PPP Loan Forgiveness
the application process...

Wednesday, July 21, 2021

The SBA Hawaii Pacific Islands District Office
along with resource partner:
Hawaii Small Business Development Center Network

Supported by:
PPP Loan Forgiveness

Borrowers must apply for forgiveness through their lender; lenders submit borrower forgiveness decisions to the SBA

Updates per the Economic Aid Act
- EIDL Advances are no longer deducted from forgiveness payment.
- Forgiven PPP loans are not taxable income (IRS & HI); expenses paid with forgiven PPP loan funds are tax deductible Federally, but NOT in Hawaii

Update per the 2021 American Rescue Plan
- Expanded forgivable expenses (select operating expenses).
- Simplified forgiveness application for PPP loans $150,000 and under (and updated Safe Harbors for loans disbursed in 2021).
- July 2021-SBA policy change: Eliminate loan necessity questionnaire/review for PPP loans of $2 million or greater.
- *August?: Forgiveness Application directly to new SBA Forgiveness Portal...

Agenda

1. Why/What if PPP Loan is NOT Forgiven
2. Forgiveness Application Processing Timeline
3. Forgiveness Overview...3 Principles
4. How to Apply/Which Application Form
5. Required Documentation/Retained Records
6. Post Forgiveness Accounting

If the PPP loan is not 100% forgiven

PPP Loans have:

• A fixed interest rate of 1% that is non-compounding and non-adjustable

• No fees or prepayment penalties

• A Five-year maturity (loans disbursed before June 5, 2020 is two-year maturity; borrowers can ask their lender to extend term to five years (lender’s discretion)

• If no forgiveness application is made, payments start 10 months after the last day of the covered period.

• If forgiveness application is denied or partial, lender will notify the borrower and Payments start (principal & interest).
PPP Forgiveness Application Processing Timeline

**PPP Forgiveness Application Processing Timeline**

- **After your covered period ends**, you have **ten months** before payments are required. You can apply for forgiveness at any time during this period.  
  *Note: early PPP recipients April 2020, 8-week covered period puts repayment deadline mid-July 21; 24-week covered period repay deadline in Sept 21.*

- Your **lender has up to 60 days** to review your forgiveness application. You might be fully or partially approved for forgiveness, or denied and decision sent to the SBA.

- **SBA has up to 90 days** to evaluate the application.

- Lender will notify applicant result. If partial or denial, monthly payments on the PPP balance will commence.

- If you don’t agree with your lender’s decision, you can request the SBA to review it again. If you don’t agree with the SBA there is an appeal process.
PPP Loan Forgiveness has three main principles:

1. Spending PPP funds on allowed expenses during your *covered period... at least 60% on payroll costs ...no more than 40% on select operating expenses

2. Maintain an average monthly number of full-time equivalent employees (FTE) over the course of the covered period

3. Documentation: Tracking and proving your spending

* loan forgiveness **covered period**: eligible period to spend PPP funds for forgiveness. Begins on the date you received your PPP funds and ends on a date selected by you between 8 to 24 weeks thereafter.
PPP Forgiveness overview...

1. Spending PPP funds on the right things...
   At least 60% on Payroll Costs: ...no more than 40% on select operating expenses
   - Salaries (under $100K annualized max per employee)
   - Wages
   - Vacation Pay
   - Parental and Family Leave
   - Employer- contribution to medical or other group benefits
   - Sick Leave
   - Employer retirement benefits
   - Bonuses, commissions or hazard pay

* Hawaii workman’s comp and TDI is NOT an eligible payroll cost
* need NOT adjust payroll schedule. All payroll employees incurred over the 8 to 24 week period is eligible for forgiveness, even if the actual payout date falls outside the covered period.
PPP Forgiveness overview...

1. Spending PPP funds on the right things (at least 60% on payroll costs)
   No more than 40% on select operating expenses:
   - Interest on mortgages signed before Feb 15, 2020 (no prepayments)
   - Rent for lease agreements in effect before Feb 15, 2020
   - Utilities for services that began before Feb 15, 2020
   - Operations software, cloud computing, sales delivery, tracking of supplies/inventory, or other human resources and accounting needs
   - Uninsured property damage costs due to civil unrest, public disturbances or vandalism in 2020 not covered by other compensation
   - Supplier costs for purchase orders of goods made essential to operations prior to receiving a PPP loan (including costs for perishable goods).
   - Worker protection, PPE or property improvements to remain COVID compliant after Mar 1, 2020 (adaptive social distancing/sanitation standards)
PPP Forgiveness overview...

2. Maintain Headcount (FTE) by end of covered period:
   • Evidence that employees were kept on payroll or rehired once the loan was received
     • You may have had to rehire/hire employees to replace the count if some were let go due to COVID.
   • Provide a calculation of the average monthly number of full-time equivalent employees for the covered period
PPP Forgiveness overview...

3 Documenting (tracking) Spending of PPP funds:

- Record the PPP deposit as a loan on your books (asset: non-taxable income)
- Over your covered period (8-24 weeks), complete bookkeeping on all financial transactions:
  - Record the expense amount
  - Record vendor/payee
  - Record “category” of the expense (Payroll, Utilities, Rent, etc)
  - Record date of transaction
  - Record purpose of transaction
  - Store receipt or official record (such as payroll and tax records)
- At the end of covered period, add up the total amounts spent on forgivable categories –ensuring at least 60% of funds expended on payroll costs
Forgiveness Application depends on PPP Loan amount:

- Simplified forgiveness applications (reduced documentation) for smaller loans: *(all forms revised as of Jan 19, 2021)* PPP Loans:
  - $150,000 or less [SBA Form 3508S](https://bench.co/blog/operations/ppp-forgiveness-application-form/) just one-page online or paper
  - >$150,000 .and. no salary nor FTE reduction [SBA Form 3508EZ](https://bench.co/blog/operations/ppp-forgiveness-application-form/)
  - All other –[SBA Form 3508](https://bench.co/blog/operations/ppp-forgiveness-application-form/)

*3rd party form guidance: [https://bench.co/blog/operations/ppp-forgiveness-application-form/](https://bench.co/blog/operations/ppp-forgiveness-application-form/)*
PPP Forgiveness Application forms...

- **Is your loan amount for more than $150,000?**
  - No → Form 3508S
  - Yes → Did you reduce your FTE headcount from January 1, 2020 by more than 25%?
  - No → Form 3508EZ
  - Yes → Were you unable to operate at the same capacity because of COVID-19 related health guidelines?
    - Yes → Form 3508
    - No → Form 3508S

PPP Forgiveness Application depends on PPP Loan amount:

- Apply for forgiveness through your lender using lender portal...
- Simplified forgiveness applications (reduced documentation) for smaller loans: (all forms revised as of Jan 19, 2021) PPP Loans:
  - $150,000 or less: SBA Form 3508S just one-page online or paper
  - $150,000 and no salary nor FTE reduction: SBA Form 3508EZ
  - All other: SBA Form 3508

Form Guidance: [https://bench.co/blog/operations/ppp-forgiveness-application-form/](https://bench.co/blog/operations/ppp-forgiveness-application-form/)
PPP Forgiveness - Application How

PPP Forgiveness application forms...

**Form 3508S** - only for borrowers with loan amounts of $150,000 or less.

The simplest of the forms. No calculations nor submission of documentation (but the SBA can request documents at any time up to 6 years).

Instead, you self-certify that you have operated within the rules of the PPP and you indicate the forgiven amount. This means you:

- used the loan to cover eligible expenses only
- did not reduce employee pay below 75% of their pre-COVID wages
- did not reduce your full time equivalent headcount
- If the SBA finds that you lied on your forgiveness application, you may be subject to up to 30 years imprisonment and a $1 million fine.

PPP Forgiveness application forms...

Form 3508EZ - for borrowers with loan amounts greater than $150,000 with no salary nor FTE reductions (Safe Harbors can be used here)

Streamlined form, you must certify in good faith and with documents provided:

1. For any employees earning $100,000 or less, you did not reduce the annual salary or hourly wages by more than 25% in the covered period (compared to the most recent full quarter prior to the covered period).

2. No FTE reductions:
   a) did not reduce the number of employees or the average hours of employees between January 1, 2020 and the end of covered period. *(may ignore employees that refused an offer to come back to work or were fired for just cause)*. OR.
   b) were unable to operate to the same capacity as February 15, 2020 due to compliance with rules related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

Documents detailing payroll and other eligible expenses will be required with application.

PPP Forgiveness – Application How

**PPP Forgiveness application forms...**

**Form 3508** - for borrowers that cannot use form 3508S or 3508EZ.

The “original” forgiveness application form, includes a PPP Schedule A.

The Schedule A includes tables detailing your FTE and any salary/wage reductions in the covered period.

In addition to the PPP Schedule A, borrowers using form 3508 will have to provide documents substantiating payroll and other eligible expenses.

*Before manually filling out this information, check to see if your payroll provider has a PPP report available. Some payroll providers have all the information you need in an easy-to-use document.*

PPP Forgiveness Application Preparation

PPP Forgiveness application preparation...

Forgiveness Application Documentation/Information:

1. Identification
2. Payroll Information
3. Proof of select Operating Expenses
4. Proof of Headcount

* EIDL information no longer required
1) Identification *(matches your PPP application)*:

- The name of your business, including its legal name, DBA, and tradename (if applicable)
- Business Tax Identification Number (TIN), Social Security number (SSN) or Employer Identification Number (EIN)
- SBA PPP loan number (can be found on your Promissory Note) and your PPP loan amount
PPP Forgiveness Application Preparation

PPP Forgiveness application preparation...

2) Payroll Information:
- List of all employees on payroll during the covered period
- Payroll service reports documenting wages paid to employees
- Federal payroll tax filings (IRS Form 941)
- Income, payroll, and unemployment insurance filings from your state
- Receipts for employer contributions to group benefit plans
- Receipts for any retirement plan contributions

*Note: Some payroll providers are supplying PPP loan forgiveness reports that can be used on the application. Check with your provider first before manually calculating any payroll cost or headcount numbers

For sole proprietors or sole member LLCs not on payroll:
- Owner’s draw checks and/or receiving personal bank statements (deposits)
- Federal tax documentation showing owner compensation in the past (1099 or Schedule C; Quarterly Estimated Tax Payments)
PPP Forgiveness Application Preparation

PPP Forgiveness application preparation...

3) Proof of select Operating Expenses:
SBA The SBA will require evidence that funds were spent on payroll, and select operating expenditures. These can include:
• Copies of canceled checks AND detailed invoices of expenditures (categorized), purchase orders
• Bank statements
• Utility bills
• Mortgage statements
• Lease agreements

For sole proprietors or sole member LLCs:
• In order to submit mortgage interest, rent, or utilities expenses for forgiveness, you must have claimed a deduction for those expenses on your 2019 Form 1040 Schedule C.
4) Proof of Headcount:
"maintained average monthly number of full-time equivalent employees (FTE) over the course of the covered period"

The FTE calc at the end of your covered period must meet or exceed the “reference period”. The Reference Period, at the borrower’s election, is either:

- a) Feb 15, 2019 through Jun 30, 2019; .or.
- b) Jan 1, 2020 through Feb 29, 2020; .or.
- c) (in the case of seasonal employers, more freedom choosing 12-week reference) either of the preceding periods or any consecutive 12-week period between Feb 15, 2019 and Feb 15, 2020.

Provide:
- A calculation of the average monthly number of full-time equivalent employees for the covered period
- Evidence that employees were kept on payroll or rehired once loan was received
PPP Forgiveness application preparation...

4a) Proof of Headcount: FTE Calculation

"maintained average monthly number of full-time equivalent employees (FTE) over the course of the covered period"

Determine the average number of full-time equivalent employees you had during:

- The 8-week to 24-week period following your initial loan disbursement, \( A \)
- February 15, 2019 to June 30, 2019, \( B_1 \)
- January 1, 2020 to February 29, 2020, \( B_2 \)

Take \( A \) and divide that by \( B_1 \). Then take \( A \) and divide by \( B_2 \).

Use the larger number you obtain.

If you get a number equal to or larger than 1, you successfully maintained your headcount and meet the staffing requirement.

A number smaller than 1, you did not maintain your headcount and your forgivable expenses will be reduced proportionately.
4b) Proof of Headcount: FTE Calculation for Seasonal employers

"maintained average monthly number of full-time equivalent employees (FTE) over the course of the covered period”

Determine the average number of full-time equivalent employees you had during:

- The 8-week to 24-week period following your initial loan disbursement, \(A\)
- Season: any consecutive 12-week period between Feb 15, 2019 and Feb 15, 2020, \(B\)

Take \(A\) and divide that by \(B\).

If you get a **number equal to or larger than 1**, you successfully maintained your headcount and meet the staffing requirement.

A number smaller than 1, you did not maintain your headcount and your forgivable expenses will be reduced proportionately.
4) Proof of Headcount: Safe Harbor exemptions on rehiring

"maintained average monthly number of full-time equivalent employees (FTE) over the course of the covered period"

Employees as of February 15, 2020, may be excluded when calculating forgiveness if:

• They were laid off or put on furlough and not rehired because:
  • employee rejects a written offer to rehire in good faith re-employment offer
  • offer to rehire for same salary/wage & number of hours as before they were laid off
  • you have documentation of the employee’s rejection of the offer
• They were fired for cause
• They voluntarily resigned
• They voluntarily requested and received a reduction of their hours

You may also be required to demonstrate you were unable to hire similarly qualified employees for unfilled positions, or document that due to safety requirements, you were unable to return to normal operating levels.
Safe Harbor: provision included in rules and laws to ensure that people don’t accidentally violate rules because of a technicality or situation that is outside of their control.

The safe harbors related to PPP loan forgiveness help businesses qualify for forgiveness, even if they don’t meet all of the criteria. With an updated PPP forgiveness application released on January 19, 2021 came updates to safe harbors for PPP loans disbursed in 2021.

- Good Faith Certification Safe Harbor
- FTE Reduction Safe Harbor (2)
- Salary/Hourly Wage Reduction Safe Harbor
Forgiveness Safe Harbors: Good Faith Certification

The PPP program requires that borrowers certify on the loan application that: “current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.”

Safe Harbor: Effective immediately, SBA will no longer request the Loan Necessity Questionnaires (SBA Form 3510 and 3511) for any PPP loan reviews.

• Fall 2020: Businesses that borrowed less than $2 million are automatically deemed to have made the required certification in good faith and the SBA isn’t going to review documentation to support that loan was necessary to support business.

• July 21-SBA policy change: Eliminate loan necessity questionnaire/review for PPP loans of $2 million or greater.

Of course, the SBA can still evaluate your loan on other aspects, such as if you were eligible for the program.
The goal of PPP is to keep employees on payroll, rather than furlough or lay them off. *If your business has a reduction in full-time equivalent employees (FTEs), your PPP loan forgiveness amount may be reduced.*

Safe Harbor: *If your business doors were required to be fully or partially shut,* a safe harbor applies. Businesses not able to operate at the same level between February 15, 2020, and the end of the Covered Period because of compliance with guidelines issued between March 1 and December 31 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, qualify for the safe harbor. For loans disbursed after December 27, 2020, the period is extended to the end of your 8 to 24 week covered period.

Applying this safe harbor to your application is simple — you’re required to check a box (form 3508EZ) certifying that it’s true. But you’ll want to keep documents that help support this. However, the instructions don’t clarify what this documentation would look like so use your best judgment to keep any paperwork that applies here.
PPP Forgiveness Application Preparation

PPP Forgiveness Safe Harbors: FTE Reduction Safe Harbor 2

If restoring your FTEs but it’s taking longer than expected. This safe harbor exempts borrowers from forgiveness reduction if they meet two criteria:

1. the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and
2. the Borrower then restored its FTE employee levels by not later than December 31, 2020 to its FTE employee levels in the Borrower’s pay period that included February 15, 2020. For loans disbursed after December 27, 2020, this is extended to the end of your 8 to 24 week covered period.

So if before the end of your covered period you’re able to bring your FTEs back up to where they were on February 15, 2020, you can qualify for this safe harbor.

Calculate this safe harbor by using the PPP Schedule A Worksheet – Form 3508. After you fill out the worksheet determining whether you qualify for the safe harbor, you’re not required to submit any additional supporting documentation. But the application does specify that you’ll need to keep any supporting documentation that you use to fill out the worksheet.
PPP Forgiveness Application Preparation

PPP Forgiveness: FTE Reduction Exception

Not a safe harbor but... *an exception* available to businesses who experienced an FTE reduction. There are *certain situations where you can exclude an employee from the FTE calculation* Broadly speaking, if you’re trying to restore your headcount and despite your best efforts you can’t.

- you made a good-faith, written offer to rehire an employee who was employed on February 15, 2020, and you weren’t able to hire a similarly qualified employee before December 31, 2020 (for a PPP loan made after December 27, 2020, before the last day of the 8 to 24 week covered period)
- you made a good-faith, written offer to restore reduced hours of an employee during the Covered Period and they rejected it
- If during the Covered Period you fired an employee for cause, the employee voluntarily resigned, or voluntarily requested and received a reduction of hours

Documentation submission not needed with loan forgiveness application but you need to keep supporting evidence. *(i.e., job offer and refusal documentation, written requests for an employee to reduce hours, voluntary resignations, supporting documentation for firing an employee for cause, and anything that shows your inability to hire qualified employees for unfilled positions.)*
PPP Forgiveness Application Preparation

PPP Forgiveness: Salary/Hourly Wage Reduction Safe Harbor

PPP loan forgiveness may be reduced if the salary or hourly wages paid to employees who earn less than $100,000 annualized was reduced by more than 25% during the Covered Period. Safe Harbor: no reduction if two tests included in the PPP loan forgiveness application to determine whether you qualify for the salary/hourly wage reduction safe harbor:

1. If average annual wage or salary paid between February 15, 2020 and April 26, 2020 is equal to or more than their average annual wage or salary as of February 15, 2020, the safe harbor applies.

2. If the average annual wage or salary as of December 31, 2020 is equal to or more than the annual wage or salary as of February 15, 2020, the safe harbor applies. For a PPP loan made after December 27, 2020, they will use the last day of your 8 to 24 week covered period.

Documentation submission not needed with loan forgiveness application but you will need to keep supporting evidence. SBA doesn’t specify exactly what they need as support for claiming this safe harbor, good record keeping will be critical.
Post PPP Forgiveness Accounting/Taxes...

Once amount for Forgiveness is confirmed by your lender – Accounting/Tax adjustments:

• In your books, adjust that amount out of the “loan” or non-taxable income section of your general ledger, into a “Non-Taxable Gains” ledger
  • (short 6 min video for QuickBooks Online: [https://youtu.be/tU1HisqGCWg](https://youtu.be/tU1HisqGCWg))
  • Association of International Certified Professional Accountants (AICPA) offers a presentation on Accounting for PPP – Debt Model [https://future.aicpa.org/resources/video/accounting-for-ppp](https://future.aicpa.org/resources/video/accounting-for-ppp)

• In your upcoming Income tax returns, non-taxable income is reported/exempted from federal taxes using Schedule M-1 adjustment
  • expenses paid with forgiven PPP loan funds are Federally tax deductible, but NOT deductible in Hawaii income tax returns*.

• If you didn’t get full forgiveness of the loan, any remaining amounts will stay in the “Loan” category in your books

* Hawaii Tax Information Release (TIR) No. 2021-05 dated July 2, 2021
SBA RESOURCE PARTNERS – HAWAII

Hawaii Small Business Development Center
Oahu, Kauai, Maui, East Hawaii, West Hawaii
hisbdc.org

Patsy T. Mink Center for Business & Leadership
(Women’s business center on Oahu)
mcblhawaii.org

Veterans Business Outreach Center of the Pacific
hilo.hawaii.edu/vboc/

SCORE
score.org

Questions & Answers
PPP Loan Forgiveness Best Practices
Wednesday, July 21, 2021

The SBA Hawaii Pacific Islands District Office
along with resource partner:
Hawaii Small Business Development Center Network
Supported by:
B E T T E R   B U S I N E S S   B U R E A U
Q-01) I have filed for forgiveness and my bank accepted the application and forwarded to SBA, but we have not heard anything since:
Upon the lender’s forgiveness determination, the application is forwarded to the SBA, who then has 90 days to respond. (See slide #5 - PPP Forgiveness Application Processing Timeline)

Q-02) Is SBA Disaster loan EIDL forgivable?
The Economic Injury Disaster Loan (EIDL) is not a forgivable loan. It is a separate relief assistance program completely unrelated to the Payroll Protection Program.

Q-03) Can you confirm that if a full-time employee voluntarily quits (and was not replaced) it will not impact forgiveness:
Confirmed, if during the Covered Period an employee voluntarily resigns, you may exclude that employee from the FTE calculation. While you do not have to submit documentation at forgiveness application, you must retain documentation (such as written resignation and your inability to hire qualified employees for unfilled positions). (See slide #28 – FTE reduction exception, 3rd bullet)
Q-04) Is there a separate application for PPP 2?
The Forgiveness application process and forms are the same for all the PPP loan instances.

Q-05) I understand that PPP 25% down in one 1/4 from 2020 compared to 2019 for PPP loan forgiveness. We were down 23% in two different quarters but not quite 25% in any one quarter. Is there any option to use the two 23% down in 2 quarters for loan forgiveness?
While eligibility to receive a second draw PPP Loan includes demonstration of at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020, the application for forgiveness has no such requirement –regardless of which loan instance.

Q-06) For sole proprietors, what kind of documentation do I need to show that the loan went 100% to my own personal payroll?
Sole proprietors usually are not on a payroll system hence compensation is usually an owner’s draw; an amount of money taken out by the owner for personal use. It’s how to pay yourself instead of taking a salary. Documentation would be company checks made out to owner and/or receiving personal bank statements where deposits were made. (See slide #18 bottom - PPP Forgiveness Preparing -Payroll)
Q-07) How do you account for the Employee Retention Credit?

PPP and ERTC aren’t allowed to cover the same payroll expenses so payroll expenses that would be ‘reimbursed’ by ERTC cannot be claimed as payroll expenses for PPP forgiveness.

Employee Retention Tax Credit (ERTC) is unrelated to PPP but questions arose whether PPP funds could be used to pay employee that would have been covered under ERTC (-No). As of December 2020, businesses have the opportunity to take out a PPP loan and obtain the Employee Retention Tax Credit (ERTC) for both 2020 and 2021. For example, if a business took out a PPP loan at any point in 2020, they could now apply the ERTC for their 2020 taxes as long as PPP and ERTC don’t cover the same payroll expenses. Additionally, the ERTC was drastically expanded to help businesses make it through the first half of 2021. The prior credit allowed for a maximum benefit of $5,000 per employee for all of 2020, while the new credit allows for a maximum of $14,000 per employee through June 30, 2021. The bill also expands eligibility for ERTC to include more businesses that had significant revenue reductions in 2020.
Q-08) What happens if you cannot maintain employees because you have to temporarily close during your covered period, would that disqualify your ability to get forgiveness?

Documentation of why you “have to temporarily close” is important to not reduce your forgiveness and utilize the Safe Harbor: If your business doors were required to be fully or partially shut, a safe harbor applies. Businesses not able to operate at the same level between February 15, 2020, and the end of the Covered Period because of compliance with guidelines issued between March 1 and December 31 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, qualify for the safe harbor. For loans disbursed after December 27, 2020, the period is extended to the end of your 8 to 24 week covered period. (See slide #26 – FTE Safe Harbor)
Q-09) I am a small business owner and I used 100% of my SBA PPP on payroll (owner’s draw.) I have all the documentation of the funds being removed weekly from my business account (where the SBA funds were) and put into my personal account as payroll for the only worker/owner (me.) I just divided it up into eight weeks, the minimum amount of time before asking for forgiveness. Is this forgiveable? Did I do this correctly? My lender is Acorn, and I have not been able to hear back from them at all, but I just found a new phone number and email today. What do I do if my lender does not respond and does not have a forgiveness portal?

Based on what you stated here, you sound fine for full forgiveness. If your loan is under $150,000 you are eligible to apply for forgiveness using the simple one page, form 3508S. Are you using Blue Acorn? While they have processed a lot of PPP loans, they have been very uncommunicative regarding forgiveness applications. Sadly for now, you have to keep trying. You can try to contact the SBA Helpline although they generally defer you back to the lender... If you still have time for your 10 months of payment deferral after your covered period, know that SBA is working on a direct forgiveness application portal (expected release early August) –however, Blue Acorn would have to “opt-in” to the SBA to allow their customers to use the SBA portal for forgiveness. (see same question #22 below)
Q-10) How can you record the loan as an asset? It's a debit to cash - credit to liability...

You are correct, I’m sorry, did I mis-speak? When you first book the PPP Loan into your books (as with any loan), the PPP loan is booked into the “current liability” section of the balance sheet. When/If forgiveness is achieved, then journal entries need to be made to move that into a “Non-Taxable Income” or “Non-Taxable Gains” ledger.

Q-11) Is this information for the PPP second loan?
Yes, the Forgiveness application process and forms are the same for all the PPP loan instances.

Q-12) Please explain about help from payroll providers?
For businesses that utilize a payroll provider to process and execute all the records for the company payroll instead of processing payroll “in-house” (for instance ADP, HRSimplicity, ProService) check to see if they can generate the documentation and payroll expense numbers you need for PPP forgiveness. They already have all your payroll records and know the PPP forgiveness requirements, they just need to know what covered period you’ve chosen.
Q-13) Does headcount include full time, part time and temporary/seasonal employees at any point in time?
Yes – by end of covered period compared to chosen reference period. To account for the various types, you convert each employee from a headcount of 1, to a Full Time Equivalents (FTE). Use one of the following headcount to FTE conversion methods:
• Enter the average number of hours each employee worked per week, divide by 40, and round to the nearest tenth (maximum, 1.0).
• Assign a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours.

To meet the forgiveness requirement of “maintained average monthly number of full-time equivalent employees (FTE) over the course of the covered period” such that the FTE calculation at the end of your covered period meets or exceeds the chosen “reference period”.

Q-14) Are payments made to online quickbooks service both for accounting & payroll?
I’m sorry, I don’t understand the question. QuickBooks does have an extra subscription available for not just tracking payroll but an actual Payroll Service, perhaps this is what you’re referring to? Payroll service/Payroll provider charges are not PPP allowable Payroll expense (60%) but is allowed under the newly expanded PPP allowed operating expenses (40% max).
Q-15) Are payments to our computers maintenance contractor also forgiveable?
There’s no clear guidance mentioning computer maintenance as an allowable operating expense so documentation/explanation will be key to acceptance by your lender. First, the expenses need to be incurred and paid during your covered period. Then you need to document, for instance, that the maintenance was part of the technical solution/operating expense required to comply with adaptive social distancing/sanitation standards such as to utilize cloud solutions and/or allow employees to work remotely.

Q-16) What if your business did not commence operations until July 2019, Do you just use the head count for the months Jan-Feb 2020?
Yes... Per slide#20: The FTE calc at the end of your covered period must meet or exceed the “reference period”. The Reference Period, at the borrower’s election, is either:

1. Feb 15, 2019 through Jun 30, 2019; .or.
2. Jan 1, 2020 through Feb 29, 2020; .or.
3. (in the case of seasonal employers, more freedom choosing 12-week reference) either of the preceding periods or any consecutive 12-week period between Feb 15, 2019 and Feb 15, 2020.
Q-17) Are you saying to just forget about the EIDL money from the US Treasury because it is automatically "forgiven" IE its a grant not a loan?

No. The Economic Injury Disaster Loan (EIDL) is a non-forgivable loan. Do not confuse the EIDL Advance, which is a grant, with the EIDL Loan. They are two different disbursements that often are confused because early on, a borrower got both different components in a single application process. When the PPP program initially came out with the Forgiveness rules, the EIDL Advance (grant) was identified as a reduction in the PPP forgiveness calculation –the Advance has since been removed as a reduction in PPP forgiveness.

Q-18) If we have music teachers and they could not get students due to Covid-19 does that qualify for safe harbor?

First, we should clarify that we are talking about teachers that are W2-Employees and not independent contractors who are not covered under your business. Then it depends on how you justify this. Payroll Protection means that payroll is being provided (regardless of whether there is any work) so you should have kept them employed and PPP funds are provided and would be a forgivable (desired) use. If you chose not to protect their payroll and reduced your hours or FTE as PPP was designed, you could see if you could invoke the Safe Harbor so as not have forgiveness reduction by meeting documentation requirements.
Q-19) Is the sole proprietor automatically an FTE?
Yes, there is an assumption that the owner/operator of a business is a full time employee.

Q-20) I received my PPP loan in February 2021. When do I submit my application for forgiveness?
Application for forgiveness can be submitted as soon as your 8-24 week covered period is done (effectively when you have spent all the PPP funds you can declare your covered period is over). But no later than 10 months after the last day of your (chosen) covered period. (See slide #5 - PPP Forgiveness Application Processing Timeline –first bullet point)

Q-21) Can you pay yourself one lump sum?
As long as you claim to separate your payment schedule from an appropriate amount of covered period weeks to incur the cost... Hence claim enough weeks of covered period to not violate the payroll costs requirement of a maximum annualized salary limit of $100,000. ($100,000/52 weeks= maximum weekly payment of $1923 per week) ...times number of weeks chosen for covered period.
Q-22) What if my lender does not respond and does not have a forgiveness portal?
Sadly for now, you have to keep trying. Make sure you are connected with a bank manager in charge of PPP loans and not just be put off by a receptionist or teller who won’t have the latest info. You can try to contact the SBA Helpline although they generally defer you back to the lender... If you still have time for your 10 months of payment deferral after your covered period, know that SBA is working on a direct forgiveness application portal (expected release early August) –however, lender would have to “opt-in” to the SBA to allow their customers to use the SBA direct portal for forgiveness. (see same question #09 above)

Q-23) Is the forgiveness for PPP 2 available yet? My lender said they would notify me when the PPP 2 application is available. I have not heard anything yet. Is there any way to apply for PPP 2 forgiveness now?
Same as question#4 above... The Forgiveness application process and forms are the same for all the PPP loan instances. The only barrier to forgiveness application is that all the funds have been spent and the covered period’s chosen number of weeks (8-24) has transpired.
With all the changes, many lenders have been waiting for their computer vendors coding their forgiveness portals to get caught up. In the last few weeks we have been hearing of many local lenders finally starting to process forgiveness applications via their portals.
Q-24) How do you choose?
I’m sorry, I don’t understand the question. Given that this is a forgiveness application webinar let me review how to choose which SBA PPP forgiveness application form to use: all forms revised as of Jan 19, 2021)

• If loan $150,000 or less-use SBA Form 3508S just one-page online or paper
• If loan greater than $150,000 .and. no salary nor FTE reduction use SBA Form 3508EZ
• All other use –SBA Form 3508

(see slides #11 and #12) Remember that forgiveness application will be made to your lender, usually via an online portal.

Q-25) I’m a sole proprietor with no employees. First ppp forgiveness was for 8 weeks will second ppp forgive the entire 24 weeks of wages?
The PPP Loan application has already determined and disbursed the total amount of Payroll costs your can pay yourself. How you spread the payments and how to incur the payments is up to you within the limits of defining your covered period between 8-24 weeks and not violating the maximum $100,000 annualized salary limit (see question #21 above).
Q-26) My lender told me I could apply for forgiveness in 24 weeks from disbursement. Is that true or could I have applied after 8 weeks?
Forgiveness application can be submitted as soon as the PPP funds are spent within your choice of covered period between 8 and 24 weeks.

Q-27) only 10%down annually:
I’m sorry, I don’t understand the question.

Q-28) Can you review the timeline again using September 2020 PPP funds received?
1. After your chosen covered period ends, you have ten months before payments are required. You can apply for forgiveness at any time during this period.
2. Your lender has up to 60 days to review your forgiveness application. You might be fully or partially approved for forgiveness, or denied and decision sent to the SBA.
3. SBA has up to 90 days to evaluate the application.
4. Lender will notify applicant result. If partial or denial, monthly payments on the PPP balance will commence.

(See slide #5 - PPP Forgiveness Application Processing Timeline)
Q-29) Can you give more details on new forgivable operation expenses for F&B outlets?

What is presented on slide #8 – Expanded Other Allowed Operating Expenses, is about as detailed as the published guidance goes. Remember that these are allowed expenses during your covered period. Some of the more common uses that I’ve seen by F&B outlets would be cost of Protective gear (PPE) for your workers, property improvement for sanitation to remain COVID compliant (plexiglass shields, curtains, takeout windows and outdoor seating), website/IT modifications to implementation of an online QR code menu system, and/or online ordering system or delivery system along with accounting changes.
Q-30) Is there a quick payroll calculation “spreadsheet” to help for the application? There are several organizations that have ‘published’ forgiveness or PPP spend tracking spreadsheets however they go beyond just payroll costs so you’ll have to pick and choose. Not an endorsement but two that I’m aware of:

- The Hultquist Firm CPA PC has a YouTube video and Excel spreadsheet for tracking https://www.youtube.com/watch?v=tAX_PAQp3hA Excel Template: https://lnkd.in/eEtsyuG (note that this spreadsheet is set up for an 8-week covered period only – sheet is locked so no changes are possible without emailing the author for the password)

- The Association of International Certified Professional Accountants (AICPA) has a lot of PPP guidance targeted to professional accountants. They offer excel spreadsheet tools specific to each of the 3 SBA Forgiveness Application Forms... https://future.aicpa.org/resources/download/ppp-loan-forgiveness-calculator-excel