

Paycheck Protection Program Forgiveness

Frequently Asked Questions

Q: Can I apply for forgiveness using either of the 8-week or the 24-week options?

A: If you received your loan prior to June 5, you can elect to stay with the 8-week covered period or choose the longer 24-week period. We recommend picking the period which maximizes your forgiveness amount.

Q: What is an FTE or Full-Time Equivalent?

A: Each employee who works 40 hours equals 1 FTE. You can use the following calculation to determine if you reduced FTE:

1. Determine the average number of full-time equivalent employees you had for:
 - a. The 8-week period following your initial loan disbursement (**A**)
 - b. February 15, 2019 to June 30, 2019 (**B1**)
 - c. January 1, 2020 to February 29, 2020 (**B2**)
2. Divide **A** by **B1**. Do the same with **B2**. Take the largest number you obtain. (If you are a seasonal employer, you must use **B1**.)
3. If you get a number equal to or greater than 1, you successfully maintained your headcount and meet this requirement.
4. If you get a number less than 1, you did not maintain your headcount and your forgivable expenses will be reduced proportionately.

Additional information regarding FTE count and exemptions on rehiring employees:

Employees who were working on February 15, 2020 and were subsequently laid off due to COVID-19 may not want to return. Exemptions are allowed if you made a good faith written offer to rehire at the same pay/number of hours and their rejection is in writing. The exemption is also available if the employee was fired, they voluntarily quit, or they asked for and received less hours. If you were unable to hire similarly qualified employees (document) and if you were unable to hire to due safety concerns (document). There is a rehiring grace period that ends December 31, 2020.

Q: What if I reduced my number of employees?

A: Example: You have 3 employees that you pay \$1,500 per month. Your PPP loan amount was \$11,250 ($\$1,500 \times 3 \times 2.5$). You laid them off in February due to COVID-19. You rehire 2 of the 3. You spend \$18,000 during the covered period (24 weeks) on your employees. You claim the entire forgiveness amount. If we assume you do not qualify for any rehiring exemptions, your forgiveness amount will be multiplied by .67 because your workforce is smaller. You would qualify for \$7,537.50 forgiven.

Q: What if I reduce payroll for those same employees but rehire all 3?

A: Example: Your PPP loan is still \$11,250. When you rehire the employees, you are not able to pay the full \$1,500 per month per employee. You are able to pay them \$900.00. You again spend \$18,000 during the covered period (24 weeks) on your employees. The 75% minimum salary is \$1,125 ($\$1,500 \times .75$), so you are paying each employee \$225.00 less than that each month. The difference is scaled up to the 24-week period — ($\$225 \times 6$) or \$1,350 per person would be deducted from the forgivable amount. You would qualify for \$7,200 forgiven.

Q: What is the cap on payroll for my employees and for myself?

A: Eligible payroll costs were defined by the April 2 Interim Final Rule and revisions issued on June 11. The June 16 Interim Final Rule capped salary, wages, and tips at \$100,000 of annualized pay per employee:

- For 24 weeks — A maximum of \$46,154 per individual
- For 8 weeks — A maximum of \$15,385 per individual
- In addition to salaries, the rules include, “covered benefits for employees (but not owners), including health care expenses, retirement contributions, and state taxes imposed on employee payroll paid by the employer (such as unemployment insurance premiums).”
- The rule notes, “Given the 2.5 multiplier in the calculation of maximum PPP loan amount in SBA Form 2483, this per-individual maximum would only be reached if the borrower had reduced its FTEs but was eligible for an exemption (safe harbor) from the resulting reduction in forgiveness.”

Amounts paid to owners (owner-employees, a self-employed individual, or general partners) are also subject to limitations:

- For borrowers using a 24-week covered period — Capped at the lower of 1) \$20,833 (the 2.5-month equivalent of \$100,000 per year) for each employee; or 2) the 2.5-month equivalent of their applicable compensation in 2019
- For borrowers using an 8-week covered period — Capped at the lower of 1) \$15,385 (the 8-week equivalent of \$100,000 per year) for each employee; or 2) the 8-week equivalent of their applicable compensation in 2019
- According to the June 16 Interim Final Rule, this amount should exclude “any qualified sick leave equivalent amount for which a credit is claimed under Section 7002 of the Families First Coronavirus Response Act (FFCRA) (Public Law 116-127) or qualified family leave equivalent amount for which a credit is claimed under Section 7004 of FFCRA.”
- Per a June 23 Interim Final Rule, for C corporation owner-employees the capped amount includes the amount of their 2019 employee cash compensation and employer retirement and health insurance contributions made on their behalf; for S corporation owner-employees, their 2019 employee cash compensation and employer retirement contributions, but not employer health insurance contributions, which are already included in employee cash compensation; and for general partners, “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.” General partners (and other self-employed individuals) already have retirement and health insurance contributions included in their net self-employment income and so cannot add them separately to their payroll calculation.

Q: I’m self-employed — can I use the 8-week covered period since my loan was based on my 2019 Schedule C net income?

A: In order to maximize your forgiveness amount only using payroll, apply for forgiveness by using the 24-week period. This will allow for your entire PPP loan to be forgiven. If however, you wish to apply for forgiveness using the 8-week period, you will be limited to 8 weeks of payroll and you will need to use other qualified expenses (utilities, rent and mortgage interest expenses) to make up the difference. (**Note:** If you have mortgage interest, rent, or utilities, you must have claimed them on your 2019 Schedule C in order to be able to use them on your forgiveness application.)

Q: What amount can I claim for forgiveness if I have a partnership?

A: This calculation is slightly different. Partnership compensation is capped at the 2019 K-1 net earnings from self-employment (reduced by claimed section 179 expense, unreimbursed partnership expenses, and depletion from oil and gas properties), all multiplied by 0.9235.

Q: I did not get an EIDL loan, but I did get an advance. Do I need to include that with my PPP forgiveness application?

A: As of July 19, 2020, SBA will reduce the amount of your forgiveness by any EIDL Advance.

Q: The application for forgiveness is asking for information from Schedule A. Where can I find this?

A: The Schedule A worksheet and instructions for completing it can be found on our website:

- **Schedule A:** <https://www.kishbank.com/KishBank/media/Documents-and-PDFs/PPP-Forgiveness-Forgiveness-Sch-A-Worksheet.pdf>
- **Worksheet instructions:** <https://www.kishbank.com/KishBank/media/Documents-and-PDFs/PPP-Forgiveness-Worksheet-Instructions.pdf>

Q: SBA issued their loan number on April 15, 2020; Kish established the date the funds were set aside to fund on April 20, 2020; and Kish deposited my money in my account on April 24, 2020. What is the date that my qualification period (the covered period) began?

A: The loan forgiveness covered period begins on the date the PPP loan is disbursed to the borrower and ends on the date that is 24 weeks after disbursement date or, if earlier, December 31, 2020. Kish Bank has established the date the funds were disbursed as the date that Kish allocated and set aside funds on behalf of the borrower for funding (April 20, 2020), similar to the procedure that SBA follows on how they allocated and set aside funds based on the date that the PPP application was approved and an SBA loan number issued.

Q: How do we know if we can use the 3508EZ form?

A: You can apply using the 3508EZ form if you meet one of three requirements:

1. 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).
2. The Borrower did not reduce annual salary or hourly wages of any employee by more than 25% during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1 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 from June 1, 2020 for more details.)
3. The Borrower did not reduce annual salary or hourly wages of any employee by more than 25% during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1 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.

Q: I understand that it is now 60% of the loan proceeds that must be used for payroll costs versus utility cost – is that correct?

A: 60/40 is the minimum split. If a company goes beyond the initial 8-week period, it is conceivable that the payroll percentage may be much higher allowing for the other qualified expenses to be a lower percentage; however, non-payroll may not be more than 40%.

Q: Our date of loan disbursement was May 5, 2020, but it appears that we can begin our documentation from our first payroll date after that, which was May 15. With the extended covered period for loan forgiveness now at 24 weeks after the date of disbursement, I assume then that our documentation may include payroll from May 15 to October 30.

A: 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 8-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 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 April 26 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. SBA guidance indicates that the covered period remains for all non-payroll qualified expenses.

Q: If I start the forgiveness application, am I able to stop and come back to it, or will I lose the information I previously entered?

A: You have the option of starting the application for forgiveness at any time, saving, and going back.

Q: Where can I view Kish Bank’s June 26 webinar demonstrating the forgiveness portal?

A: The webinar can be viewed on our website at: <https://www.kishbank.com/information-center/sba-paycheck-protection-program/ppp-forgiveness-portal-demo>.

Q: Where can I find my SBA loan number if I do not have a copy of my paperwork handy?

A: You should have received an email with your SBA loan number included. If you did not, please call our office at 814-325-7308 to obtain your SBA loan number.

Q: When our company applied for the PPP loan, we only figured in the cost of payroll. We did not remove any employees or reduce pay. However, it will take us 11 weeks to use the PPP loan for 100% of payroll costs. It is my understanding that we can fill out the EZ form since we did not reduce employees/pay. Would I be safe to choose the 24-week period since it will take us 11 weeks to use the entire loan for payroll costs (payroll costs at 11 weeks was slightly more than the borrowed amount, but at 10 weeks the full amount was not used)? Do I have to wait the full 24-week period?

A: You do not have to wait the entire 24-week period if you have used 100% of your loan funds for eligible expenses, have not reduced salaries or your FTE count. You can apply after week 11. (Note: If a business reduces any employee’s wages by more than 25%, they must account for the excess salary reduction for the full 24-week covered period).

Q: My accountant provided a spreadsheet that included the employer-paid payroll taxes during the cover time period. However, my payroll provider, ADP, has a special PPP payroll report that excludes the employer-paid portion of the payroll taxes in the report. Are the employer-paid taxes to be included in the payroll forgiveness amount?

A: The first Interim Final Rule gave an example: an employee who earned \$4,000 per month in gross wages, from which \$500 in federal taxes was withheld, would count as \$4,000 in payroll costs. The employee would receive \$3,500, and \$500 would be paid to the federal government. However, the employer-side federal payroll taxes imposed on the \$4,000 in wages are excluded from payroll costs under the statute.

Furthermore, the following are expressly excluded from eligible payroll costs:

- Any compensation of an employee whose principal place of residence is outside of the United States
- The compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary
- Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee's and employer's share of FICA and Railroad Retirement Act Taxes, and income taxes required to be withheld from employees
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116-127)
- Payments to independent contractors (1099)

Q: Does the payroll cost include customer paid tip amounts?

A: Payroll costs consist of compensation to employees and may include cash, wages, commissions, or similar compensation. This compensation may also include items such as cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good faith 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, wage, commissions, income, or net earnings from self-employment or similar compensation.

Q: What documentation do I show for payroll eligible expenses during the covered period?

A: What to upload:

- Payroll reports from your provider
- Payroll tax filings (form 941)
- Income, payroll, and unemployment insurance filings from your state
- Invoices/paid receipts for group health insurance contributions
- Invoices/paid receipts for payments made to retirement program

Q: What documentation do I need to show for non-payroll eligible expenses during the covered period?

A: What to upload:

- **Interest on business mortgage payments** — Provide a copy of the lender amortization schedule (this needs to show that the business mortgage was signed prior to February 15, 2020) and receipts or canceled checks verifying eligible expenses and payments from the covered period. You could also provide your lending account statements from both February 2020 and all of the covered period verifying interest amounts and eligible payments. Mortgage interest is not

an eligible expense if paid to a related party of the borrower as per the IFR released August 24, 2020 regarding Treatment-Owners-Forgiveness-Certain-Nonpayroll-Costs.

- **Business rent and lease payments** — Provide a copy of the current lease agreement (in effect prior to February 15, 2020) and receipts of canceled checks verifying eligible payments from the covered period. You also have the option of providing your lending account statements from both February 2020 and all of the covered period to verify payments under an eligible lease agreement.
- **Business utility payments (service began prior to February 15, 2020)** — Provide a copy of invoices paid during February 2020 and those paid during the covered period, and receipts, canceled checks, or account statements verifying payment of eligible utility expenses.

Q: What qualifies as an eligible utility expense?

A: Utilities have been defined by guidelines to include electricity, water, gas, telephone, Internet, and transportation costs related to the business. The Cares Act provides forgiveness for covered utility payments, which includes transportation. SBA has provided guidance indicating that self-employed individuals using gas driving a business vehicle is a forgivable use of PPP loans if the individual is entitled to claim a deduction for those expenses on his or her 2019 Form 1040 Schedule C.

Q: How long do I need to keep my records (all supporting documents) for the PPP loan?

A: For six years after the loan is fully paid.