

**IF You Don't Want to Pay Back
You must Apply and Be
Approved!!!!**

**PPP LOAN
FORGIVENESS**

HOW TO APPLY?

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If you qualified for a PPP loan, you have up to 24 weeks (8 weeks if you choose a shorter coverage period) to use the loan proceeds toward:

- **Payroll costs-** At least 60% of your PPP loan must be used on payroll-related costs.
- **Operating costs-** The remaining 40% of your loan proceeds must be spent on other approved non payroll costs, including rent payments and utility bills.
- **Full-time employees (FTEs)-** You must maintain your FTE employee headcount and compensation levels.
- **PPP forgiveness and taxes-** You won't need to claim your PPP loan amount in your 2020 tax filings. Forgiveness amounts aren't considered as a cancellation of debt for federal taxes, and your expenses forgiven under PPP guidelines can't be treated as a tax deduction. If you didn't meet all of these requirements, you will need to repay a portion of your PPP loan.

To apply for PPP loan forgiveness, whether you have employees, or are self-employed, you (the borrower) must fill out a completed loan forgiveness application and submit it to your lender according to your lender's instructions. If you fall into one of these two categories, you may qualify for forgiveness:

- Self-employed with no W-2 employees
- Filed (or will file) Schedule C with Form 1040 to the IRS to report business income

You must fill out the following on the standard forgiveness application:

- PPP Loan Forgiveness Calculation Form – must submit with the application to your lender
- PPP Schedule A – must submit with the application to your lender
- PPP Schedule A Worksheet – used to determine if you meet the FTE employee headcount and pay requirements
- PPP Borrower Demographic Information Form – requests information about each borrowing company's specific owners, managers, and other stakeholder information.

Who can use the PPP Forgiveness Application EZ Form?

To use the PPP Forgiveness EZ Form, you must meet one of the following:

- Self-employed independent contractor or sole proprietor with zero W2 employees at the time of the PPP loan application who did not include any employee salaries in the computation of monthly payroll in the Borrower Application Form (SBA Form 2483)
- Employers who did not reduce individual employee annual salaries or hourly wage reduction by more than 25% or reduce the number of hours of their employees
- Employers who did not reduce business activity because of health directives related to COVID-19.

What documentation do you need to apply for PPP loan forgiveness?

Before you start to fill out your forgiveness application, you will need to have a few pieces of documentation and information ready. Here is a list of requirements. Keep in mind, this list may vary by lender.

You will need to provide verifying documents that prove the number of full-time employees, eligible payroll costs, and verification that you met the staffing and pay requirements for the service period.

Qualifying documents include:

- Annual salary payroll reports
- Payroll tax filing or Form 941
- State income, payroll expense, and unemployment insurance filings
- Health and retirement insurance contribution documents
- Documents that verify eligible interest, mortgage interest, lease or rent obligations, and utility payments before February 2020 (canceled checks, receipts, accounting statements)

You may also need certification from a business representative stating that these documents are correct and the loan amount forgiven was used according to the PPP loan program's guidelines.

Keep all documentation and worksheets used to fill out the application, a copy of the application and all supporting documentation for overall application details in a safe place for a minimum of six years after the loan is forgiven or paid. Any information that certifies you didn't reduce the number of employees or hours between January 1, 2020, to the end of the COVID period must be maintained and kept.

You should also maintain any documentation of job offers or refusals, firings, voluntary resignations, restorations of reduced hours, and employee requests to reduce hours. If you're unable to hire qualified employees to fill positions before December 31, 2020, you must provide supporting documents.

If you were unable to operate between February 15, 2020, through the end of the covered period, or if your level of business activity was affected because of COVID-19 and the required compliance guidance of social distancing, keep supporting documentation. Documentation can include copies of financial records for each borrowing location.

What happens if you are not approved for PPP loan forgiveness?

If you do not get approved for total loan forgiveness, or are denied any portion of loan forgiveness, you will need to treat the PPP loan balance as any other loan.

Loans approved on or after June 5, 2020 will be treated as a five-year loan with a 1% fixed interest rate. Any loan amount not forgiven has a maximum term of two years at a fixed rate of 1% interest. The good news is the principal and interest amounts can be deferred for up to six months. You can pay off the balance at any time without additional fees or prepayment penalties. If any portion of your loan forgiveness amount is denied, your lender may ask you to provide more documentation to reevaluate your forgiveness application. You also may ask the SBA to review the decision.