

# GUIDE TO PAYROLL PROTECTION PROGRAM (PPP) LOAN FORGIVENESS

## OVERVIEW

- ✓ PPP loan funds must be used for eligible payroll costs (at least 60%) and other eligible expenses ("Non-Payroll Costs"). PPP loans can cover 100% payroll costs.
- ✓ PPP loan funds must be used within a certain time period (known as the "Covered Period") to be eligible for forgiveness, which is either 8-weeks or 24-weeks, depending on when your loan was approved.
  - If your PPP loan was approved by SBA prior to June 5, you may choose either an 8-week (56 days) Covered Period or a 24-week (168 days) Covered Period.
  - If your PPP loan was approved by SBA on or after June 5, you have a 24-week (168 days) Covered Period.
  - In no event may the Covered Period extend beyond December 31, 2020.
  - Your Covered Period begins the day you receive your PPP loan funds in your account.
- ✓ For Non-Profits: If federal or restricted funding pays some employee's salaries, you should not use PPP funds to pay those salaries for the same period. This will be considered "double dipping" and affect loan forgiveness eligibility.
- ✓ To apply for loan forgiveness, work with your lender to complete the PPP Loan Forgiveness Application once the PPP loan funds have been exhausted or no later than 10 months after the last day of your Covered Period.

# APPLICATION PROCESS & FORGIVENESS ELIGIBILITY

## How do I apply for forgiveness on my PPP loan?

Borrowers should reach out to the lending institutions they applied for their PPP Loan with. Lending institutions will have their own systems and portals in place to process loan forgiveness applications.

- Guidelines are updated regularly by the SBA and can be found: [Here](#)
- Loan application can be found: [Here](#)
- For Sole Proprietors and Self employed: [Here](#)

## What are forgivable uses of PPP funds?

To be forgiven, PPP loan funds must be used for eligible payroll costs (at least 60%) and other eligible business expenses (“Non-Payroll Costs”).

## What are forgivable Payroll Costs?

Payroll Costs include the following payments paid by the borrower for any employee whose principal place of residence is in the United States:

- Salary, wage, commission, cash tip or similar compensation (must not exceed \$100,000 annualized per employee);
- Vacation, parental, family, medical, or sick leave (other than qualified sick and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act);
- Group health care benefits, including insurance premiums;
- Retirement benefits; and State and local taxes (but not federal taxes) assessed on the compensation of employees.

## When do I apply for forgiveness on my PPP loan?

- Once you have used your PPP loan funds, even if you have not yet reached the end of your Covered Period
- You must apply for forgiveness within 10 months of the last day of your Covered Period (or APCP, if applicable).

## How long do I have to use PPP funds?

PPP loan funds must be used within a certain time period (“Covered Period”) to be eligible for forgiveness.

- If your PPP loan was approved by SBA prior to June 5, you may choose either an 8-week (56 days) Covered Period or a 24-week (168 days) Covered Period.
- If your PPP loan was approved by SBA on or after June 5, you have a 24-week (168 days) Covered Period.
- In no event may the Covered Period extend beyond December 31, 2020.

## My business hires 1099 and independent contractor workers. May I include payments to 1099 and independent contractors for purposes of loan forgiveness?

No. Independent contractors can obtain their own PPP loan to cover their compensation, so entities that hire independent contractors cannot include 1099 pay.

# HOW TO AVOID LOAN FORGIVENESS REDUCTION & NONPROFIT SPECIFIC GUIDELINES

## **Determine loan forgiveness reduction based on a reduction in salaries or wages of more than 25%:**

- Ensure that at least 60% of the loan proceeds used to pay permitted expenses are used for Payroll Costs and that no more than 40% are used for non-Payroll Costs.
- Avoid reducing employee headcount or compensation during the Covered Period.
- Borrowers can avoid having their loan forgiveness amount reduced if they restore an employee's pay. If by not later than December 31, 2020, the employee's annual salary or hourly wage is equal to or greater than their annual salary or hourly wage on February 15, 2020, the borrower's loan forgiveness is not reduced.

## **IMPORTANT: Borrowers will not be penalized for any FTE reductions if either of the following occurred:**

- The borrower is unable to rehire individuals who were employees on February 15, 2020 and unable to hire similarly qualified employees for unfilled positions before December 31, 2020
- The borrower is able to document the inability to return to their February 15, 2020 level of business activity due to compliance with social distancing or other customer safety requirements

## **My nonprofit receives federal funding and/or restricted funding that covers some employee salaries.**

### **Can I still use PPP funds to pay those employee salaries?**

If other federal or restricted funding pays some employee's salaries, you should not use PPP funds to pay those salaries for the same period. Under current guidance, you must use at least 60% of PPP funds for Payroll Costs to maximize loan forgiveness, so we recommend you talk with your other funders to determine whether your other funding can be used for alternative purposes, or during a different time period, to allow your organization to obtain the maximum benefit from your PPP loan.

**Non-Federal Restricted Funding:** If other funding sources are restricted to payroll use (and funder won't allow broader uses or time periods), you should not include that payroll amount in your PPP forgiveness request

# APPLICATION & DOCUMENTS NEEDED

## What documents do I need to apply for Loan Forgiveness?

SBA will require you to provide the SBA Form 3508 PPP Loan Forgiveness Application and all related supporting documentation required by SBA Form 3508, such as: (Required Documentation varies with lender)

- Documents verifying the number of full-time equivalent employees on payroll and their pay rates, for the periods used to verify you met the staffing and pay requirements
- Documents verifying your eligible interest, rent, and utility payments (canceled checks, payment receipts, account statements)

For sole proprietors and Self Employed: SBA Form 3508EZ PPP Loan Forgiveness Application and all related supporting documentation.

Paycheck Protection Program PPP Loan Forgiveness Application Form 3508EZ		OMB Control No. 3245-0407 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:

Weekly  Biweekly (every other week)  Twice a month  Monthly  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:

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 Amounts  
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)  
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SBA Form 3508EZ for sole proprietors:  
Image linked to SBA Form

Paycheck Protection Program Loan Forgiveness Application Revised June 16, 2020			OMB Control Number 3245-0407 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:

Weekly  Biweekly (every other week)  Twice a month  Monthly  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:

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs  
Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): \_\_\_\_\_

Line 2. Business Mortgage Interest Payments: \_\_\_\_\_

Line 3. Business Rent or Lease Payments: \_\_\_\_\_

Line 4. Business Utility Payments: \_\_\_\_\_

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions  
Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3): \_\_\_\_\_

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: \_\_\_\_\_

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): \_\_\_\_\_

Potential Forgiveness Amounts  
Line 8. Modified Total (multiply line 6 by line 7): \_\_\_\_\_

Line 9. PPP Loan Amount: \_\_\_\_\_

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60): \_\_\_\_\_

Forgiveness Amount  
Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): \_\_\_\_\_

SBA Form 3508 (06/20)  
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SBA Form 3508 all other businesses/nonprofits:  
Image linked to SBA Form

**IMPORTANT:** Congress is currently negotiating PPP loan forgiveness guidelines in addition to future COVID-19 relief programs. The information presented in this FAQ is subject to change.

The information has been compiled from resources created by Self Help Credit Union, the US Chamber of Commerce and the Small Business Administration. For questions, please contact Kevin Olickal of the National Partnership for New Americans (NPNA) at [kevin@partnershipfornewamericans.org](mailto:kevin@partnershipfornewamericans.org)