



Moody Bank

PPP FORGIVENESS CHECKLIST

This checklist provides you with guidance concerning the documentation needed in order to submit the client's forgiveness application to the SBA. We **ONLY** need documentation to support the payment of expenses for which the customer is requesting forgiveness. If the customer spent the entirety of the loan amount on payroll expenses, we will **NOT** need copies of their rental agreement, mortgage interest, utilities, etc. Please note that **ONLY** expenses paid during the Covered Period or Alternative Covered Period may be forgiven.

The borrower may submit the request prior to the end of the 24-week period provided that the borrower has used all the loan proceeds for which the borrower is requesting forgiveness **AND** the borrower's loan forgiveness application accounts for any salary reductions in excess of 25 percent for the **full** covered period.

For complete loan forgiveness, 60% **OR MORE** of the loan proceeds must be used for payroll related expenses and up to 40% may be used for these designated expenses (rent, real property & personal property interest or utilities which were under contract prior to February 15, 2020).

FORM 3508EZ - CAN BE USED BY THE FOLLOWING BORROWERS IF THEY CAN ANSWER YES TO ONE OF THE SCENARIOS SHOWN BELOW:

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1. THE BORROWER IS SELF-EMPLOYED **AND** HAS NO EMPLOYEES SUCH AS INDEPENDENT CONTRACTORS AND SOLE PROPRIETORS WHO HAD NO EMPLOYEES AT THE TIME OF THE PPP APPLICATION.
 2. THE BORROWER DID NOT REDUCE THE ANNUAL SALARIES OR HOURLY WAGES OF ANY OF THEIR EMPLOYEES BY MORE THAN 25% DURING THE COVERED PERIOD OR ALTERNATIVE COVERED PERIOD **AND** THE BORROWER DID NOT REDUCE THE NUMBER OF EMPLOYEES OR THE **AVERAGE PAID HOURS** OF EMPLOYEES BETWEEN 1/01/2020 AND THE END OF THE COVERED PERIOD (IGNORE REDUCTIONS THAT AROSE FROM AN INABILITY TO REHIRE INDIVIDUALS WHO WERE EMPLOYEES ON 2/15/2020 IF THE BORROWER WAS UNABLE TO HIRE SIMILARLY QUALIFIED EMPLOYEES FOR UNFILLED POSITIONS ON OR BEFORE 12/31/2020. ALSO IGNORE REDUCTIONS IN AN EMPLOYEE'S HOURS THAT THE BORROWER OFFERED TO RESTORE AND THE EMPLOYEE REFUSED.)

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3. THE BORROWER DID NOT REDUCE ANNUAL SALARIES OR HOURLY WAGES OF ANY EMPLOYEE BY MORE THAN 25 PERCENT DURING THE COVERED PERIOD OR ALTERNATIVE PAYROLL COVERED PERIOD COMPARED TO THE PERIOD BETWEEN 1/01/2020 AND 3/31/2020 (APPLIES TO THOSE EMPLOYEES WHO ARE PAID LESS THAN \$100K/YR.) **AND** THE BORROWER WAS UNABLE TO OPERATE DURING THE COVERED PERIOD AT THE SAME LEVEL OF BUSINESS ACTIVITY AS BEFORE 2/15/2020 DUE TO COMPLIANCE WITH REQUIREMENTS ESTABLISHED OR GUIDANCE ISSUED BETWEEN 3/1/2020 AND 12/31/2020 BY THE SECRETARY OF HEALTH AND HUMAN SERVICES, THE DIRECTOR OF THE CENTERS FOR DISEASE CONTROL, OR OSHA RELATED TO THE MAINTENANCE OF STANDARDS OF SANITATION, SOCIAL DISTANCING OR ANY OTHER WORK OR CUSTOMER SAFETY REQUIREMENT RELATED TO COVID-19.
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3508EZ

PAGE 1: REVIEW TOP PORTION OF FORM FOR COMPLETENESS

- Business Legal Name and DBA, if applicable
- Business Address
- Business TIN
- Business Phone Number
- Primary Contact
- E-Mail Address
- SBA and Lender PPP Loan Number (same loan number for both)
- PPP Loan Amount and Disbursement Date
- # of Employees at the time of Loan Application & # of Employees at Time of Forgiveness
- EIDL Amount of Advance and EIDL Application Number, if applicable
- Payroll Schedule
- Covered Period (beginning date should match date of loan disbursement) OR Alternative Payroll Covered Period (start date is the date of 1st payroll following disbursement)
- If amount is over \$2MM, make sure the box is checked.

Forgiveness Amount Calculation Section:

- Ensure that lines 1-4 have support documentation which justifies the amount listed in the blanks. For example, payroll reports/941's/health insurance and benefit documentation to support payroll costs. Verify that this amount makes up at least 60% of the total loan amount.
- Verify the addition on line 5
- Verify the loan amount matches the bank records - line 6
- Ensure that line 7 is made up of **AT LEAST** 60% payroll (Payroll costs must be paid during the covered period or alternative covered period in order to be considered as eligible so please be sure to confirm the payroll dates. Also, no individual compensation may exceed a prorated annual salary of \$100K.)
- Line 8 should represent the smallest of lines 5, 6 and 7

PAGE 2: REVIEW TO ENSURE THAT ALL BLANKS HAVE BEEN INITIALED AND THE BOTTOM SECTION HAS BEEN SIGNED, DATED AND THE BORROWER HAS PRINTED HIS/HER NAME AND TITLE.

FORM 3508

PAGE 1: REVIEW TOP PORTION OF FORM FOR COMPLETENESS

- Business Legal Name and DBA, if applicable
- Business Address
- Business TIN
- Business Phone Number
- Primary Contact
- E-Mail Address
- SBA and Lender PPP Loan Number (same)
- PPP Loan Amount and Disbursement Date
- # of Employees at the time of Loan Application & # of Employees at Time of Forgiveness
- EIDL Amount of Advance and EIDL Application Number, if applicable
- Payroll Schedule
- Covered Period (beginning date should match date of loan disbursement) OR Alternative Payroll Covered Period (start date is the date of 1st payroll following disbursement)

Skip lines 1-11 and review pages 2, 3 and 4 which will be used to complete Page 1 (lines 1-11)

PAGE 2: REVIEW TO ENSURE THAT ALL BLANKS HAVE BEEN INITIALED

PAGE 3: PPP SCHEDULE A

- Review Page 4 referred to as PPP SCHEDULE A Worksheet as this information will be used to complete Page 3 (Lines 1-9)
- Verify the addition on Line 10 (Lines 1, 4, 6, 7, 8 and 9)
- If the box, “No reduction in employees or average paid hours” is checked skip lines 11 & 12 and ensure that 1.0 is entered on line 13.
- If the box, “FTE Reduction Safe Harbor 1” is checked, the borrower is exempt from the FTE reduction and line 13 needs to be marked with a 1.0.
- If the box, “FTE Reduction Safe Harbor 2” is checked, the borrower is exempt from the FTE reduction and line 13 needs to be marked with a 1.0.
- Line 11 – Borrower should complete with average FTE during chosen period (covered or alternative payroll covered period.)
- Line 12 – Borrower should complete with total average FTE which is line 2 and line 5 of Page 3 added together (The information for line 2 and line 5 can also be found on Page 4 in Table 2 and represents all of the borrower’s employees – those who earn less than \$100K in the first box and those who earn more than \$100K in the second box.)

GO BACK TO PAGE 1 & REVIEW THE FORGIVENESS AMOUNT CALCULATION SECTION (LINES 1-11)

Payroll – *Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period or the Alternative Payroll Covered Period consisting of each of the following:*

- ☐ 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) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
 - Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941)
 - State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state
- ☐ 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 (PPP Schedule A, lines (6) and (7))

FTE – *Documentation showing (at the election of the Borrower):*

- ☐ The average number of FTE employees on payroll per month employed by the Borrower between February 15, 2019 and June 30, 2019;
- ☐ The average number of FTE employees on payroll per month employed by the Borrower 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 by the Borrower between February 15, 2019 and June 30, 2019; or any consecutive 12-week period between May 1, 2019 and September 15, 2019.

The selected time period must be the same period selected for purposes of completing PPP Schedule A, line 11. Documents may include payroll tax filings reported, or that will be reported, to the IRS (typically, form 941) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state. Documents submitted may cover periods longer than the specific time period.

SAFE HARBOR – *Documentation showing the following:*

- ☐ **SAFE HARBOR 1 (Activity Decline)** - Borrower must document the inability to return to the same level of business activity as it was operating at on February 15, 2020 due to compliance with requirements of CDC, Department of HSS or OSHA generally COVID mandated practice. Copies of applicable COVID requirements or Guidance for each business location and relevant financial records. It could also be documented with edict by local or state government agency. Also, Borrower is not penalized if an employee was fired for just cause, voluntarily resigns or voluntarily requests a reduced schedule.
- ☐ **SAFE HARBOR 2 (Unfilled Position)** - Borrower must document an inability to rehire employees that were employed from February 15, 2020 or an inability to hire similarly qualified

employees for unfilled positions on or before December 31, 2020. Must document with a written offer to rehire or restore the reduced hours of an employee – offer must be for same salary or wages and same number of hours as earned by such employee in the last pay period prior to the separation or reduction in hours, the written record of the rejection and a record of the efforts the borrower took to hire a similarly qualified worker. Lastly, documentation showing that the employer informed the applicable state unemployment insurance office of such employee's rejected offer of re-employment within 30 days of the employee's rejection of the offer.

NONPAYROLL EXPENSES

Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period

- ☐ **Business rent or lease payments:** Copy of 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. May include rent payments to a related party for loan forgiveness.
- ☐ **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
- ☐ **Payments of interest payments (not including any prepayment of payment of principal) on any business mortgage obligation on real or personal property:** Copy of 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.
- ☐ The amount of loan forgiveness requested for nonpayroll costs **MAY NOT INCLUDE** any amount attributable to the business operation of a tenant or sub-tenant of the PPP borrower or, for home-based businesses, **MAY NOT INCLUDE** household expenses.

EIDL Information

- If applicable, SBA will deduct EIDL Advance amounts from the forgiveness amount remitted to the Lender. There is no need to calculate or research as this will be performed by the SBA. The information may show up when you log in to review the PPP forgiveness application, but I'm not positive as it may be on the SBA site, but not on the Wolters Kluwer's site.

OWNER COMPENSATION CALCULATIONS:

- C- corporation owner-employees are capped by the amount of their 2019 employee cash compensation and retirement and health insurance contributions made on their behalf.
- S-Corporation owner-employees are capped by the amount of their 2019 employee cash compensation and employer retirement contributions made on their behalf, but employer health insurance contributions made on their behalf cannot be separately added because those payments are already included in their employee cash compensation.

- Schedule C or Schedule F filers are capped by the amount of their owner compensation replacement, calculated based on 2019 net profit. Same calculations as owner-employees shown below, assuming the Sch. C or F filer had \$100K or more in net profit.
- General partners are capped by the amount of their 2019 net earnings from self-employment (reduced by claimed section 179 expense deduction, unreimbursed partnership expenses, and depletion from oil and gas properties) multiplied by 0.9235.
- Owner-employees and self-employed individuals' payroll compensation can be no more than the lesser of 8/52 of 2019 compensation or \$15,385 per individual IN TOTAL ACROSS ALL BUSINESSES if the owner chooses to use the 8-week covered period or alternative covered period. If the owner chooses to use the 24-week covered period/alternative covered period, the maximum amount is \$20,833 (\$100,000/12 x 2.5)
- Owner-employees with less than a 5% ownership stake in a C or an S Corporation are not subject to the owner-employee compensation rule.

No additional forgiveness is provided for retirement or health insurance contributions for self-employed individuals, including Schedule C filers and general partners, as such expenses are paid out of their net self-employment income and therefore cannot be separately added to their payroll calculations.

EMPLOYEE CALCULATIONS:

- Payroll costs including salary, wages and tips, up to \$100,000 of annualized pay per employee (for 24 weeks, a maximum of \$46,154 per individual, or for eight weeks, a maximum of \$15,385 per individual), as well as covered benefits for employees (no owners), including health care expenses, retirement contributions, and state taxes imposed on employee payroll paid by the employer (such as unemployment insurance premiums.)

ONLY BORROWERS who received a PPP loan before June 5, 2020 may elect to use an eight-week covered period.

LENDER NEEDS TO NOTIFY THE BORROWER:

- *Of forgiveness amount paid by the SBA*
- *If Lender or SBA reduces forgiveness*
- *If Lender or SBA denies the forgiveness application*
- *If applicable: Remaining balance due & first payment date*

If Lender denies the borrower's application in FULL:

- *Lender must notify the borrower in writing*
- *If Borrower wants SBA to review:*
 - *Must notify Lender within 30 days*
 - *Lender must notify SBA within 5 days*
- *SBA reserves the right to review in its sole discretion and will notify Lender if SBA declines review request*

SBA reserves the right to review any loan of any size at any time.

- *SBA will notify Lender (via the Forgiveness Platform) if it is reviewing a loan*
- *Lender must notify Borrower in writing within 5 business days of SBA notification*

DOCUMENTS THE BORROWER MUST MAINTAIN BUT IS NOT REQUIRED TO SUBMIT (HELPFUL IF THEY WILL PROVIDE AS YOU CAN COMPARE THE INFORMATION)

- ☐ PPP Schedule A Worksheet or its equivalent **and the following:**
- ☐ Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1; including the "Salary/Hourly Wage Reduction" calculation, if necessary.
- ☐ Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 2; specifically, that each listed employee received during any single pay period in 2019 compensation at an annualized rate of more than \$100,000.
- ☐ Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule.
- ☐ Documentation supporting the PPP Schedule A Worksheet "FTE Reduction Safe Harbor."