

PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

Hosted by:



Expert Panel:

Courtney Olson / First Bank of Highland Park

Arlene Levin / WIPFLI

Bill Keller / WIPFLI

DISCLAIMER

- Information included and discussed is general in nature and should not be considered regulatory, tax or legal advice. Content presented is for informational purposes only.
- Guidance and policies continue to change. Future SBA guidance could have material impact on the information presented.
- Consult with your own regulatory agency, tax and legal advisors before proceeding with forgiveness.

AGENDA

- PPP Background and Status
- Process for Forgiveness
- Applications summary
- Simple Application
- EZ Application
- Full Application
- Calculation Example
- Tax implications

FORGIVENESS PROCESS

Borrower Has 10 Months to Submit Forgiveness Application After Covered Period



- Follow Lender's Instructions Carefully
- Be Patient and Responsive

GENERAL RULES OF FORGIVENESS

- **If EIDL grant was received, amount of grant will be deducted from amount forgivable**
- The amount of the loan can be fully forgiven if the borrower uses all loan proceeds for:
 - At least 60% of payroll costs and 40% of other ELIGIBLE costs
 - Maintains or restores employee headcount
 - Maintains or restores individual employee compensation amounts
- Borrowers need to prove up calculation with appropriate documentation, EXCEPT for loans under \$50,000
- New IFR regarding sale or merger of business.
- Any amounts not forgiven will be payable over a two or five year period (with payments deferred until SBA remits any forgiven portion to lender) at an interest rate of 1%.

FORGIVENESS DETAILS

PAYROLL COSTS

Incurred and/or paid during the covered period

- Compensation (not exceeding \$46,154 per employee) in the form of:
 - gross salary, gross wages, gross commissions, and gross tips
 - vacation, parental, family, medical, or sick leave
 - allowance for separation or dismissal
- Employer contribution for employee group health care coverage
- Employer contribution for employee retirement plans
- Payment of state and local taxes

FORGIVENESS DETAILS

PAYROLL – OWNER EMPLOYEES

- For a 24 week Covered Period, this amount is capped at \$20,833 (the 2.5-month equivalent of \$100,000 per year) for each individual or the 2.5-month equivalent of their application compensation in 2019, whichever is less.
- For a 8 week Covered Period, this amount is capped at 8/52 of 2019 compensation (up to \$15,385)
- Owner-employees are capped by the amount of their employee cash compensation and employer retirement and health care contributions made on their behalf
- Schedule C filers are capped by owner compensation replacement
- General partners are capped by their 2019 net earning from self-employment multiplied by .9235

FORGIVENESS DETAILS

NON PAYROLL COSTS

- Mortgage interest payments
- Rent or lease payments (leases must be in force before February 15th)
- Utility payments for the business: electricity, gas, water, telephone, or internet access (services began before February 15th)

- Must be paid during covered period
- Can also be incurred during the covered period and paid on the next regular billing
- Cannot advance payments for costs such as mortgage interest or leases

* Owner-employee you must have claimed or be entitled to claim a deduction for the expenses on your 2019 Schedule C in order to claim them as eligible for PPP forgiveness

3508-S

Use for all PPP loans
\$50,000 and under

This will include all
borrowers that are self-
employed individuals,
independent
contractors, or sole
proprietors.

3508-EZ

Use for all PPP loans
over \$50,000 that meet
one of the eligibility
criteria


3508

Use for PPP loans over
\$50,000 that do not
qualify for the EZ form.

3508-S APPLICATION

- Identifying information for the business/loan
- PPP Amount
- Employee count at the time of loan application and forgiveness
- EIDL Advance Amount
- Forgiveness Amount
- Sign off on Attestations

NO CALCULATIONS


Paycheck Protection Program
 PPP Loan Forgiveness Application Form 3508S

OMB Control No. 3245-0407
Expiration date: 10/31/2020

A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$50,000 OR LESS. A Borrower that, together with its affiliates, received PPP loan totaling \$2 million or greater cannot use this form.

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
		Primary Contact	E-mail Address

SBA PPP Loan Number: Lender PPP Loan Number:
 PPP Loan Amount: PPP Loan Disbursement Date:
 Employees at Time of Loan Application: Employees at Time of Forgiveness Application:
 EIDL Advance Amount: EIDL Application Number:
 Forgiveness Amount:

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:

The Authorized Representative of the Borrower certifies to all of the below by initialing next to each one.

☐ The dollar amount for which forgiveness is requested does not exceed the principal amount of the PPP loan and:

- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

☐ I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

☐ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness, and has accurately calculated the forgiveness amount requested.

☐ I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.

☐ The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 18 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

☐ The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.

☐ I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

Signature of Authorized Representative of Borrower

Print Name

Date

Title

SBA Form 3508S (10/20)

3508EZ – ELIGIBILITY CRITERIA

Attesting to one of the following 2:

1. Borrower did not reduce salary or wages by more than 25% AND did not reduce number of employees during covered period
2. Borrower did not reduce salary or wages by more than 25% AND was unable to operate during covered period at the same level due to COVID Government mandates

*guidance still needed on how this will be measured



Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ

OMB Control No. 3245-0407
Expiration Date: 10/31/2020

PPP LOAN FORGIVENESS APPLICATION FORM 3508EZ INSTRUCTIONS FOR BORROWERS

Checklist for Using SBA Form 3508EZ

You (the Borrower) can apply for forgiveness of your Paycheck Protection Program (PPP) loan using this SBA Form 3508EZ if you can check at least one of the three boxes below. Do not submit this Checklist with your SBA Form 3508EZ.

☐ The Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483).

☐ The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, "employees" means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period. (Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee's hours that the Borrower offered to restore and the employee refused. See 85 FR 33004, 33007 (June 1, 2020) for more details.

☐ The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, "employees" means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 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, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

If you can check at least one of the three boxes above, complete this SBA Form 3508EZ in accordance with the instructions below, and submit it to your Lender (or the Lender that is servicing your loan). Borrowers may also complete this application electronically through their Lender. If you are unable to check one of the boxes above, you cannot use SBA Form 3508EZ and instead you must apply for forgiveness of your PPP loan using SBA Form 3508.

Instructions for PPP Loan Forgiveness Application Form 3508EZ

SAFE HARBORS UNDER 3805 - EZ

- FTE reductions between February 15, 2020 and April 26, 2020 a borrower can:
 - Re-hire to February 15 levels
 - Restore wages to February 15 levels
- The following occurrences will not effect the FTE requirement
 - Individuals terminated for cause
 - Rejected rehire offers
 - Voluntary departures
 - Voluntary reduction in hours

3508EZ – APPLICATION

- Identifying information for the business/loan
- PPP Amount
- Employee count at the time of loan application and forgiveness
- EIDL Advance Amount
- Payroll Schedule
- Covered Period
- Calculation of Forgiveness Amount
- Sign off on Attestations

Paycheck Protection Program PPP Loan Forgiveness Application Form 3508EZ		OMB Control No. 3246-0497 Expiration date: 10/31/2020
Business Legal Name ("Borrower")		DBA or Tradename, if applicable
Business Address		Business TIN (EIN, SSN) () Business Phone
Primary Contact		E-mail Address
SBA PPP Loan Number: _____ Lender PPP Loan Number: _____		
PPP Loan Amount: _____ PPP Loan Disbursement Date: _____		
Employees at Time of Loan Application: _____ Employees at Time of Forgiveness Application: _____		
EIDL Advance Amount: _____ EIDL Application Number: _____		
Payroll Schedule: The frequency with which payroll is paid to employees is:		
<input type="checkbox"/> Weekly <input type="checkbox"/> Biweekly (every other week) <input type="checkbox"/> Twice a month <input type="checkbox"/> Monthly <input type="checkbox"/> Other _____		
Covered Period: _____ to _____		
Alternative Payroll Covered Period, if applicable: _____ to _____		
If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: <input type="checkbox"/>		
Forgiveness Amount Calculation:		
Payroll and Nonpayroll Costs		
Line 1. Payroll Costs: _____		
Line 2. Business Mortgage Interest Payments: _____		
Line 3. Business Rent or Lease Payments: _____		
Line 4. Business Utility Payments: _____		
Potential Forgiveness Amount		
Line 5. Add the amounts on lines 1, 2, 3, and 4: _____		
Line 6. PPP Loan Amount: _____		
Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60): _____		
Forgiveness Amount		
Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7): _____		

SBA Form 3508EZ (06/20)
Page 1

Schedule A – Step by step calculation for reduction of FTE and wages.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

Table 2: List employees 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 in the United States; and
- Received compensation from the Borrower at an annualized rate of more than \$100,000 for any pay period in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Totals:		Box 4	Box 5

Add additional tables if additional rows are needed.

FTE Reduction Safe Harbor 2:

- Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter:
 .
- Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: .
- Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, FTE Reduction Safe Harbor 2 is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
- Step 4. Enter the borrower's total FTE as of the earlier of December 31, 2020, and the date this application is submitted: .
- Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor 2 has been satisfied. Otherwise, FTE Reduction Safe Harbor 2 does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

Schedule A Worksheet – details related to each employee

DOCUMENTATION REQUIREMENTS FOR ALL APPLICATIONS

- **Payroll:** Documentation verifying the eligible cash compensation and non-cash benefits:
 - Bank account statement or third-party payroll provider reports documenting the amount of cash paid to each employees
 - Tax Forms: Payroll tax filings reported or that will be reported (Form 941) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings
 - Payment receipts, canceled checks, or account statements documenting the amount of any employer contribution to employee health insurance and retirement plans that were included int the forgiveness amount.
 - Records reflecting average number of fulltime equivalent employees on payroll on February 15th and at the end of the covered period.
 - Sole Prop and Independent Contractors will need to resubmit their 2019 Schedule C

- **Non Payroll:** Documentation verifying existence of the obligation/services prior to February 15, 2020 and eligible payments from covered period:
 - **Business mortgage interest payments:** copy of lender amortization schedule, receipts, canceled checks
 - **Business Rent or Lease:** copy of lease agreements, receipts, canceled checks
 - **Business Utility payments:** copy of invoices, canceled checks, or bank account statements

BASIC CALCULATION

Assuming you spend at least 60% on allowable payroll...

Step 1

Payroll Costs Spent
During 8 or 24 Weeks

+

Non-Payroll Costs Spent
During 8 or 24 Weeks

Step 2

—

Salary Reduction Penalty For Reducing Salaries or
Hourly Rates of Staff Working

Step 3

X

FTE Reduction Penalty %
for Having Lower FTEs

Step 4

=

Amount Forgiven up to Total Loan Amount

****Amount of a EIDL Grant will automatically reduce the amount of loan forgiveness**

BASIC CALCULATION

Received a \$200,000 PPP loan.

Average FTEs during the reference period were 15

No FTEs cut or reduced salary during covered period

\$188,000 in payroll related costs / \$12,000 in non-payroll costs

Step 1 [add together payroll and non-payroll costs]	$\$188,000 + \$12,000 = \$200,000$
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Step 2 [subtract wage reduction]	$\$200,000 - \$0.00 = \$200,000$
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Step 3 [multiply by FTE reduction quotient]	$\$200,000 \times 1.0 = \$200,000$
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Loan is fully forgiven!!!

LESS THAN 60% ON PAYROLL

Received a \$200,000 PPP loan.

Average FTEs during the reference period were 15

No FTEs cut or reduced salary during covered period

\$110,000 in payroll related costs / \$90,000 in non-payroll costs

Step 1 [add together payroll and non-payroll costs] $\$110,000 + \$90,000 = \$200,000$

Step 2 [subtract wage reduction] $\$200,000 - \$0.00 = \$200,000$

Step 3 [multiply by FTE reduction quotient] $\$200,000 \times 1.0 = \$200,000$

Step 4 [apply 60% requirement] $\$110,000 / .60 = \$183,333.33$

Loan is only forgiven up to \$183,333.33

\$16,666.66 will remain as a payable loan

SALARY REDUCTION

Received a \$200,000 PPP loan.

Average FTEs during the reference period were 15

Salaries for FTEs making under \$100,000 was reduced by more than 25% equivalent to \$5,000 but FTE headcount remained

\$188,000 in payroll related costs / \$12,000 in non-payroll costs

Step 1 [add together payroll and non-payroll costs] $\$188,000 + \$12,000 = \$200,000$

Step 2 [subtract wage reduction] $\$200,000 - \$5,000 = \$195,000$

Step 3 [multiply by FTE reduction quotient] $\$200,000 \times 1.0 = \$200,000$

Loan is forgivable up to \$195,000

\$5,000 will remain as a payable loan

FTE REDUCTIONS

Received a \$200,000 PPP loan.

Average FTEs during the reference period were 15

FTEs reduced to 12 during covered period

\$188,000 in payroll relate costs / \$12,000 in non-payroll costs

Step 1 [add together payroll and non-payroll costs] $\$188,000 + \$12,000 = \$200,000$

Step 2 [subtract wage reduction] $\$200,000 - \$0.00 = \$200,000$

Step 3 [multiply by FTE reduction quotient] $\$200,000 \times .8 = \$160,000$

Loan is forgivable up to \$160,000

\$40,000 will remain as a payable loan

FTE REDUCTIONS (cont.)

Received a \$200,000 PPP loan.

Average FTEs during the reference period were 15

FTEs reduced to 12 during covered period

\$300,000 in payroll related costs / \$12,000 in non-payroll costs

Step 1 [add together payroll and non-payroll costs] $\$300,000 + \$12,000 = \$312,000$

Step 2 [subtract wage reduction] $\$200,000 - \$0.00 = \$200,000$

Step 3 [multiply by FTE reduction quotient] $\$312,000 \times .8 = \$249,600$

Loan is fully forgiven!!

TAX PLANNING

- CARES Act Section 1106(i) provides an exclusion from gross income for amounts otherwise taxable
- IRS issued Notice 2020-32 applying IRC 265 to disallow expenses to the extent they were funded with PPP loan amounts that were forgiven
- Proposed legislation (SB 3612 and identical HR 6821) would overrule IRS Notice 2020-32
 - No action yet on this in the Senate or House, and the PPP Flexibility Act failed to include it

Tips for submitting application

- How to maximize loan forgiveness – work the calculations for both 8 and 24 week period
- Reminder that the EIDL grant is automatically deducted from forgiveness total
- Utilize information coming from payroll source...but be careful!!!
- Put together a schedule that ties your paperwork together...spoon feed your Lender / SBA
- Take your time, there is no rush.

QUESTIONS



THANK YOU

First Bank of Highland Park

WIPFLI

Courtney Olson
SVP of Business Banking
847-897-7630

Arlene Levin
Partner
847-509-7317

Bill Keller
Senior Manager
847-941-0242

