

Agenda & Panelists

- I. PPP Flexibility Act & Application Updates
- **II. EZ Form Overview**
- III. Q&A Session



Mark Betts
Senior Vice President
ASAP Accounting & Payroll



Brad Tafoya CPA/Shareholder Tafoya Barrett and Associates PC



Alexander Price Chief Strategy Officer Citizens State Bank

PPP Resources (update information as of 6/19/2020)

- Loan Forgiveness Application Form EZ (3508EZ)
- ➤ Loan Forgiveness Application Form EZ Instructions
- Loan Forgiveness Application (revised 6/16/2020)
- Full Loan Forgiveness Application Instructions (revised 6/16/2020)
- PPP US Treasury & SBA FAQs (updated 5/27/2020)
- PPP FAQs (ASAP Accounting & Payroll; updated 6/17/2020)
- US Treasury PPP Web Page (guidance documents)
- > SBA PPP Web Page (guidance documents & additional information)

The Fine Print

This information is provided as a self-help tool and does not constitute legal or financial advice. Laws, regulations and lending products are changing daily and decisions as to whether or how to use this information and/or what actions to take in response to the COVID19 Pandemic are solely those of the employer. The providers of this information disclaim any and all responsibility and liability for its accuracy, completeness or fitness for your particular business purposes.



PPP Update Recap

Recent changes perFlexibility Act (6/5/2020)

- **24 Weeks:** Provides option to extend the Covered Period to 24 weeks.
- 60% Payroll Costs: Amends SBA rule requiring 75% of loan forgiveness amount be used on payroll costs down to 60%.
- Extends Safe Harbor: Moves deadline for Safe Harbor from June 30th to Dec. 31st
- **Inability to Re-Hire:** Additional FTE Safe Harbor provision for inability to re-hire employees or similarly qualified employees.
- Compliance with Federal Health Guidance: Additional FTE Safe Harbor provision for inability to return to staffing levels pre-Feb. 15, 2020 due to compliance with Federal health & safety guidance from DHHS, CDC or OSHA.

PPP Update Recap

Recent changes perFlexibility Act (6/5/2020)

- Extends Maturity Date: Maturity date for any loan after forgiveness period is now 5 years instead of 2
- Deferment Period Extended: Changes the deferment period from 6 months to the date the borrower's loan forgiveness amount is determined
- Employer Payroll Tax Deferral: Provides means for PPP borrowers to defer payment of employer's portion of Social Security taxes (6.2%) owed on wages paid between March 27, 2020 Dec. 31, 2020; 50% of amount is due by Dec. 31, 2021 + remaining 50% due by Dec. 31, 2022

- Who can use the EZ?



Paycheck Protection Program PPP Loan Forgiveness Application Form 3508EZ

PPP LOAN FORGIVENESS APPLICATION FORM 3508EZ INSTRUCTIONS FOR BORROWERS

Checklist for Using SBA Form 3508EZ

You (the Borrower) can apply for forgiveness of your Paycheck Protection Program (PPP) loan using this SBA Form 3508EZ if you can check at least one of the three boxes below. Do not submit this Checklist with your SBA Form 3508EZ.

	The Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483).
	The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, "employees" means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000); AND
	The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period. (Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee's hours that the Borrower offered to restore and the employee refused. See 85 FR 33004, 33007 (June 1, 2020) for more details.
	The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, "employees" means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000); AND The Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 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, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.
von c	an check at least one of the three boxes above, complete this SRA Form 3508EZ in accordance with the instructions below.

If you can check at least one of the three boxes above, complete this SBA Form 3508EZ in accordance with the instructions below and **submit it to your Lender** (or the Lender that is servicing your loan). Borrowers may also complete this application electronically through their Lender. If you are unable to check one of the boxes above, you cannot use SBA Form 3508EZ and instead you must apply for forgiveness of your PPP loan using SBA Form 3508.



OMB Control No. 3245-0407

Expiration Date: 10/31/2020

- Employees at time of loan/forgiveness



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				
Dushies Legii Anne (Dorrower)		DDITOT TIMETIME	пе, п приспоте			
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 mont	th	□ Other			

Employees at Time of Loan Application: Enter the total number of employees at the time of the PPP Loan Application.

Employees at Time of Forgiveness Application: Enter the total number of employees at the time the Borrower is applying for loan forgiveness

EIDL Advance Amount: If the Borrower received an Economic Injury Disaster Loan (EIDL) advance, enter the amount.

EIDL Application Number: If the Borrower applied for an EIDL, enter the Borrower's EIDL Application Number

 Covered Period or Alternative Payroll
 Covered Period 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 Payı	oll Covered Period, if applicable:		to		

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:

Covered Period: The Covered Period is either: (1) the 24-week (168-day) period beginning on the PPP Loan Disbursement Date, or (2) if the Borrower received its PPP loan before June 5, 2020, the Borrower may elect to use an eight-week (56-day) Covered Period. For example, if the Borrower is using a 24-week Covered Period and 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 extend beyond December 31, 2020.

Alternative Payroll Covered Period: For administrative convenience, Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the 24-week (168-day) period or for loans received before June 5, 2020 at the election of the borrower, the eight-week (56-day) period that begins on the first day of their first pay period following their PPP Loan Disbursement Date. For example, if the Borrower is using a 24-week Alternative Payroll Covered Period and received its PPP loan proceeds on Monday, April 20, and the first day of its first pay period following its PPP loan disbursement is Sunday, April 26, the first day of the Alternative Payroll Covered Period is Saturday, October 10. Borrowers that elect to use the Alternative Payroll Covered Period must apply the Alternative Payroll 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 extend beyond December 31, 2020.



- Lines 1- 4 from your expense tracking

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):					

- Page 2 certifications



Paycheck Protection Program PPP Loan Forgiveness Application Form 3508EZ

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:

The Authorized Representative of the Borrower certifies to all of the below by **initialing** next to each one.

The dollar amount for which forgiveness is requested:

- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owneremployee or self-employed individual/general partner, capped at \$20,833 per individual; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

The Borrower did not reduce salaries or hourly wages by more than 25 percent for any employee during the Covered Period or Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020. For purposes of this certification, the term "employee" includes only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000.

The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.

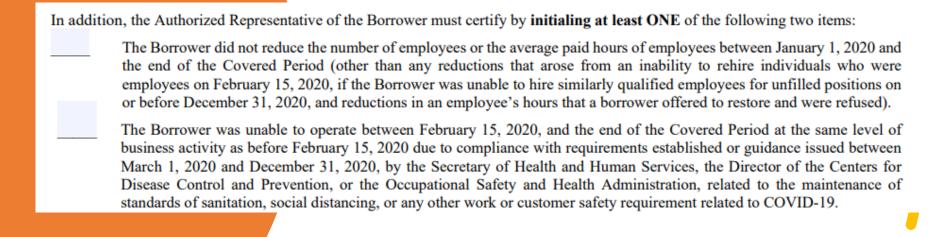
I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.

The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.

I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

Page 2 certifications



Supporting documentation



Paycheck Protection Program PPP Loan Forgiveness Application Form 3508EZ

Documents that Each Borrower Must Submit with its PPP Loan Forgiveness Application Form 3508EZ

PPP Loan Forgiveness Calculation Form 3508EZ

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:

- Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- b. 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:
 - i. 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.
- c. 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.
- d. If you checked only the second box on the checklist on page 1 of these instructions, the average number of full-time equivalent employees on payroll employed by the Borrower on January 1, 2020 and at the end of the Covered Period.

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

- a. Business mortgage interest payments: 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.
- b. 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.
- 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



Supporting documentation

Documents that Each Borrower Must Maintain but is Not Required to Submit

Documentation supporting the certification that annual salaries or hourly wages were not reduced by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period relative to the period between January 1, 2020 and March 31, 2020. This documentation must include payroll records that separately list each employee and show the amounts paid to each employee during the period between January 1, 2020 and March 31, 2020, and the amounts paid to each employee during the Covered Period or Alternative Payroll Covered Period.

Documentation regarding any employee job offers and refusals, refusals to accept restoration of reductions in hours, firings for cause, voluntary resignations, written requests by any employee for reductions in work schedule, and any inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020.

Documentation supporting the certification, if applicable, that the Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period (other than any reductions that arose from an inability to rehire individuals who were employees on February 15, 2020, if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020). This documentation must include payroll records that separately list each employee and show the amounts paid to each employee between January 1, 2020 and the end of the Covered Period.

Documentation supporting the certification, if applicable, that the Borrower was unable to operate between February 15, 2020 and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 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, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19. This documentation must include copies of the applicable requirements for each borrower location and relevant borrower financial records.

All records relating to the Borrower's PPP loan, including documentation submitted with its PPP loan application, documentation supporting the Borrower's certifications as to the necessity of the loan request and its eligibility for a PPP loan, documentation necessary to support the Borrower's loan forgiveness application, and documentation demonstrating the Borrower's material compliance with PPP requirements. The Borrower must retain all such documentation in its files for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request.



Remaining Concerns & Questions

Can an employer choose a period in-between 8 and 24 weeks as their Covered Period? No, but in a way yes if you qualify for exemption from FTE.

Will borrowers have to maintain FTE requirements over the entire 24-week period if they chose that time frame instead of the 8-week Covered Period? Yes, unless they can certify that their compliance with CDC guidance prevented them from operating at the same levels as Feb. 15, 2020.

What will employers need to show in order to satisfy the new Safe Harbor provision related to inability to re-hire/hire similarly qualified workers? Appears documenting efforts in some form is required, but documents do not need to be submitted to lender unless requested.

What will employers need to show in order to satisfy the new FTE exclusions related to inability to return to staffing levels pre-COVID due to compliance with Federal health guidance on social distancing? From instructions: "This documentation must include copies of the applicable requirements for each borrower location and relevant borrower financial records."

How should employers perform the salary/hourly wage comparison? From Instructions: "This documentation must include payroll records that separately list each employee and show the amounts paid to each employee during the period between January 1, 2020 and March 31, 2020, and the amounts paid to each employee during the Covered Period or Alternative Payroll Covered Period."

Schedule C filer's forgiveness for payroll costs was previously defined as 8/52 of Line 31 of the 2019 Form Schedule C. Is that fraction now also 24/52?

No, it appears that owner compensation is the lesser of \$20,833 or 2.5 month equivalent of Sch C line 31 if using 24 weeks, or the lesser of \$15,385 or 8/52 of Line 31, if using 8 weeks.