taxes paid in each week during the Covered Period on behalf of each Owner-employee. Do not forget any pro-rated amounts required for complete forgiveness in Column AA.



## Tab 11. FTE Calculations For Type 1 Employees – Covered Period

1. For all entities that have non-Owner Type 1 employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules).
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, there are two methods to obtain FTE information for the Covered Period, but first answer the question in row 12.
  - a. Row 12 – Must answer the question: is Borrower using the standard or simplified method of calculating FTE? 1 = Standard; 2 = Simplified (see Payroll Rules) in Cell I12.
  - b. First method of FTE calculation is a third-party payroll processing provider report (preferable). Enter the total amount of FTE during the Covered Period from the report in Cell I14.
  - c. The second way to get the amount is to provide the information beginning in row 19 from internal or third-party payroll reports but there are two ways to do this:
    - i. For each employee, enter the total hours worked during the Covered Period or Alternative Payroll Covered Period (Column E).
    - ii. For each employee, enter the total hours worked in each week or the total number of hours worked in each pay period (Columns F – AD): don't forget the prorated amount in Column AD. Example, for hours worked in week 1 and week 2 but paid in week 3, the total amount of the payroll can be entered into week 3.



## Tab 13. FTE For Type 2 Employees – Covered Period

1. For all entities that have non-Owner Type 2 employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules).
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, there are two methods to obtain FTE information for the Covered Period, but first answer the question in row 12.
  - a. Row 12 – Must answer the question: is Borrower using the standard or simplified method of calculating FTE? 1 = Standard; 2 = Simplified (see Payroll Rules) in Cell H12.
  - b. The first method of FTE calculation is a third-party payroll processing provider report (preferable). Enter into Cell H14 the total amount of FTE during the Covered Period from the report.
  - c. The second way to get the amount is to provide the information beginning in row 19 from internal or third-party payroll reports but there are two ways to do this:
    - i. For each employee, enter the total hours worked during the Covered Period or Alternative Payroll Covered Period (Column D).
    - ii. For each employee, enter the total hours worked in each week or the total number of hours worked in each pay period (Columns E – AC): don't forget the prorated amount in Column AC. Example, for hours worked in week 1 and week 2 but paid in week 3, the total amount of the payroll can be entered into week 3.



# Tab 14. FTE Reduction Exception Calculations – Covered Period

1. For all entities that have non-Owner employees. Purpose is for Loan Verifier™ to calculate and verify loan forgiveness using FTE calculations (see Payroll Rules) – this is the add back of FTE to increase forgiveness for all employee Types 1 and 2.
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, complete the items in yellow beginning on row 16.
3. List employees in Columns B who:
  - Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is the United States; and
  - Were fired for cause, voluntarily resigned, voluntarily requested and received a reduction in hours, were employed as of February 15, 2020 and could not be rehired or replaced and employees not rehired or replaced due to reduced business activity due to compliance with COVID related regulations
4. Columns D to AB – For each listed employee, enter the hours the employee would have worked in the applicable periods if not for being fired for cause, voluntarily resigning, or voluntarily requesting and receiving a reduction in hours.



## Tab 16. FTE Reduction Safe Harbor #2 – Step 1

1. For all entities that have non-Owner employees for Loan Verifier™ to calculate loan forgiveness using FTE calculations (see Payroll Rules) – this is the Safe Harbor 2 add back of FTE to increase forgiveness.
2. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, complete the items in yellow beginning on row 9.
3. Step 1 of Safe Harbor 2 calculates FTE between 2/15/2020 and 4/26/2020. There are two ways to get this information:
  - Third party payroll report – enter total amount in Cell F9.
  - Internal or third-party payroll report – For each non-Owner employee listed in Column B, enter the hours worked between 2/15/2020 and 4/26/2020 in Column E.



## Tab 17. FTE Reduction Safe Harbor #2 – Step 2

1. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, complete the items in yellow beginning on row 10.
2. Step 2 of Safe Harbor 2 calculates total FTE for the pay period that includes 2/15/2020 only. There are two ways to get this information:
  - Third-party payroll report – enter total amount in Cell F10.
  - Internal or third-party payroll report – Beginning in row 15, for each non-Owner employee, enter in Column E the total hours worked in the pay period that includes 2/15/2020 for the employees listed in Column B.
  - Row 12 – If “other” payroll frequency was selected in Tab 1. General input (Cell D37), input in Cell F12 of this Tab the number of days in the pay period that included February 15, 2020 and complete schedule beginning in row 15.



## Tab 18. FTE Reduction Safe Harbor 2 – Step 4

1. Based on answers in the General Input Tab and others, a red pop up message may appear in row 5 that directs a Borrower to not complete this Tab. Otherwise, complete the items in yellow beginning on row 10 for all non-Owner employees.
2. Step 4 of Safe Harbor 2 calculates total FTE for the pay period inclusive of December 31, 2020, the date this application is filed, or from the final pay period in which payroll costs are included for forgiveness, whichever is earlier. There are two ways to get this information.
  - Third-party payroll report – enter total amount of FTE for the pay period encompassing December 31, 2020, or the total amount of FTE for the pay period encompassing the date this application is filed, or the total amount of FTE for the pay period encompassing the final pay period in which payroll costs are included for forgiveness, whichever is earlier, in Cell G10.
  - If a total amount is not available from a third-party payroll processor, enter the beginning and ending pay period dates for the applicable periods above (Cell G12 and G13).
  - From internal or third-party payroll report – Beginning in row 17, for each employee, enter the total hours worked during the selected pay period chose above in Column E.



## Tab 22. Non-Owner Employee Health Insurance – Covered Period

1. Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section to the extent it provides 100% loan forgiveness.
2. This Tab is for employer paid health insurance for all non-Owner employees. Owner costs must be addressed in Tabs 5, 6 and 7 (as applicable) and cannot be input on this Tab.
  - a) **Column A** – Vendor name
  - b) **Column B** – Date paid (example 6/6/2020)
  - c) **Column C** – The date range the invoice covers (for example: a payment on 6/6/2020 may cover 6/1/2020 – 6/30/2020)
  - d) **Column D** – Total amount paid or prorated amount (see Payroll Cost Rules)
  - e) **Column E** – Enter as a positive number, the amount paid by employees, if any.
  - f) **Column F** – Enter as a positive number, the amount paid on behalf of Owner-employees, if any.



## Tab 23. Non-Owner Employee Retirement Plan Contributions – Covered Period

1. Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section to the extent it provides 100% loan forgiveness.
2. For employer paid retirement plan contributions for all non-Owner employees. Owner costs must be addressed in Tabs 5, 6 and 7 (as applicable) and cannot be input on this Tab.
  - a) **Column A** – Vendor name
  - b) **Column B** – Date paid (example 6/6/2020)
  - c) **Column C** – The date range the invoice covers (for example: a payment on 6/6/2020 may cover 6/1/2020 – 6/30/2020)
  - d) **Column D** – Total amount paid or prorated amount (see Payroll Cost Rules)
  - e) **Column E** – Enter as a positive number, the amount paid by employees, if any.
  - f) **Column F** – Enter as a positive number, the amount paid on behalf of Owner-employees, if any.



## Tab 24. Non-Owner Employee State / Local Taxes Assessed on Compensation – Covered Period

1. Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section to the extent it provides 100% loan forgiveness.
2. For employer paid state / local taxes assessed on compensation for all non-Owner employees (see Payroll Rules). Owner costs must be addressed in Tabs 5, 6 and 7 (as applicable) and cannot be input on this Tab.
  - a) **Column A** – Vendor name
  - b) **Column B** – Type of tax or assessment (e.g. unemployment tax)
  - c) **Column C** – Date paid (example 6/6/2020)
  - d) **Column D** – The date range the invoice covers (for example: a payment on 6/6/2020 may cover 6/1/2020 – 6/30/2020)
  - e) **Column E** – Total amount paid or prorated amount (see Payroll Cost Rules)
  - f) **Column F** – Enter as a positive number, the amount paid by employees, if any.
  - g) **Column G** – Enter as a positive number, the amount paid on behalf of Owner-employees, if any.



## Tab 19. Business Mortgage Interest

- ▶ Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section if needed to achieve additional forgiveness.
- ▶ The amount of business mortgage interest payments paid or incurred during the Covered Period for any business mortgage obligation on real or personal property incurred before February 15, 2020. **Do not include pre-payments. See NEW RULE CHANGES for limitations.**
- ▶ If Borrower chooses to claim home office mortgage interest or lease expense, the amount claimed is based on Borrower's 2019 IRS 1040 income tax return Form 8829, or if a new business, the Borrower's expected 2020 tax filings. Enter in cell F7 the total calculated by multiplying the amount on Borrower's 2019 IRS Form 8829, line 19b by the home office percentage on Borrower's 2019 IRS Form 8829, line 7.
- ▶ If you choose to utilize this expense in forgiveness, proof will need to be provided that the agreement was in place prior to February 15, 2020 (see documentation requirements)
- ▶ Name of payee
- ▶ Date paid
- ▶ Period covering
- ▶ Amount paid or pro-rated amount if paid after Covered Period (see Non-Payroll Rules)

# Tab 20. Business Rent or Lease Payments

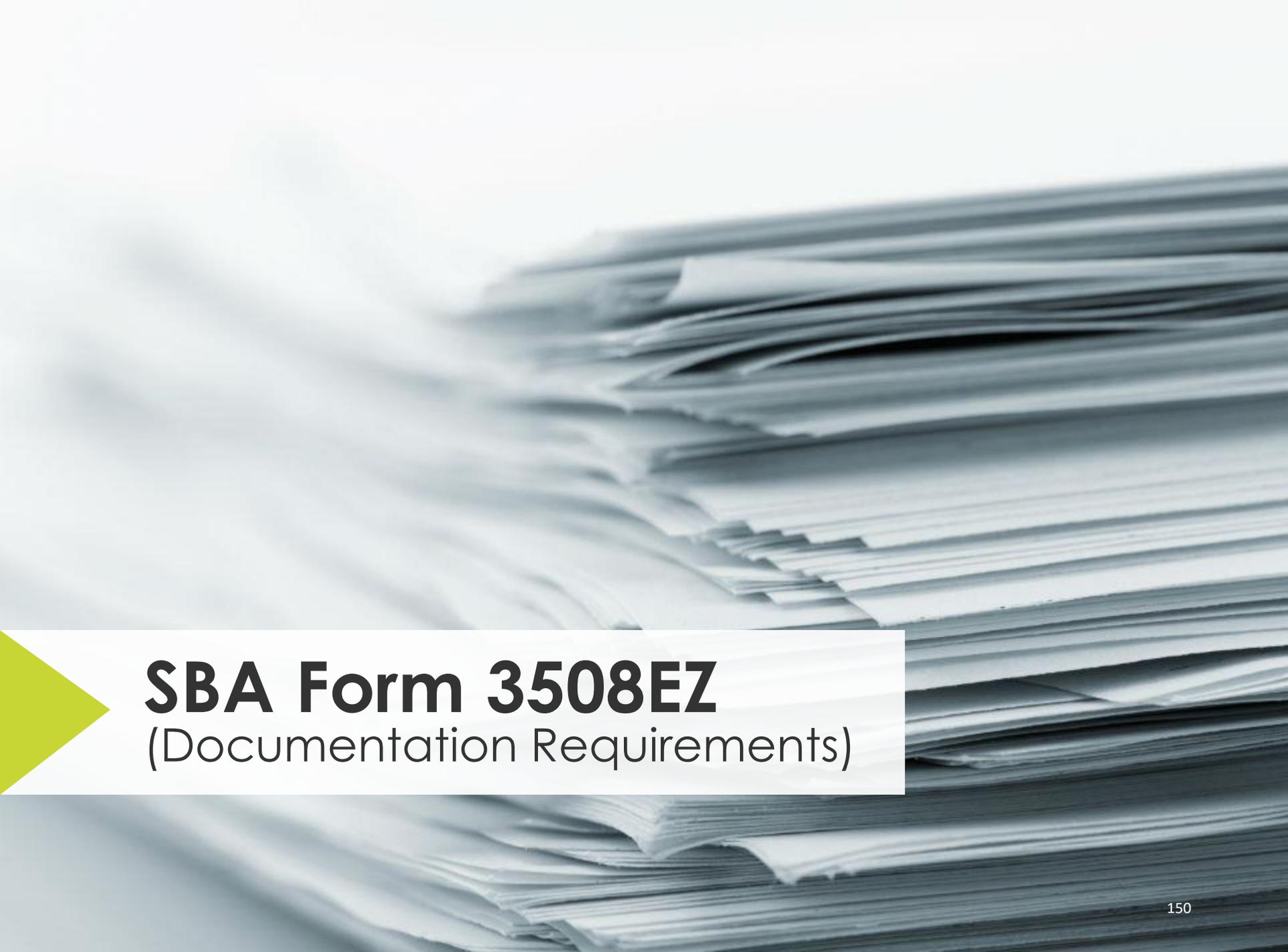


- ▶ Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section if needed to achieve additional forgiveness.
- ▶ The amount of business rent or lease payments paid or incurred for real or personal property during the Covered Period, pursuant to lease agreements in force before February 15, 2020. **Do not include pre-payments. See NEW RULE CHANGES for limitations.**
- ▶ If Borrower chooses to claim home office business rent or lease expense, the amount claimed is based on Borrower's 2019 IRS 1040 income tax return Form 8829, or if a new business, the Borrower's expected 2020 tax filings. Enter in cell F7 the total calculated by multiplying the amount on Borrower's 2019 IRS Form 8829, line 19b by the home office percentage on Borrower's 2019 IRS Form 8829, line 7.
- ▶ If you choose to utilize this expense in forgiveness, proof will need to be provided that the agreement was in place prior to February 15, 2020 (see documentation requirements).
- ▶ Name of payee
- ▶ Date paid
- ▶ Period covering
- ▶ Amount paid or pro-rated amount if paid after Covered Period (see Non-Payroll Rules)



## Tab 21. Business Utility Payments

- ▶ Before completing this Tab, check either Rpt. 1 Loan Forgiveness Application EZ or Rpt. 1A Loan Forgiveness App to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report that applies and use it to complete the required portal information. Only complete this section to the extent it provides 100% loan forgiveness.
- ▶ The amount of business utilities (electricity, gas, water, transportation, telephone, internet access) paid or incurred during the Covered Period, for which service began before February 15, 2020. **See NEW RULE CHANGES for limitations.**
- ▶ If Borrower chooses to claim home office utilities expense, the amount claimed is based on Borrower's 2019 IRS 1040 income tax return Form 8829, or if a new business, the Borrower's expected 2020 tax filings. Enter in cell F7 the total calculated by multiplying the amount on Borrower's 2019 IRS Form 8829, line 21b by the home office percentage on Borrower's 2019 IRS Form 8829, line 7.
- ▶ If you choose to utilize this expense in forgiveness, proof will need to be provided that the service was in place prior to February 15, 2020 (see documentation requirements)
  - ▶ Name of payee
  - ▶ Date paid
  - ▶ Period covering
  - ▶ Amount paid or pro-rated amount if paid after Covered Period (see Non-Payroll Rules)



**SBA Form 3508EZ**  
(Documentation Requirements)



# Documentation Required With Application

**Payroll:** Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period or the APCP 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 APCP:
  - ▶ 2019 Form 1040 Schedule C, F, or E **(even if already provided in the loan application process)**
  - ▶ Payroll tax filings that have or will be reported to the IRS (e.g. 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.
- 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 one of instructions, you need to include documents indicating 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.**



## Documents Required With Application (cont'd)

**Nonpayroll:** Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period **(ALL required documents must be submitted – apply for forgiveness after all required documents are available).**

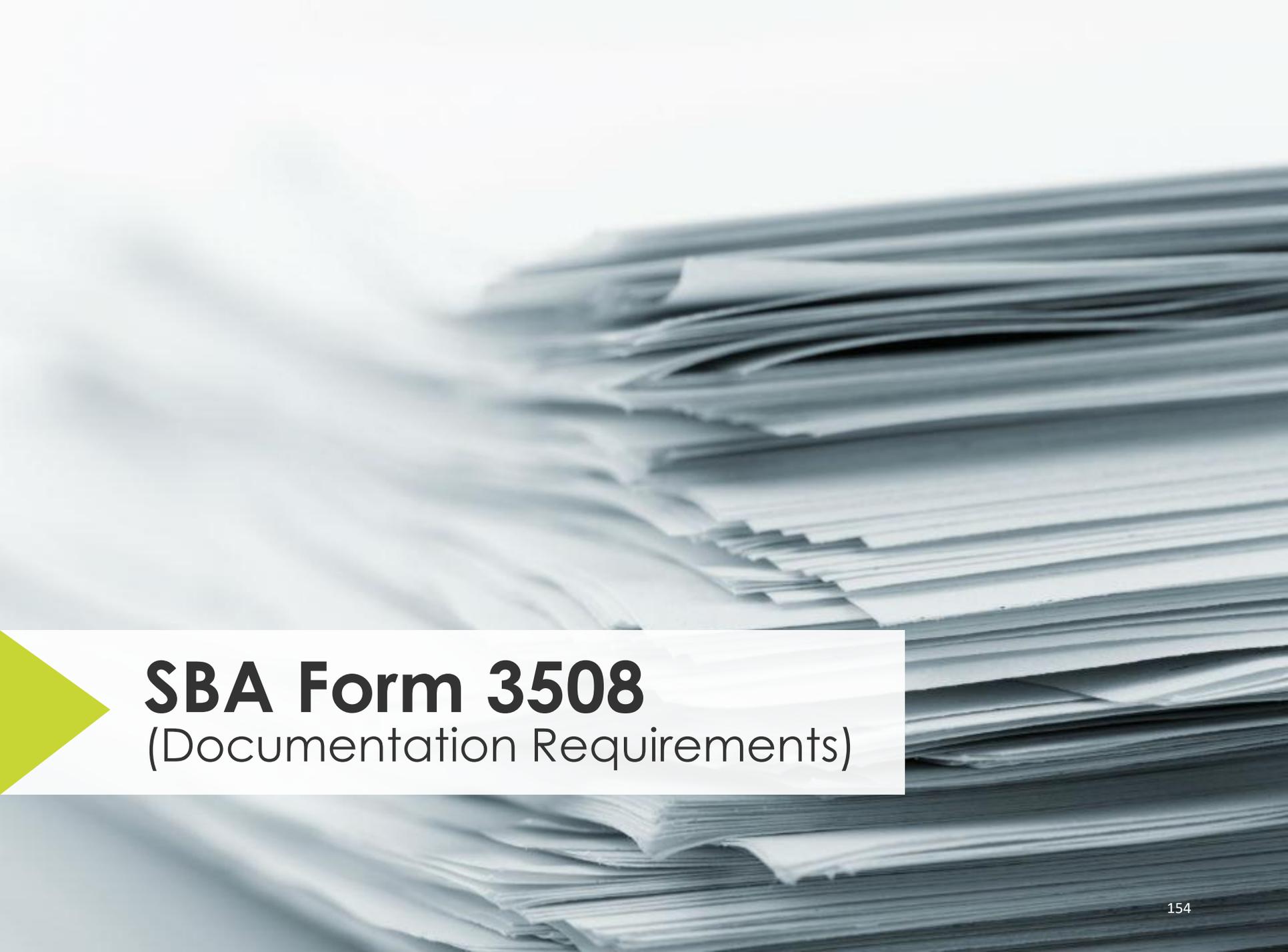
- a) If Borrower chooses to claim home office expenses, Borrower should submit a copy of Borrower's 2019 IRS Form 1040 income tax return Form 8829. Include calculations documenting amounts claimed on Verifier Tabs 19, 20 and 21 for home office expenses.
- b) Business mortgage interest payments: Copy of Lender amortization schedule and receipts or canceled 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.
- c) Business rent or lease payments: Copy of current lease agreement and receipts or canceled 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.
- d) Business utility payments: copy of invoices from February 2020 and those paid during the Covered Period and receipts, canceled checks, or account statements verifying those eligible payments.

## Documents Borrower Must Retain (Do Not Submit)

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- a) See Rules on SBA Application 3508EZ

A stack of papers is shown in a shallow depth of field, with the top edges of the pages clearly visible. A white banner with a green triangle on the left side is overlaid on the bottom left of the image.

# **SBA Form 3508**

(Documentation Requirements)



# Documentation Required With Application

**Payroll:** Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period or the APCP 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 APCP:
  - ▶ 2019 Form 1040 Schedule C, F, or E **(even if already provided in the loan application process)**
  - ▶ Payroll tax filings that have or will be reported to the IRS (e.g. 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.
- 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 one of instructions, you need to include documents indicating 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.**

# Documentation Required With Application



**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 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.



## Documents Required With Application (cont'd)

**Nonpayroll:** Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period **(ALL required documents must be submitted – apply for forgiveness after all required documents are available).**

- a) If Borrower chooses to claim home office expenses, Borrower should submit a copy of Borrower's 2019 IRS Form 1040 income tax return Form 8829. Include calculations documenting amounts claimed on Verifier Tabs 19, 20 and 21 for home office expenses.
- b) Business mortgage interest payments: Copy of Lender amortization schedule and receipts or canceled 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.
- c) Business rent or lease payments: Copy of current lease agreement and receipts or canceled 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.
- d) Business utility payments: copy of invoices from February 2020 and those paid during the Covered Period and receipts, canceled checks, or account statements verifying those eligible payments.

## Documents Borrower Must Retain (Do Not Submit)

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- a) See Rules on SBA Application 3508

# Thank you!



**BILL HOLMES, CPA/ABV/CVA/CFE**  
**Holmes & Company, PC**

P 503.270.5400

E [ppp@pdxcpas.com](mailto:ppp@pdxcpas.com)