



PPP Forgiveness - Step By Step

November 10th, 2020

1 Determine Your Covered Period

Use our handy covered period worksheet - You'll need this information no matter which application you fill out.

2 Which Form Should I Use?

Form 3508S

For Loans \$50K or less

Form 3508EZ

Self employed borrowers (no employees)
OR

Borrowers that did not reduce salary or hourly wages by more than 25%

Form 3508

Borrowers who cannot use the other two forms

3 Request Payroll Reports from your CSR

- **Wages Summary** during the Covered Period- PPP Payroll Cost Report, (PDF)

- PPP Schedule A Worksheet (PDF & Excel)

- **941 Quarterly reports** during the covered period (from your online Portal or your CSR)

- **To save in case of future audit:**
Payroll Summary & Payroll Journal for each pay period during the covered period.

COMMON ERRORS ON APPLICATIONS

- Not reporting an EIDL Loan, or correct amount
- Confusion on which Form to follow 3508, 3508EZ, 3508S
- Not attaching supporting PDF documents for expenses
- Business owners not listed on Table 2, Schedule A Form 3508
- Incorrect lookback period for FTE calculations
- Safe Harbor information documented and attested
- Checks drawn on business account versus third party payroll (challenging to reconcile)

IMPORTANT CONSIDERATIONS

- Sale of business – fractional ownership change requires SBA approval
- Lenders will not file Form 1099-C for forgiven PPP loans
- Notice 2020-32 – Income tax deductions cannot be taken for business expenses that resulted in loan forgiveness
- Related Party Rent – better to rent than own in this case

NEXT STEPS FOR CLIENTS

- 3rd Party branded payroll reports are important
- \$1,923.07 per week is still the cap. If borrowers apply before 24 weeks the \$46,153.68 will need to be reduced
- Clients should rerun payroll reports just prior to submitting SBA updates because it takes time for some systems to update

FORGIVENESS SUCCESS STRATEGY

- Overall recommendation – there is no rush to file – borrowers have 10 months after the 24 week Covered Period to file for Forgiveness. The election will likely prevent simplified legislation in the near term. The SBA lacks the manpower to process 4.2 million small loans. Most PPP loans will be on the books until 2021