



Afina, LLC

CPA & Business Advisors

SBA PPP Loan “Tool Kit” for Small ▶ Business Owners

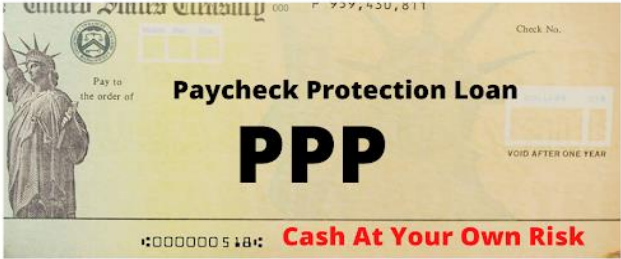
Por: CPA Felipe J. Crespo-Claudio, MBA

Managing Member at Afina - CPA & Business Advisors

DISCLAIMER

We have prepared this presentation on how to effectively plan for Paycheck Protection Program (PPP) loan forgiveness. With PPP loan payments starting to be disbursed to approved borrowers, now is the time to begin planning how you will spend the funds, and document that spending over the next eight weeks to ensure you receive the full loan forgiveness you are entitled to. Regulations continue to evolve and be published. Afina, LLC and its Managing Partner's goal is to provide the most up to date information, along with our insights and current understanding of these programs and regulations to help you navigate your business response to COVID-19. The rules regarding SBA programs are constantly being refined and clarified by the SBA and other agencies. In certain instances, the guidance being provided by the agencies and/or the financial institutions is in direct conflict with other competing guidance, regulations and/or existing laws. Due to the evolving nature of the situation and the lack of final published rules, Afina, LLC and its Managing Partner cannot guarantee that additional changes or updates won't be needed or forthcoming and the original advice given by Afina, LLC and its Managing Partner may be affected by the evolving nature of the situation. You need to evaluate and draw your own conclusions and determine your Company's best approach relative to participation within these programs based on your Company's specific circumstances, cash flow forecast and business strategy. In situations where resources are provided by third parties, those services should be covered under a separate agreement directly with that service provider. Afina, LLC and its Managing Partner is not responsible for the actions of any other third party. Afina, LLC and its Managing Partner encourages you to contact your legal counsel to address the legal implications of the impact of the CARES Act and specifically your participation in any of the SBA programs.

PPP LOAN FORGIVENESS



and/or



PAYCHECK PROTECTION PROGRAM

OMB CONTROL NUMBER 3245-0407

The application consists of:

- ▶ The PPP Loan Forgiveness Calculation Form;
- ▶ PPP Schedule A;
- ▶ The PPP Schedule A Worksheet; and
- ▶ The (optional) PPP Borrower Demographic Information Form.

SIGNIFICANT TERMS & DEFINITIONS

SIGNIFICANT TERMS & DEFINITIONS

Covered Period (CP): The eight-week (56-day) Covered Period of your PPP loan.

- ▶ The first day of the Covered Period must be the same as the PPP Loan Disbursement Date.
- ▶ For example, if the Borrower received its PPP loan proceeds on Monday, April 20, the first day of the Covered Period is April 20 and the last day of the Covered Period is Sunday, June 14.

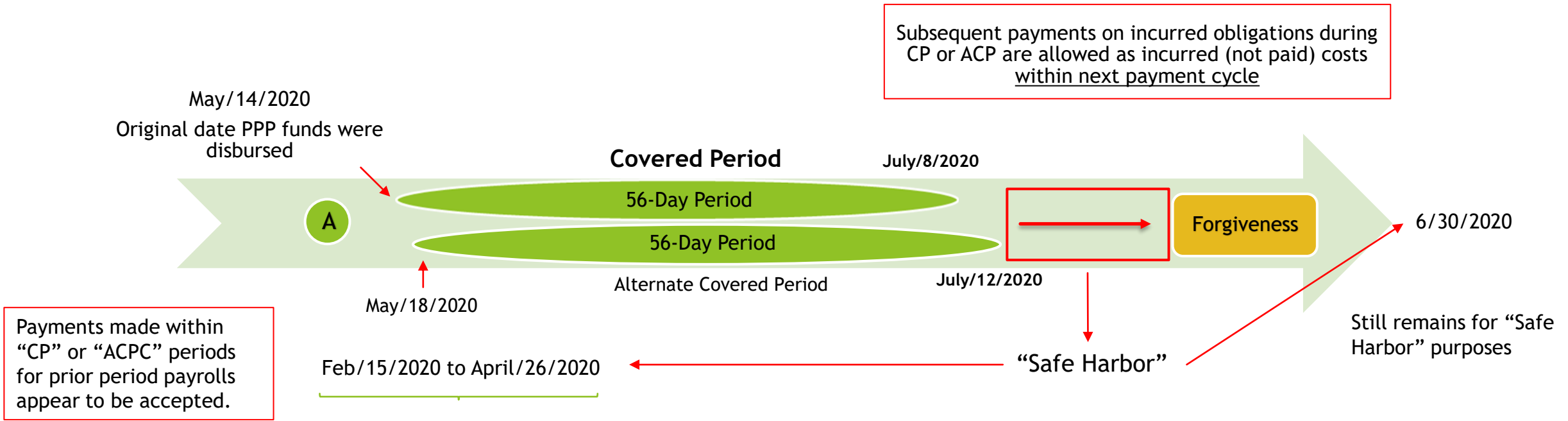
Language:

- ▶ The **“incurred” and “paid”** language in §1106 of the CARES Act regarding expenses that count for forgiveness is defined to allow, with certain limitations, both expenses paid and incurred in the 8-week (56-day) period;

SIGNIFICANT TERMS & DEFINITIONS

Alternative Payroll Covered Period (APCP): For administrative convenience, Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the eight-week (56-day) period that begins on the first day of their first pay period following their PPP Loan Disbursement Date (the “Alternative Payroll Covered Period”).

- ▶ For example, if the Borrower received its PPP loan proceeds on Sunday, April 20, and the first day of its first pay period following its PPP loan disbursement is Friday, April 25, **the first day of the Alternative Payroll Covered Period is April 25** and the last day of the Alternative Payroll Covered Period is Saturday, June 20.
 - ▶ Borrowers who elect to use the Alternative Payroll Covered Period must apply the Alternative Payroll Covered Period wherever there is a reference in this application to “the Covered Period or the Alternative Payroll Covered Period.” However, Borrowers must apply the Covered Period (not the Alternative Payroll Covered Period) wherever there is a reference in this application to “the Covered Period” only.



Covered Period & Alternative Payroll Covered Period ("paid & incurred")

SIGNIFICANT TERMS & DEFINITIONS

Eligible payroll costs:

- ▶ Payroll costs are considered paid on **the day that paychecks are distributed**, or the Borrower originates an ACH credit transaction.
- ▶ Payroll costs are considered incurred on the day that the employee's pay is earned.
- ▶ **Payroll costs incurred but not paid during the Borrower's last pay period of the Covered Period (or Alternative Payroll Covered Period) are eligible for forgiveness if paid on or before the next regular payroll date.** Otherwise, payroll costs must be paid during the Covered Period (or Alternative Payroll Covered Period).
- ▶ For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of \$100,000, as prorated for the covered period.
- ▶ Count payroll costs that were both paid and incurred only once.

3 options

$$\$100,000/52 = \$1,923 \times 8 = \$15,385$$

PAYROLL COSTS

INTERIM FINAL RULE 20811 on: “payroll costs”

- ▶ **f. What qualifies as “payroll costs?”** Payroll costs consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of **group health care coverage, including insurance premiums, and retirement**; payment of state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment, or similar compensation.

Only employer paid portion, not employees' contributions.

PAYROLL COSTS - 75%/25% RULE

- ▶ Eligible payroll expenses are the key to maximizing loan forgiveness because at least 75% of eligible expenditures giving rise to forgiveness during the covered period must relate to payroll. Fortunately, the new application confirms that failing to meet this 75% threshold only results in a proportionate reduction of the forgiveness amount, rather than total loss of forgiveness.
- ▶ Formula: Total eligible payroll costs/75% = Maximum forgiveness amount
 - ▶ This is one of the three potential forgiveness amounts.

NON-PAYROLL “OTHER” COSTS

NONPAYROLL COSTS ELIGIBLE FOR FORGIVENESS

- ▶ (a) **covered mortgage obligations:** payments of interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before February 15, 2020 (“business mortgage interest payments”);
- ▶ (b) **covered rent obligations:** business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020 (“business rent or lease payments”); and
- ▶ (c) **covered utility payments:** business payments for a service for the distribution of **electricity, gas, water, transportation, telephone, or internet access** for which service began before February 15, 2020 (“business utility payments”).



Gas receipts

NONPAYROLL COSTS ELIGIBLE FOR FORGIVENESS

- ▶ An eligible nonpayroll cost must be paid during the Covered Period or 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.
- ▶ Eligible nonpayroll costs **cannot exceed 25% of the total forgiveness amount.**
- ▶ Count nonpayroll costs that were both paid and incurred only once.

*Note that use of the Alternative Payroll Covered Period is **not permitted** for these expenses.

EXAMPLE

Boricua Burger (BB) applied for and received a Payroll Protection Program loan. The loan proceeds were deposited into the company's bank account on Thursday, May 14, 2020. BB first pay period following the loan distribution date begins on the following Monday, May 18, 2020.

If BB elects to use the **Alternative Payroll Covered Period**:

- ▶ The Alternative Payroll Covered Period will run from **Monday, May 18, 2020 until Sunday July 12, 2020.** This time period will be used to measure payroll costs incurred and paid for loan forgiveness.
- ▶ The Covered Period **for all other expenses** will run from **Thursday, May 14 until Wednesday, July 8, 2020.** Thus, the other expenses must be incurred and paid during that time period.
- ▶ The “paid” and “incurred” issue for non-payroll costs is also resolved in a manner similar to the resolution of the payroll costs issue.

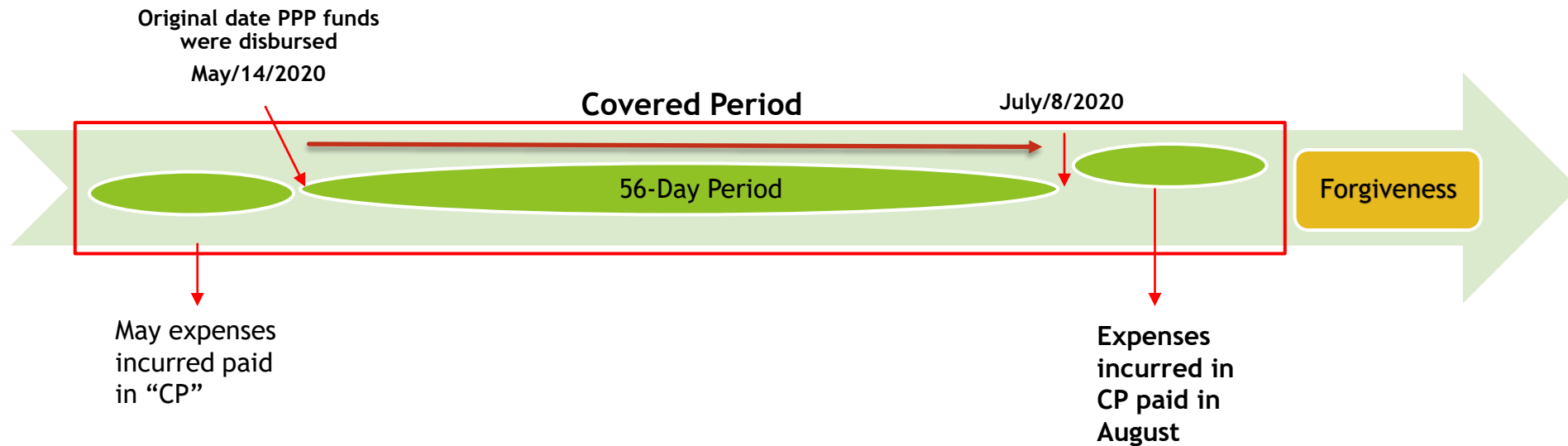
Obtained from: <https://www.currentfederaltaxdevelopments.com/blog/2020/5/16/ppp-loan-forgiveness-application-and-instructions-released-by-sba>

EXAMPLE (Remember: The Covered Period for all other expenses will run from Thursday, May 14 until Wednesday, July 8, 2020.)

Boricua Burger (BB) is billed by AEE for electricity on a calendar month basis. BB pays for utilities promptly on the first day of a month for electricity used in the prior month. The electrical utility costs that count as a cost that could support forgiveness related to non-payroll expenses are:

- ▶ The entire amounts paid on June 1 and July 1 **for electricity used in May and June. Both are paid during the Covered Period.** Per the instructions, it does not appear that BB will need to prorate the May electric bill to exclude electricity used before May 14, since the entire May utility charge was paid in the Covered Period.
- ▶ The portion of the invoice for July paid on August 1 that relates to electricity used from July 1, 2020 to July 8, 2020. While this invoice was not paid during the Covered Period, the portion of electricity costs covering July 1 to July 8 were incurred during the Covered Period and paid on the next regular billing date.

*The “billing date” requirement is not completely clear, but it seems likely the agency means the due date for payment of the bill that contains the “incurred” period. Note that it will be important to ensure that these “end of period” bills are **paid timely**—per the instructions, if the bill is not paid on time these costs would not count towards forgiveness.



“Paid during Covered Period and paid on or before the regular billing date”

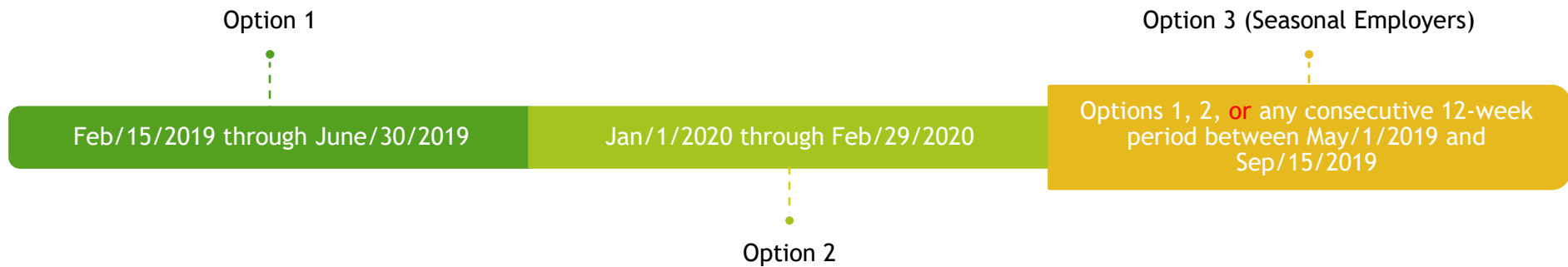
AVERAGE FULL TIME EQUIVALENT EMPLOYEES (FTE) REDUCTION

FTE REDUCTION RULES

The borrower would wish to select the period available to the borrower that results in the lowest FTE calculation.

At the borrower's election, **either:**

- ▶ February 15, 2019 to June 30, 2019;
- ▶ January 1, 2020 to February 29, 2020; or
- ▶ In the case of seasonal employers, either of the preceding periods or a consecutive twelve-week period between May 1, 2019 and September 15, 2019.



FTE Reference Period Alternatives

AVERAGE FULL TIME EQUIVALENT EMPLOYEES (FTE) SCHEDULE A

Average FTE:

- ▶ This calculates the average full-time equivalency (FTE) during the Covered Period or the Alternative Payroll Covered Period. For each employee, enter the **average number of hours paid per week, divide by 40**, and **round the total to the nearest tenth**. 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.
- ▶ This calculation will be used to determine whether the Borrower's loan forgiveness amount must be reduced due to a statutory requirement concerning reductions in full-time equivalent employees.

AVERAGE FULL TIME EQUIVALENT EMPLOYEES (FTE) SCHEDULE A

FTE calculation and restoration of FTE:

- ▶ Borrowers are eligible for loan forgiveness for certain expenditures during the Covered Period or the Alternative Payroll Covered Period. However, the actual loan forgiveness amount that the Borrower will receive may be less, depending on whether the Borrower's average **weekly number of FTE employees during the Covered Period or the Alternative Payroll Covered Period was less than during the Borrower's chosen reference period**
- ▶ The Borrower is exempt from such a reduction if the FTE Reduction Safe Harbor applies.

FTE CALCULATION

Full Time Equivalents Covered Period Summary

Covered Period or Alternative Covered Period

AVERAGE HOURS PER WEEK

Include all employees in this table	AVERAGE HOURS PER WEEK								Wkly Avg	Avg FTE	Simp. Method?
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8			
Employee, 1	24.00	29.00	24.00	29.00	29.00	29.00	29.00	29.00	27.75	0.70	0.50
Employee, 2	32.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	32.88	0.80	0.50
Employee, 3	39.00	21.00	18.00	19.00	42.00	26.00	25.00	2.00	24.00	0.60	0.50
Employee, 4	40.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.25	1.00	0.50
Employee, 5	42.00	37.00	37.00	37.00	37.00	37.00	25.00	37.00	36.13	0.90	0.50
Employee, 6	21.00	20.00	20.00	20.00	18.00	20.00	20.00	20.00	19.88	0.50	0.50
Employee, 7	26.00	23.00	23.00	23.00	16.00	23.00	32.00	23.00	23.63	0.60	0.50
Employee, 8	15.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	23.75	0.60	0.50
Employee, 9	12.00	35.00	35.00	35.00	35.00	35.00	18.00	35.00	30.00	0.80	0.50
Employee, 10	36.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.75	0.80	0.50
Total	<u>287.00</u>	<u>291.00</u>	<u>283.00</u>	<u>289.00</u>	<u>303.00</u>	<u>296.00</u>	<u>275.00</u>	<u>272.00</u>	<u>287.00</u>	<u>7.30</u>	<u>5.00</u>

FTE CALCULATION

Full Time Equivalents 2-15-19 to 6-30-19								
AVERAGE HOURS WORKED PER WEEK								
Include all employees in this table	Feb 15-							Electing
	Feb 28	March	April	May	June	Wkly Avg	Avg FTE	Simplified Method?
Employee, 1	32.00	173.00	64.00	201.00	201.00	37.28	0.90	0.50
Employee, 2	23.00	174.00	115.00	174.00	174.00	36.67	0.90	0.50
Employee, 3	21.00	185.00	175.00	159.00	159.00	38.83	1.00	0.50
Employee, 4	18.00	172.00	160.00	162.00	162.00	37.44	0.90	0.50
Employee, 5	15.00	150.00	175.00	184.00	184.00	39.33	1.00	0.50
Employee, 6	42.00	132.00	163.00	158.00	158.00	36.28	0.90	0.50
Employee, 7	38.00	125.00	168.00	178.00	178.00	38.17	1.00	0.50
Employee, 8	45.00	178.00	190.00	179.00	179.00	42.83	1.00	1.00
Employee, 9	25.00	200.00	174.00	187.00	187.00	42.94	1.00	1.00
Employee, 10	47.00	152.00	112.00	205.00	205.00	40.06	1.00	1.00
Total	<u>306.00</u>	<u>1,641.00</u>	<u>1,496.00</u>	<u>1,787.00</u>	<u>1,787.00</u>	<u>389.83</u>	<u>9.60</u>	<u>6.50</u>

FTE CALCULATION

Full Time Equivalents 1-1-2020 TO 2-29-2020					
Avg Hours Worked Per Week					
Include all employees in this table	Avg Hours Worked Per Week			Avg FTE	Electing
	January	February	Wkly Avg		Simplified
					Method?
Employee, 1	175.00	150.00	40.63	1.00	1.00
Employee, 2	125.00	145.00	33.75	0.80	0.50
Employee, 3	156.00	132.00	36.00	0.90	0.50
Employee, 4	185.00	125.00	38.75	1.00	0.50
Employee, 5	140.00	147.00	35.88	0.90	0.50
Employee, 6	95.00	132.00	28.38	0.70	0.50
Employee, 7	145.00	95.00	30.00	0.80	0.50
Employee, 8	142.00	195.00	42.13	1.00	1.00
Employee, 9	178.00	85.00	32.88	0.80	0.50
Employee, 10	179.00	115.00	36.75	0.90	0.50
Total Hours	<u>1,520.00</u>	<u>1,321.00</u>	<u>355.13</u>	<u>8.80</u>	<u>6.00</u>

FTE CALCULATION

BORICUA BURGER	
Amount of Loan	\$100,000
Date loan proceeds received	04/12/20
End of Covered Period	6/6/2020
Electing Alternate Payroll Covered Period?	Yes
Date of first day of first pay period after receipt of PPP mc	4/20/2020
Alternative 8 Week Date	6/14/2020
Are you Electing the Simplified Method for FTE's	No
Are you a Seasonal Employer?	No
Average # of FTE's:	
Covered Period	7.30
2/15/19 to 6/30/19	9.60
1/1/20 to 2/29/20	8.80
Seasonal Period	N/A
TEST MET	NO
PERCENTAGE MAINTAINED	83%

BORICUA BURGER	
Amount of Loan	\$100,000
Date loan proceeds received	04/12/20
End of Covered Period	6/6/2020
Electing Alternate Payroll Covered Period?	Yes
Date of first day of first pay period after receipt of PPP mc	4/20/2020
Alternative 8 Week Date	6/14/2020
Are you Electing the Simplified Method for FTE's	Yes
Are you a Seasonal Employer?	No
Average # of FTE's:	
Covered Period	5.00
2/15/19 to 6/30/19	6.50
1/1/20 to 2/29/20	6.00
Seasonal Period	N/A
TEST MET	NO
PERCENTAGE MAINTAINED	83%

SALARY HOURLY WAGE REDUCTION

Salary/Hourly Wage Reduction:

- ▶ The actual amount of loan forgiveness the Borrower will receive may be less, depending on whether: 1) the **salary or hourly wages** of certain employees during the Covered Period or the Alternative Payroll Covered Period was **less than during the period from January 1, 2020 to March 31, 2020**.
- ▶ If the Borrower restored salary/hourly wage levels, the Borrower may be eligible for elimination of the Salary/Hourly Wage Reduction amount. Borrowers must complete this worksheet to determine whether to reduce the amount of loan forgiveness for which they are eligible.

Complete the Salary/Hour Wage Reduction column **only for employees whose salaries or hourly wages were reduced by more than 25% during the Covered Period or the Alternative Payroll Covered Period as compared to the period of January 1, 2020 through March 31, 2020.**

FTE REDUCTION EXEPTION

- ▶ Any FTE reductions in these cases do not reduce the Borrower's loan forgiveness.
- ▶ (1) any positions for which the Borrower made a good-faith, written offer to rehire an employee during the Covered Period or the Alternative Payroll Covered Period which was rejected by the employee;
- ▶ (2) any employees who during the Covered Period or the Alternative Payroll Covered Period:
 - ▶ (a) were fired for cause,
 - ▶ (b) voluntarily resigned, or
 - ▶ (c) voluntarily requested and received a reduction of their hours.

Do not count these employees if the are filled by new employees, calculations and formats have not taken this into consideration, beware and no double dipping!

FTE REDUCTION SAFE HARBOR

- ▶ A borrower that rehires or replaces workers who were previously laid off will be exempt from the reduction in loan forgiveness during the Covered Period (or Alternative Payroll Covered Period) provided that **1) such employee reduction occurred between February 15, 2020 and April 26, 2020, and 2) the borrower restored its FTE employee levels by no later than June 30, 2020 to its FTE employee levels in the borrower's pay period that included February 15, 2020.**
- ▶ Importantly, “owner employees” and “self-employed individuals/general partners” are not included in either the FTE or salary reduction calculations.

FORGIVENESS AMOUNT CALCULATION

EXAMPLE 1

- ▶ Boricua Mask (BM) is a non-seasonal employer whose business is significantly affected by COVID-19. As a result, BM terminates the employment of 50 full-time equivalent employees on April 1, 2020.
- ▶ Later, on May 21, 2020, Company A borrows \$1 million through the PPP. BM has an average of **150 full-time equivalent employees between May 1 and June 27** (i.e., the eight-week “covered period”), as compared to (a) the average of **250** full-time equivalent employees it had between Feb. 15, 2019 and June 20, 2019 and (b) the average of **200** full-time equivalent employees it had between Jan. 1, 2020 and Feb. 29, 2020.
- ▶ For now, assume that **BM** did not reduce the pay of any of its employees.
- ▶ Also, assume the borrower spent the required \$750,000 on payroll costs, with the remaining \$250,000 going toward non-payroll covered expenses (mortgage interest, rent payments and business utilities).

$$150/200 = 75\%$$

BORICUA MASK, CORP.

PPP LOAN FORGIVENESS CALCULATION FORM

Forgiveness Amount Calculation: Loan Amount: \$ 1,000,000

Payroll and Nonpayroll Costs

Line 1.	Payroll Costs	\$ 750,000
Line 2.	Business Mortgage Interest Payments	100,000
Line 3.	Business Rent or Lease Payments	100,000
Line 4.	Business Utility Payments	50,000

Adjustments for FTE and Salary/Hourly Rate Reductions

Line 5.	Total Salary/Hourly Wage Redutions	0
Line 6.	Add the amounts on lines 1,2,3, and 4, the subtract the amount entered in line 5	\$ 1,000,000
Line 7.	FTE Reduction Quotient	75%

Potential Forgiveness Amounts

Line 8.	Modified Total (multiply line 6 by line 7)	\$ 750,000
Line 9.	PPP Loan Amount	\$ 1,000,000
Line 10.	Payroll Cost 75% Requirement (divide line 1 by 0.75)	\$ 1,000,000

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10) \$ **750,000.00**

EXAMPLE 2

- ▶ On April 1, 2020, BM also reduced the annual salaries of 10 employees from \$60,000 per year to \$30,000 per year. Assume all 10 employees earned an annualized salary of less than \$100,000 in 2019.
- ▶ Since this is more than a 25% reduction in annual salary from the amount earned during the first quarter of 2020, the borrower must complete the portion of the Schedule A Worksheet titled “Salary/Hourly Wage Reduction.”
- ▶ The loan forgiveness amount is further reduced by the amount in excess of the 25% salary reduction for each employee.
- ▶ If the borrower follows the worksheet instructions, the applicable annual reduction is \$15,000 for each employee. This is divided by 52, and then multiplied by 8, to get an annualized figure of \$2,307 per employee, or \$23,076 for the 10 employees in the aggregate).
- ▶ All other things equal, the \$1 million forgiveness amount would be reduced to \$976,923.
- ▶ Based on the above FTE reduction, Company A’s forgiveness amount is 75% of this figure, or \$732,692.

BORICUA MASK, CORP.

PPP LOAN FORGIVENESS CALCULATION FORM

Forgiveness Amount Calculation: Loan Amount: \$ 1,000,000

Payroll and Nonpayroll Costs

Line 1.	Payroll Costs	\$ 750,000
Line 2.	Business Mortgage Interest Payments	100,000
Line 3.	Business Rent or Lease Payments	100,000
Line 4.	Business Utility Payments	50,000

Adjustments for FTE and Salary/Hourly Rate Reductions

Line 5.	Total Salary/Hourly Wage Redutions	23,077
Line 6.	Add the amounts on lines 1,2,3, and 4, the subtract the amount entered in line 5	\$ 976,923
Line 7.	FTE Reduction Quotient	75%

Potential Forgiveness Amounts

Line 8.	Modified Total (multiply line 6 by line 7)	\$ 732,692
Line 9.	PPP Loan Amount	\$ 1,000,000
Line 10.	Payroll Cost 75% Requirement (divide line 1 by 0.75)	\$ 1,000,000

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10) \$ **732,692**

EXAMPLE 3

- ▶ Now, assume that on June 1, BM elects to rehire all the full-time equivalent employees it terminated on April 1, and rescinds the salary reductions referenced above. All other things being equal, as a result of the action taken by BM on June 1, the entire \$1 million loan is eligible for loan forgiveness.
- ▶ Finally, assume Company A took all of the same steps above, including the June 1 rehires and salary restorations. However, because of its reduced headcount during the covered period, **BM could only spend \$600,000 on payroll costs** (instead of the required \$750,000).
- ▶ Assume BM spent the remaining \$250,000 on non-payroll covered expenses. The total amount eligible for forgiveness would ordinarily be \$850,000. However, on these facts, BM's forgiveness amount is **reduced to \$800,000** (i.e., the \$600,000 in payroll costs divided by 0.75).
- ▶ Company A's failure to meet the 75% payroll cost requirement reduces the amount it can spend on non-payroll covered expenses from \$250,000 to \$200,000.

BORICUA MASK, CORP.

PPP LOAN FORGIVENESS CALCULATION FORM

Forgiveness Amount Calculation: Loan Amount: \$ 1,000,000

Payroll and Nonpayroll Costs

Line 1.	Payroll Costs	<u>\$ 600,000</u>
Line 2.	Business Mortgage Interest Payments	<u>100,000</u>
Line 3.	Business Rent or Lease Payments	<u>100,000</u>
Line 4.	Business Utility Payments	<u>50,000</u>

Adjustments for FTE and Salary/Hourly Rate Reductions

Line 5.	Total Salary/Hourly Wage Reductions	<u>0</u>
Line 6.	Add the amounts on lines 1,2,3, and 4, the subtract the amount entered in line 5	<u>\$ 850,000</u>
Line 7.	FTE Reduction Quotient	<u>100%</u>

Potential Forgiveness Amounts

Line 8.	Modified Total (multiply line 6 by line 7)	<u>\$ 850,000</u>
Line 9.	PPP Loan Amount	<u>\$ 1,000,000</u>
Line 10.	Payroll Cost 75% Requirement (divide line 1 by 0.75)	<u>\$ 800,000</u>

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10) \$ 800,000.00

DOCUMENTATION

Payroll Documentation:

- ▶ Bank account statements (or third-party payroll service provider reports) documenting the amount of cash compensation paid to employees.
- ▶ Tax forms (or equivalent third-party payroll service provider reports), including payroll tax filings and state quarterly business and individual employee wage reporting and unemployment insurance tax filings.
- ▶ Payment receipts cancelled checks or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the borrower included in the forgiveness amount.

DOCUMENTATION

FTE Documentation:

- ▶ The average number of FTE employees on payroll per month employed between February 15, 2019 and June 30, 2019;
- ▶ the average number of FTE employees on payroll per month employed between January 1, 2020 and February 29, 2020; or
- ▶ in the case of a seasonal employer, the average number of FTE employees on payroll per month employed between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; **or any consecutive 12-week period between May 1, 2019 and September 15, 2019.**
- ▶ Documents may include payroll tax filings (typically Form 941) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings. Documents may cover periods longer than the specific time period

DOCUMENTATION

Non-Payroll Documentation:

- ▶ **Business Mortgage Interest Payments:** Copy of the lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
- ▶ **Business Rent or Lease payments:** Copy of the current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the covered period through one month after the end of the covered period verifying eligible payments.
- ▶ **Business Utility Payments:** Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks or account statements verifying those eligible payments.

SOLE PROPRIETORS FORGIVENESS CALCULATION

Client:	JOHN DOE			
Type:	SOLE PROPRIETOR (DBA)			
SBA Loan number:				
Date of deposit:	4/30/2020			
Today's date:	6/26/2020			
Days elapsed:	56			
Total PPP Loan Eligible Annual Payroll Costs		\$ 100,000.00		
Average weekly payroll		\$ 1,923.08		
Loan amount approved		\$ 20,833.33		
Weekly payments	Budget	Paid Amount	Paid	Date
Week 1	\$ 1,923.08	\$ 1,923.08	<input checked="" type="checkbox"/>	5/8/2020
Week 2	1,923.08	1,923.08	<input checked="" type="checkbox"/>	5/15/2020
Week 3	1,923.08	1,923.08	<input checked="" type="checkbox"/>	5/22/2020
Week 4	1,923.08	1,923.08	<input checked="" type="checkbox"/>	5/29/2020
Week 5	1,923.08	1,923.08	<input checked="" type="checkbox"/>	6/5/2020
Week 6	1,923.08	1,923.08	<input checked="" type="checkbox"/>	6/12/2020
Week 7	1,923.08	1,923.08	<input checked="" type="checkbox"/>	6/19/2020
Week 8	1,923.08	1,923.08	<input checked="" type="checkbox"/>	6/26/2020
Subtotal	\$ 15,384.62	\$ 15,384.62		
Remaining balance of loan		\$ 5,448.72		
*Other eligible expenses				
Business rent expense		\$ 3,000.00		
Business utilities expense		900.00		
Business vehicle expense (gas)		500.00		
Business interest portion of loans		235.00		
Total amount of loan		\$ 1,713.72		
<p>*In order to use PPP money on an expense, you must have claimed a deduction or be entitled to claim a deduction on the expense on your 2019 (2018) 1040-PR. This means if you use PPP money for a utility bill you must have claimed a deduction in 2019 for this similar expense. Health insurance is NOT included as an eligible expense as of today.</p>				

THANKS!