

Many of the questions we've received about the Payroll Protection Program (PPP) have dealt with the forgiveness criteria. While it would certainly have been nice to have had these before applying, that, obviously would have delayed most businesses applications by many weeks. The criteria are here now and, fortunately, don't differ much from what we've been reporting all along.

The best news is that there is a Payroll Protection Program Loan Forgiveness Application form that applies to all lenders. This means that you don't need to bug your bankers to know what to do or how to apply. The bad news is that, in addition to the Application form, there is a Schedule A and a Schedule A Worksheet. My recommendation to all business owners is to download the application package now (<https://www.sba.gov/document/sba-form-paycheck-protection-program-loan-forgiveness-application>) and begin documenting your forgiveness application information.

Given this, here is an abbreviated overview (aka "Cliff Notes" version) of the key steps.

#### 1. What you'll need in advance:

- a. SBA PPP Loan Number
- b. Lender PPP Loan Number
- c. Employees (FTEs) on the date of your application.
  - i. Note that the SBA has **finally**, defined an FTE as 40 hours per week.
  - ii. If you used a different FTE calculation on your loan application, most professionals I've conferred with recommend using that same basis on your forgiveness application.
- d. Employees (FTEs) on the ending date of your covered period.
  - i. You can reduce both your end of period payroll cost and FTE number without penalty if you have documentation to show that an employee you called back to work refused, was terminated for cause, or requested reduced hours.
- e. Loan Amount and the date your first disbursement was received
- f. If you received an EIDL Advance:
- g. The amount of the advance (not any EIDL loan amount) and
- h. Your EIDL Application number.

#### 2. Determine your Payroll Covered Period

- a. Add 56 days (eight weeks) to the date you received your disbursement from 1.e. above.
- b. If, like most businesses, you use a payroll cycle that doesn't cover the exact payroll period, you can use an Alternative Payroll Covered Period starting on the first pay date AFTER the disbursement of your PPP loan.

#### 3. For your Payroll Covered Period, determine your:

- a. Eligible payroll costs,
- b. Eligible nonpayroll costs on agreements incurred before February 15, 2020 for:
  - i. Covered business mortgage interest
  - ii. Covered business rent or lease payments for real or personal property
  - iii. Covered utility payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access. Check with your accountant for what transportation utilities are.
  - iv. New twist: eligible nonpayroll costs can now also have been "incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period." Clear as mud?

#### 4. Fill out the forms. You'll probably find it easier if you proceed backward through the forms.

- a. PPP Schedule A Worksheet, the information from which will be required for
- b. PPP Schedule A the information from which will be required for
- c. PPP Loan Forgiveness Application

#### 5. Then what?

- a. Submit both the PPP Loan Forgiveness Application and PPP Schedule A to your lender.
- b. For six years, keep:
  - i. "PPP Schedule A Worksheet,
  - ii. Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1, including the "Salary/Hourly Wage Reduction" calculation, if necessary.
  - iii. Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 2; specifically, that each listed employee received during any single pay period in 2019 compensation at an annualized rate of more than \$100,000.
  - iv. Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule.
  - v. Documentation supporting the PPP Schedule A Worksheet "FTE Reduction Safe Harbor."
- c. All of this after the process has passed the Paperwork Reduction Act.