

OnPoint[®]

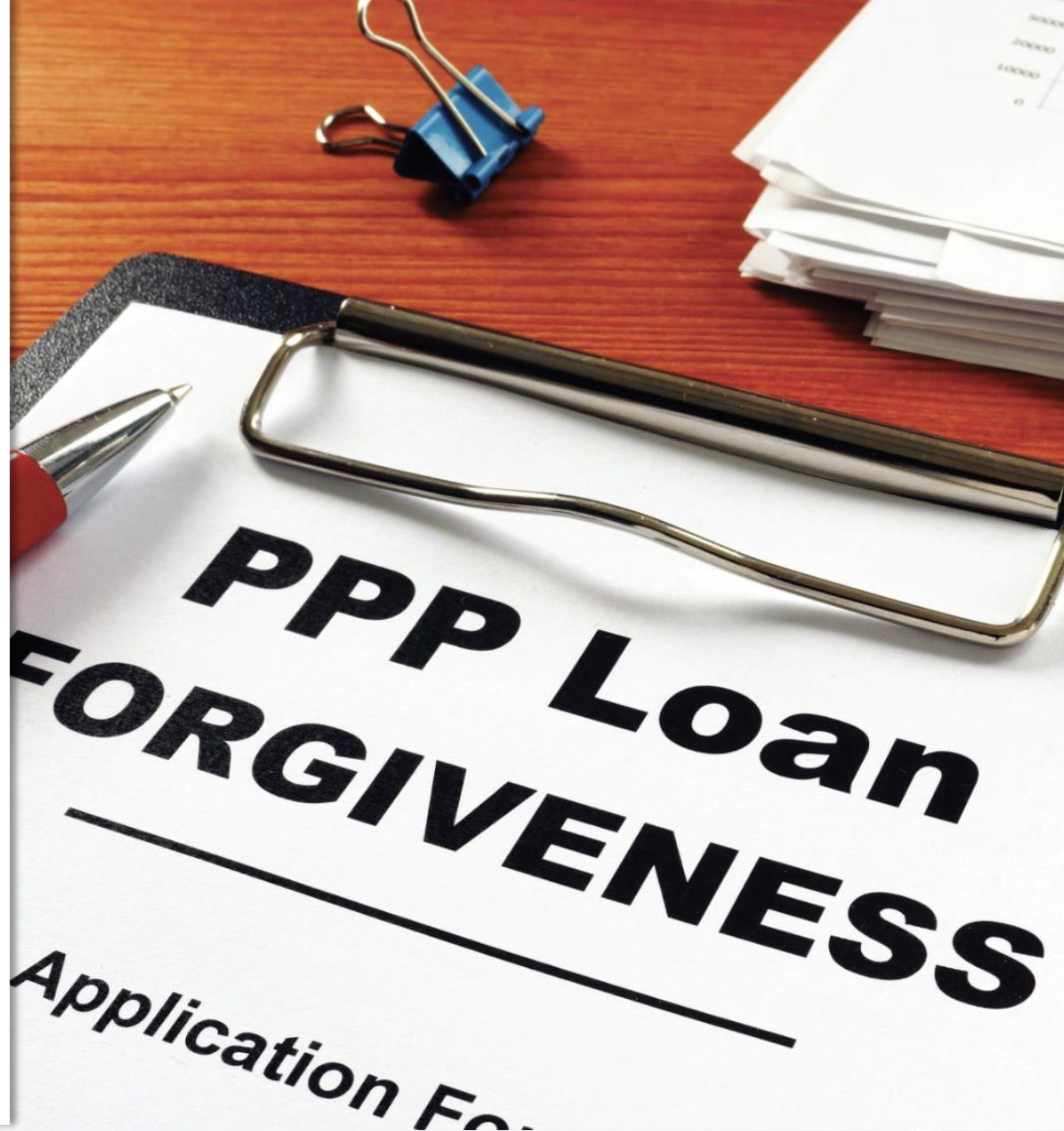
COMMUNITY CREDIT UNION

PPP Loan Forgiveness: A Toolkit For

1. SELF-EMPLOYED INDIVIDUALS (IRS FORM 1040 SCHEDULE C OR SCHEDULE F FILERS) WITH NO EMPLOYEES; OR

2. BUSINESSES TAXED AS A C-CORPORATION OR S-CORPORATION WITH ONLY A SINGLE OWNER AND HAS NO OTHER EMPLOYEES; OR

3. BUSINESSES TAXED AS A PARTNERSHIP (LLC/LLP/GENERAL PARTNERSHIP) AND HAS NO OTHER EMPLOYEES



Disclaimer and Terms of Use

The information contained herein is intended for educational purposes only and is based on an understanding of the Coronavirus, Aid, Relief, and Economic Security (CARES) Act (and related rules and guidance) as of the date of this publication. The provisions of the Act and related rules and guidance could subsequently change and materially affect the contents or application of the information contained herein.

This publication is not intended to replace individual accounting or legal advice, does not constitute accounting or legal advice, and does not create any accounting or other client relationship between any user and Holmes & Company, PC. If any user disagrees with the content of the information contained herein and believes they will be harmed as a result, they should seek the advice of legal counsel or an accountant before submitting a loan forgiveness application.

This publication is the property of Holmes & Company, PC and may not be re-printed or re-transmitted without the express written consent of Holmes & Company, PC.



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.

A close-up photograph of a person's hands holding a pair of black binoculars. The binoculars are held horizontally, with the two objective lenses facing the viewer. The background is a soft-focus outdoor scene with green foliage. A white semi-transparent banner with a green triangle on the left side is overlaid at the bottom of the image.

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. (IFRN2 #7)
- 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 Owner Compensation Rules

Forgivable Payroll Costs Vary By Type of Owners



- Individuals are considered “Owners” if they a) are self-employed (ie. independent contractor or sole proprietor); b) own a 5% or more ownership stake in an entity taxed as a S-Corp or C-Corp; or c) owns any general partner % of an entity taxed as a partnership (such as a LLC, LLP, or general partnership). Otherwise, they are simply considered Type 1 or Type 2 “employees” (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.
- 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 paid retirement contributions, employer paid health care contributions, 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 2019 employer retirement contributions paid on behalf of the 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 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 ($\$85,000 * .15385 = \$13,073$ 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 no health insurance is allowed) 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 the 2019 employer retirement contributions paid on behalf of the Owner-employee. (FFAQ #8)
 - **No health insurance for S-Corps** as they are 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 2020 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 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). Again, **no non-cash compensation** is allowed for forgiveness for General Partners. (FFAQ #8)



Overview of Non-Payroll Cost Rules

General Overview



- **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.

Incurred OR Paid



Non-Payroll Covered (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).

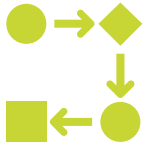
*The Borrower may seek loan forgiveness for its **May and June** utility bills, because they were **paid** during the Covered Period. In addition, the Borrower may seek loan forgiveness for the portion of its utility bill **for July through July 26** (the end of the Covered Period) because it was **incurred**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



Loan Forgiveness Process

Paycheck Deduction Program
Loan Forgiveness Application
("owner")

PPP Loan Forgiveness Process



- 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 an email from (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 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

- 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 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

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 |
|-------------------------|----------------------|---------------------------|---|---|
| 30:30 | 23 | 36 | Tab 19. Business Mortgage Interest | Added bullet point regarding home office mortgage interest expense. |
| 31:07 | 24 | 37 | Tab 20. Business Rent or Lease Payments | Added bullet point regarding home office rent or lease expense. |
| 31:59 | 25 | 38 | Tab 21. Business Utility Payments | Added bullet point regarding home office utilities expense. |



Overview – Self-employed

- The following Tabs are required to be completed (in this order)
 - ✓ 1. General Input (items in yellow)
 - ✓ 2. 2019 Owner or General Partner compensation (items in yellow)

- 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 to determine the applicable report to review and to see if forgiveness is at 100%.
 - ✓ 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 and 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 YES that Borrower was a self-employed individual (IRS Form 1040 Schedule C or F filers) with no non-owner employees at time of loan and did not include employee salaries in forgiveness amount. **Answer NO if the Borrower is taxed as a Partnership (i.e. LLC/LLP), S-Corp, or C-Corp.**
- ✓ Answer YES if the Borrower was taxed as a partnership (i.e. LLC/LLP) and had no non-owner employees at time of loan and did not include employee salaries in forgiveness amount. **Answer NO if the Borrower is taxed as a S-Corp or C-Corp.**
- ✓ 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) Check Rpt. 1 Loan Forgiveness Application EZ to determine if forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print Rpt. 1 Loan Forgiveness Application EZ and use it to complete the required portal information.
 - g) If loan forgiveness is not at 100%, complete Tabs 19, 20, and 21. Complete one tab at a time and only complete Tabs necessary to get loan forgiveness on Rpt. 1 Loan Forgiveness Application EZ.



Tab 19. Business Mortgage Interest

- ▶ Before completing this Tab, check Rpt. 1 Loan Forgiveness Application EZ to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report and use it to complete the required portal information. Only complete this section to the extent that it is needed to help 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 10b 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 Rpt. 1 Loan Forgiveness Application EZ to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report and use it to complete the required portal information. Only complete this section to the extent that it is needed to help 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 Rpt. 1 Loan Forgiveness Application EZ to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report and use it to complete the required portal information. Only complete this section to the extent that it is needed to help achieve additional 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 – NO NON-OWNER EMPLOYEES 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 |
|-------------------------|----------------------|---------------------------|---|---|
| 39:56 | 34 | 49 | Tab 19. Business Mortgage Interest | Added bullet point regarding home office mortgage interest expense. |
| 41:14 | 24 | 50 | Tab 20. Business Rent or Lease Payments | Added bullet point regarding home office rent or lease expense. |
| 41:41 | 25 | 51 | Tab 21. Business Utility Payments | Added bullet point regarding home office utilities expense. |



Overview – S-Corporation

- The following Tabs are required to be completed (in this order)
 - ✓ 1. General Input (items in yellow)
 - ✓ 3. Covered Period Owner-employee compensation
 - ✓ 4. 2019 Owner-employee compensation (items in yellow)

- 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 to see if forgiveness is at 100%.
 - ✓ 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)
 - ✓ 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 and 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 loans in total is over \$2 million
- ✓ Answer YES that Borrower was a self-employed individual (IRS Form 1040 Schedule C or F filers) with no non-owner employees at time of loan and did not include employee salaries in forgiveness amount. **Answer NO if the Borrower is taxed as a Partnership (i.e. LLC/LLP), S-Corp, or C-Corp.**
- ✓ Answer YES if the Borrower was taxed as a partnership (i.e. LLC/LLP) and had no non-owner employees at time of loan and did not include employee salaries in forgiveness amount. **Answer NO if the Borrower is taxed as a S-Corp or C-Corp.**
- ✓ 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 3rd party payroll report (if available)
 - d) **Column E through AC** – Total gross payroll by pay period during the Covered Period (if 3rd 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 3rd 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 4. Owner-Employee Compensation – 2019 (cont'd)



- d) Check Rpt. 1 Loan Forgiveness Application EZ to determine if forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print Rpt. 1 Loan Forgiveness Application EZ and use it to complete the required portal information.
- e) If loan forgiveness is not at 100%, complete Tabs 6, 7, 19, 20, and 21. Only complete one tab at a time if necessary to get loan forgiveness on Rpt. 1 Loan Forgiveness Application EZ.



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

1. For employer paid retirement plan contributions 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** – Total 2019 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 19. Business Mortgage Interest

- ▶ Before completing this Tab, check Rpt. 1 Loan Forgiveness Application EZ to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report and use it to complete the required portal information. Only complete this section to the extent that it is needed to help 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 10b 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 Rpt. 1 Loan Forgiveness Application EZ to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report and use it to complete the required portal information. Only complete this section to the extent that it is needed to help 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 Rpt. 1 Loan Forgiveness Application EZ to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report and use it to complete the required portal information. Only complete this section to the extent that it is needed to help achieve additional 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 – NO NON-OWNER EMPLOYEES 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 |
|-------------------------|----------------------|---------------------------|---|---|
| 51:23 | 34 | 63 | Tab 19. Business Mortgage Interest | Added bullet point regarding home office mortgage interest expense. |
| 52:39 | 35 | 64 | Tab 20. Business Rent or Lease Payments | Added bullet point regarding home office rent or lease expense. |
| 53:07 | 36 | 65 | Tab 21. Business Utility Payments | Added bullet point regarding home office utilities expense. |



Overview – C-Corporation

- The following Tabs are required to be completed (in this order)
 - ✓ 1. General Input (items in yellow)
 - ✓ 3. Covered Period Owner-employee compensation
 - ✓ 4. 2019 Owner-employee compensation (items in yellow)

- 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 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)
 - ✓ 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 and 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 loans in total is over \$2 million
- ✓ Answer YES that Borrower was a self-employed individual (IRS Form 1040 Schedule C or F filers) with no non-owner employees at time of loan and did not include employee salaries in forgiveness amount. **Answer NO if the Borrower is taxed as a Partnership (i.e. LLC/LLP), S-Corp, or C-Corp.**
- ✓ Answer YES if the Borrower was taxed as a partnership (i.e. LLC/LLP) and had no non-owner employees at time of loan and did not include employee salaries in forgiveness amount. **Answer NO if the Borrower is taxed as a S-Corp or C-Corp.**
- ✓ 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 3rd party payroll report (if available)
 - d) **Column E through AC** – Total gross payroll by pay period during the Covered Period (if 3rd 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 3rd 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 4. Owner-Employee Compensation – 2019 (cont'd)



- d) Check Rpt. 1 Loan Forgiveness Application EZ to determine if forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print Rpt. 1 Loan Forgiveness Application EZ and use it to complete the required portal information.
- e) If loan forgiveness is not at 100%, complete Tabs 5, 6, 7, 19, 20, and 21. Only complete one tab at a time if necessary to get loan forgiveness on Rpt. 1 Loan Forgiveness Application EZ.

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** – 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 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** – Total 2019 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 19. Business Mortgage Interest

- ▶ Before completing this Tab, check Rpt. 1 Loan Forgiveness Application EZ to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report and use it to complete the required portal information. Only complete this section to the extent that it is needed to help 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 10b 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 Rpt. 1 Loan Forgiveness Application EZ to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report and use it to complete the required portal information. Only complete this section to the extent that it is needed to help 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 Rpt. 1 Loan Forgiveness Application EZ to determine if loan forgiveness is at 100%. If at 100%, STOP, you have completed the Loan Verifier™. Print the report and use it to complete the required portal information. Only complete this section to the extent that it is needed to help achieve additional 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)

A stack of papers is shown in a shallow depth of field, with the foreground papers in sharp focus and the background papers blurred. A white banner with a green triangle on the left side is overlaid on the bottom left of the image.

SBA Form 3508EZ

(Documentation Requirements)



▶ Video Discrepancies

PPP VIDEO DISCREPANCIES – NO NON-OWNER EMPLOYEES DOCUMENTATION 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 |
|-------------------------|----------------------|---------------------------|--|--|
| 57:46 | 57 | 70 | Documentation Required with 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. |



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 SE **(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)



- a) See Rules on SBA Application 3508EZ

Thank you!



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

P 503.270.5400

E ppp@pdxcpas.com