

PPP Loan Forgiveness:

CHECKLIST

Updated 6/29/2020



PPP Loan Forgiveness Checklist

I. Loan forgiveness documentation for employers

1. Payroll tax reports:

- a. 2020 IRS Forms 941 for Quarter 1 and Quarter 2 of 2020, if your PPP loan closed on or before May 5, 2020; HOWEVER, if your PPP loan closed on May 6th or after, we will need Form 941 for Quarter 3, as well.
- b. State Unemployment tax forms (UC2) reporting for periods same as above.

2. Payroll Records:

- a. Payroll reports that include the Gross wages for each employee during the 8-week Covered period
- b. Payroll reports that include the Gross wages for each employee during Q1 2020
- c. Listing of any salaried employees whose annual salary has been reduced by more than 25% during the Covered Period or Alternate Covered Period compared to Annualized salary during Q1 2020.
- d. List of all "Hourly" paid employees inclusive of their pay rate in effect during the Covered Period or Alternate Covered period as well as their hourly pay rate in effect during Q1 2020.

***Note:** If any employee has experienced a pay reduction of more than 25% during the covered period vs. their wage rate in effect during Q1 of 2020, Borrower will be required to perform additional calculations that could reduce the amount of loan forgiveness. However, it should be noted that if any wage decrease in excess of 25% has been restored on or before June 30, 2020, this reduction will be eliminated.*

3. **Group health care benefits:** Documentation showing total costs paid for all health care benefits (during the covered period), including insurance premiums paid by the organization under a group health plan.
 - a. Include all employees and company owners.
 - b. Do not include employee withholdings for their portion of contributions to the plan.
4. **Retirement plan benefits:** Documentation showing the sum of all retirement plan funding costs (during the covered period) paid by the organization.
 - a. Include funding for all employees and the company owners.
 - b. Do not include employee withholdings for their portion of contributions to the plan.
5. **Other documentation:** Canceled checks, receipts, account statements or other documentation of payment for other eligible costs incurred and paid during the covered period such as mortgage interest, lease payments, utility payments.

II. Loan forgiveness documentation For Sole Proprietors, Independent Contractors and Self-Employed Individuals

1. The 2019 Form 1040 Schedule C to verify net income (line 31) for owner income replacement calculation.

2. If you have employees, provide payroll documentation as outlined above, including documentation of healthcare and retirement benefits costs. Exclude owner from healthcare and retirement costs.
3. Canceled checks, receipts, account statements or other documentation of payment for other eligible costs incurred and paid during the covered period such as mortgage interest, lease payments, utility payments. Note: these types of expenses must have been deducted on the 2019 Form 1040 Schedule C to be eligible for forgiveness.

III. Loan forgiveness documentation for Partnerships

1. The 2019 Partnership K-1 to verify Partner income replacement calculation.
2. Also include all information as outlined in Section I above for all employees; however, exclude partner healthcare and retirement costs
3. Cancelled checks, receipts, account statements or other documentation of payment for other eligible costs incurred and paid during the covered period such as mortgage interest, lease payments, utility payments. Note: these types of expenses must have been deducted on the 2019 Partnership return (Form 1065) to be eligible for forgiveness.

While this is your PPP checklist, all borrowers will be required to perform two additional tests as part of the “forgiveness” calculation. Therefore, we will require you to provide the following information.

IV. Effect of Workforce Reduction

Full-Time Equivalent (FTE) Calculation

1. The average number of full-time equivalents (FTEs) per month for the following:
 - During the 8-week covered period
 - Feb. 15 through June 30, 2019
 - Jan. 1 through Feb. 29, 2020
2. **Average FTE:** Per the SBA, for each employee, enter the average number of hours paid per week, divide by 40 and round the total to the nearest 10th. The maximum for each employee is capped at 1.0. A simplified method that assigns a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours may be used at the election of the borrower.

V. Effect of Payroll Reduction

Wage Reduction Calculation

Loan forgiveness will be reduced by any *reduction* in total salary or wages of any employees described in Section 1106(d)(3)(B) during the Covered Period *in excess of 25%* of total salary or wages of those employees during the most recent full quarter in which they were employed before the Covered Period. Affected employees include those that did not receive, during any single pay period during 2019, wages or salary at an annualized rate of pay of more than \$100,000.

Please note additional SBA guidance should be forthcoming, which may require additional supporting documentation. Your inability to provide the calculations and necessary supporting documentation may jeopardize the amount of your loan forgiveness.