

# Paycheck Protection Program (PPP) Application Guide

*(Last updated April 20, 2020)*

- What is the Paycheck Protection Program (PPP)?
- How to Complete your PPP Application
- PPP Application Checklist (see attached Excel)
- Forgiveness FAQ

*Self-Help has provided this information to its PPP borrowers based on ongoing guidance from the SBA as of 4/20/2020. These documents are intended for reference only as other lenders may have different application processes and requirements. Non-Self-Help borrowers should check with the lender about current application and document requirements as these may differ based on how each lender interprets the SBA guidance. Paycheck Protection Program guidance and application requirements are subject to change.*



Ownership & Economic Opportunity for All

# SBA Paycheck Protection Program Overview

## What:

The Paycheck Protection Program is an SBA forgivable loan program designed to provide a direct incentive for small businesses and nonprofit organizations to keep their workers on the payroll. The Paycheck Protection Program will be available through June 30, 2020. It is to your advantage to apply as soon as you can. Self-employed individuals may also apply.

## Uses:

- Payroll costs (including benefits)
- Mortgage interest payments (mortgages originated after 2/15/20 are excluded)
- Rent payments (leases signed after 2/15/20 are excluded)
- Utility payments (for service beginning before 2/15/20)

## Terms:

- **Amount-** 2.5x (250%) of average monthly payroll costs (see application guide and loan amount calculator for more detail)
- **Payments-** Loan payments will be deferred for six months
- **Maturity-** The full amount of the loan will be due in two years
- **Interest Rate-** 1%
- **Collateral/Personal Guaranty-** No collateral or personal guarantees are required
- **Fees-** Neither the government nor lenders will charge any fees
- **Forgiveness-** The loan will be fully forgiven (aka no payments necessary) if the funds are used for payroll costs, interest on mortgages, rent, and utilities over the eight-week period after the loan is made and employee and compensation levels are maintained. (at least 75% of the forgiven amount must have been used for payroll).

## How to Apply:

For now, you must apply through a bank or credit union. Some online lenders have also been approved to administer PPP loans. Contact the financial institution(s) that you have a business banking relationship with. If you have an outstanding business loan, reach out to that bank/credit union lender first. Each financial institution has a different intake process, so check your bank/credit union's website for instructions.

## Other Considerations:

Review the SBA Borrower FAQ Document [here](#).

You may not take out an Economic Injury Disaster Loan (EIDL) and a PPP for the same purposes (ex. You can't use both loans to cover the same payroll costs over the same time period). If you took advantage of an Emergency Economic Injury Grant, that amount would be subtracted from the amount forgiven under PPP.

## HOW TO COMPLETE YOUR PPP APPLICATION

*Self-Help has provided an application guide for its PPP borrowers based on ongoing guidance from the SBA as of 4/20/2020. Self-Help has also provided an Application Checklist to help borrowers submit a complete application and avoid delays in processing. These documents are intended for reference only. Non-Self-Help borrowers should check with the lender about current application and document requirements as these may differ based on how each lender interprets the SBA guidance. Application requirements are subject to change.*

### **Step 1: Calculate Your PPP Loan Amount**

Before you begin filling out anything else, your best starting point is to calculate your eligible loan amount. This can be complicated, so here are our best tips on how to make this calculation easier:

- If you use an outside payroll service, contact them to see if they can assist you. Many payroll service vendors are offering to prepare a report that to help you determine your maximum loan amount. Check with your payroll service vendor to see if they offer this service. If so, you can provide your payroll service vendor's report to support your PPP loan request. If your PPP loan request is based solely on your payroll service vendor's report, this is the only document you will need to provide to justify your calculation.
  
- ☐ If you have an accountant, they can help you calculate your maximum loan amount. Your accountant knows your business and can advise you on your loan amount calculation.
  
- Gather your documentation – lenders must collect supporting documentation for the amounts included in your calculation. While the documents listed below are generally sufficient, if your calculation includes amounts not listed on these forms, such as employer-paid health insurance, you will need to provide additional documentation for those amounts. And, to speed processing, include a worksheet that shows how you calculated your PPP amount.
  - Form 941 quarterly payroll tax filings, or
  - Payroll service processing records, or
  - Payroll service processor PPP calculation, or
  - For independent contractors applying for a PPP loan, Form 1099 (Tip: independent contractors must apply directly for a PPP loan; entities that hire independent contractors may not include 1099 payments in their PPP amount), or
  - For sole proprietors, Schedule C from your 2019 tax return.

If you do not have any of the above documentation, see the Additional Guidance below for other potential documentation options.

## **Step 2: Proceed to the Online Application**

### **TO EXPEDITE PROCESSING, PLEASE COMPLETE EVERY FIELD IN YOUR ONLINE**

**APPLICATION.** Only fields with an asterisk are required, but completing all fields significantly improves our processing time for your application. Below are additional tips for completing your online application to avoid delays in our processing of your PPP loan request:

- **Loan Details:**
  - SBA Form 2483 (Paycheck Protection Program Borrower Application Form): **SBA FORM 2483 MUST BE COMPLETED IN ITS ENTIRETY. DO NOT SKIP ANY FIELDS. BE SURE TO INITIAL QUESTIONS 5 & 6 AND ALL CERTIFICATIONS, SIGN AND DATE.** If you complete SBA Form 2483 with DocuSign or Adobe, you can initial and sign electronically; otherwise you will need to initial and sign by hand.
  - Total Loan Amount: If your loan amount calculation includes cents, round down to the nearest dollar. If your loan amount exceeds 2.5x your average monthly payroll calculation by even 1 cent, SBA will reject your application.
  
- **Job Details & Tax Returns:**
  - Current Number of Employees:
    - To qualify for loan forgiveness, you should calculate employees as Full-Time Equivalent (FTE) Employees. FTEs are based on a 40-hour work week. Please count each 40 hour/week employee as 1 FTE and each part-time employee as a fraction of 1 FTE. For example, an employee who works 20 hours/week equals ½ FTE.
    - Owners of your organization are considered employees in this calculation, so include each one.
  - Include your calculations on a worksheet and documentation supporting your calculations. Remember, you must include all documents used to justify your loan amount calculation.
  
- **Owners:** An Owner tab must be completed for all applicants.
  - All applicants: each owner tab should include all fields, including (i) SSN/TIN, (ii) ownership percentage, and (iii) a color copy of the individual's driver's license (front & back), passport, or other official government-issued photo identification.
  - For-profits: enter each 20%+ owner.
  - Non-profits: enter the Officer of the nonprofit who will sign the loan documents on behalf of your entity. For non-profits, ownership percentage can be entered as 0%.
  - Co-ops: enter the person who will sign the loan documents on behalf of your entity.
  
- **Finish Application:**
  - Complete the attached Checklist and upload your supporting documents to your lender's online portal.

## Additional Guidance

### What exactly can and can't you include in the PPP monthly payroll?

Here is a quick summary of what can and can't go in the PPP monthly payroll calculations, according to ADP Payroll Services Guidance:

Applicants can include:

- ☒ Employee gross pay (often pulled from line 2 on Form 941)
- ☒ All employer state and local taxes paid on employee gross pay, such as state unemployment insurance and employer-paid state disability insurance (in applicable states)
- ☒ Employer health care benefits, including insurance premiums
- ☒ Retirement benefits, including defined-benefit or defined-contribution retirement plans and employer 401(k) contributions
- ☒ For Sole Proprietors: can also include net income line of their Sch. C (assuming they attach 2019 Schedule C).

Applicants can't include:

- ☒ Employee gross pay that exceeds \$100,000
- ☒ The employer portion of federal employment taxes (i.e., Social Security and Medicare)
- ☒ Payments to independent contractors (note, however, independent contractors themselves can apply for a PPP loan based on their 1099 income)
- ☒ Workers compensation premiums
- ☒ Federal unemployment tax
- ☒ Compensation of employees whose principal place of residence is outside of the U.S
- ☒ Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act

### What are the documents needed to justify your loan?

PPP lenders must collect some official or third-party documentation to justify the monthly payroll you are claiming as the basis for your loan. According to SBA/Treasury guidance, you must submit such documentation as is necessary to establish eligibility such as:

- ☒ payroll processor records
- payroll tax filings (IRS Form 941 – Quarterly Federal Tax Return)
- ☒ Form 1099 MISC (if application is from an independent contractor)
- ☒ income and expenses (2019 Schedule C) from a sole proprietorship

If you do not have the above documents, you may include:

- ☒ IRS Form 940, Annual Federal Unemployment Tax Return
- ☒ Schedule SE to IRS Form 1040
- ☒ 2019 tax returns

If you do not have any such documentation, you must provide other supporting documentation, such as bank statements, to demonstrate qualifying payroll amount. Lenders must have some third-party or official documentation to support your calculations. Internally prepared P&L documents, by themselves, will not be sufficient.

### **What time period can you use to calculate their “average monthly payroll”:**

Most Businesses: You may use either (i) January 2019 - December 2019 or (ii) the most recent 12-month period as the basis for their payroll calculations.

New Businesses: For businesses that started during 2019 (or prior to February 15, 2020), but do not have a full 12 months of payroll records, you should use the average monthly payroll costs for the period January 1, 2020 through February 29, 2020. In other words, if your business is too new to have a full 12 months payroll, you will use the average monthly payroll for January and February 2020.

Seasonal Businesses: If your business is seasonal, the regulation allows you to base your calculation on average monthly payroll for the period between (i) February 15, 2019 or March 1, 2019 and (ii) June 30, 2019. (Unfortunately, the current version of the regulation does not provide other periods for businesses that may have different peak seasons.)

### **What payroll can I claim if I’m a sole proprietor?**

You may claim your net profit as your own payroll, as well as any wages or benefits you’ve paid to yourself or your employees.

The biggest problem you might run into is documentation. The best documentation for you will be a completed Schedule C from your 2019 tax return. As a result, we strongly encourage you to complete your personal taxes and submit the Schedule C with your application. Please review the list above of other acceptable documentation as well.

### **What about if I’m a Partnership or LLC?**

The guidance we’ve received to date says that you can count the amounts paid to owners who are working actively in the business; these amounts should be reflected on K-1 statements. You can of course also count any wages paid directly to other employees in the business or any owner’s salary you have paid to yourself.

### **What about if I’m a C or S corporation?**

In a standard corporation (known as a “C Corporation”), you should have no eligible owner compensation other than owner’s salaries. If you’re an S Corporation, your owner’s draws (aside from salary) count as shareholder distributions, not wages – so you can’t include them in PPP.

### **What about if I’m a nonprofit?**

If you’re a nonprofit, your calculations will basically look like those of C Corporations. You will have no owner’s income outside of salary, and so the general rules for C corporations will apply.

Here is a simple summary table for your reference. While Self-Help did not prepare this chart, it is consistent with our understanding of current PPP requirements as of 4/20/20. Note: these requirements are subject to change based on ongoing guidance from the SBA.

**Calculating your PPP loan by entity type**

If you are a:	Your salary will be:	Other payroll costs you can include:
1099 contractor	The sum of your income earned through freelance work, as reported on the 2019 1099-MISC forms you received (max \$100,000).	None.
Sole proprietor	Your 2019 net profit (max \$100,000). If you have a 2019 tax return, this is reported on your Schedule C (line 31). If not, it will be on your 2019 income statement.	U.S. annual employee salaries, including wages, commissions, tips, and state and local payroll taxes. Each employee is capped at \$100,000 annually.
Partnership	Your 2019 self-employment earnings. If you have a 2019 tax return, this is reported on your Schedule K-1 (line 14). You may include K-1 earnings as salary for each partner, up to \$100,000.	U.S. annual employee salaries, including wages, commissions, tips, and state and local payroll taxes. Each employee is capped at \$100,000 annually.
S-corp	Your salary as reported through a payroll service (max \$100,000). Your salary may only be considered if it was paid through payroll while remitting payroll tax.	U.S. annual employee salaries, including wages, commissions, tips, and state and local payroll taxes. Each employee is capped at \$100,000 annually.
C-corp	Your salary as reported through a payroll service (max \$100,000). As a C corp, your salary may only be considered if it was paid through payroll while remitting payroll tax.	U.S. annual employee salaries, including wages, commissions, tips, and state and local payroll taxes. Each employee is capped at \$100,000 annually.

Source: <https://bench.co/blog/operations/calculate-ppp-loan-amount/>

# Paycheck Protection Program Loan Forgiveness

(as of April 20, 2020)

The U.S. Treasury Department and the U.S. Small Business Administration have not yet released complete guidance for PPP loan forgiveness. Under the guidance that has been released so far, however, your PPP loan will be eligible for forgiveness if you document that (i) all loan proceeds are used for forgivable purposes during the 8-week period following the date of your PPP Note, (ii) at least 75% of your loan proceeds are used for Payroll Costs as defined in the CARES Act, and (iii) you maintain your employee and compensation levels.

To be eligible for forgiveness of PPP principal amount and accrued interest, you must comply with 1-3 below:

1. Use your PPP loan proceeds for forgivable purposes during the 8-week period following the date of your PPP Note.
  - ☐ At least 75% of your PPP loan must be used for Payroll Costs as defined in the CARES Act (note, you are allowed to use all of your PPP loan for Payroll Costs); and
  - ☐ Up to 25% of your PPP loan may be used for the following eligible expenses:
    - payments of interest on business mortgage obligations (loans on your organization's building/real estate), provided the mortgage debt was incurred before February 15, 2020,
    - rent payments on business leases, provided the lease is dated before February 15, 2020, and
    - utility payments for your business, provided the utility service agreements were in place before February 15, 2020.
2. Maintain your employee and compensation levels.
  - ☐ Your loan forgiveness will be reduced if you decrease your full-time employee headcount. (If you reduced your staff prior to receiving your PPP loan, you may refill those positions to maintain eligibility for forgiveness.)
  - ☐ Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 (annualized) in 2019.
3. Maintain documentation and certify your use of PPP loan funds. At the end of the 8-week period following the date of your PPP Note (or earlier if you use all loan funds prior to that date), you may contact Self-Help to process your forgiveness request. Your forgiveness request must include:
  - ☐ Documentation of the number of full-time equivalent employees and pay rates as of the date of your forgiveness request;
  - ☐ Documentation verifying at least 75% of the PPP loan was used for Payroll costs;
  - ☐ Documentation verifying the remaining amount (if any) of the PPP loan was used for payments on eligible mortgage, lease, and utility obligations; and
  - ☐ Certification that your forgiveness request documents are true and correct.
  - ☐ We recommend that you keep clear records of the required documentation to ensure you are eligible for forgiveness at the end of the 8-week period.

Your PPP loan will not be fully forgivable if (i) you are not able to document that you have complied with 1-3 above, (ii) you use loan proceeds for eligible purposes that are not forgivable, such as (A) interest payments on pre-February 15, 2020 business debts (other than your mortgage), and (B) to refinance an SBA Economic Injury Disaster Loan, or (iii) you use PPP loan proceeds for any ineligible purpose (use for any ineligible purpose may subject you to prosecution by the federal government for fraud). Any portion of your PPP loan that does not meet SBA's forgiveness requirements will be repayable under the terms of your Note.



## FREQUENTLY ASKED QUESTION

### **Q: What constitutes PPP forgivable payroll costs?**

A: Forgivable payroll costs include:

- ☐ Salary, wage, commission, or similar compensation (not in excess of an annualized salary of \$100,000).
- ☐ Cash tip or equivalent.
- ☐ Vacation, parental, family, medical, or sick leave.
- ☐ Payment required for the provision of group health care benefits, including insurance premiums.
- ☐ Payment of any retirement benefit.
- ☐ Payment of state or local taxes (but not federal) assessed on the compensation of employees.

The total sum of payroll costs must be at least 75% and may be as high as 100% of your PPP loan amount.

### **Q: What constitute PPP forgivable non-payroll costs?**

A: Forgivable non-payroll costs include:

- ☐ Interest payments on any mortgage obligation of the borrower on real property (provided the mortgage was in place before 2/15/20). Note: You may not include payment (or prepayment) of principal.
- ☐ Rent payments on leases of the borrower (provided the lease agreement was in place before 2/15/20).
- ☐ Utility payments of the borrower on services started prior to February 15, 2020. This includes electricity, gas, water, telephone, and internet service.

The total sum of non-payroll-related costs may be as low as 0% and as high as 25% of your PPP loan amount.

### **Q: What is excluded from “Forgivable Payroll Costs”?**

- ☐ Compensation of an employee whose principal place of residence is outside the United States.
- ☐ Compensation paid to an employee in excess of an annualized salary of \$100,000.
- ☐ Federal employment taxes.
- ☐ Qualified sick and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act.

### **Q: When does the 8-week forgiveness period start?**

A: Your 8-week period begins on the date of your PPP Note. Self-Help will work with you to submit forms and documentation for loan forgiveness approximately 8 weeks after the date of your PPP Note.

### **Q: What will reduce the loan amount eligible for forgiveness?**

A: The amount eligible for forgiveness will be reduced when a borrower reduces its number of employees or tipped workers, or their salaries or wages. Important note: Further SBA guidance on this is still pending.

### **Q: Do I have to restart operations and put my employees back to work?**

A: No, there is no requirement that you restart operations at this time. The intent of the CARES Act is to continue paying your employees, whether you currently have work for them to do or not. This allows your employees to continue to receive income and benefits during the next 8 weeks. This also benefits your business by keeping your trained employees on your payroll; when you reopen, you will not need to hire and train new employees before you can resume operations.

### **Q: If I already had to reduce staff, am I still eligible for forgiveness?**

A: Yes, if you refill those positions and otherwise meet forgiveness requirements.

**Q: Some former employees are no longer available. May I refill those positions with new employees?**

A: Yes. There is no requirement that you rehire the same employees, provided you maintain the same number of full-time equivalent positions.

**Q: Do reductions in compensation affect the amount of loan forgiveness?**

A: Yes. Any reduction in employee compensation in excess of 25% will reduce the amount of your loan which can be forgiven. (Reduction in the salary of an employee down to \$100,000 annualized, however, will not reduce forgiveness.) If you already had to reduce salaries, if you restore those salaries you may qualify for forgiveness.

**Q: Can I defer payments on my PPP loan?**

A: You are not required to make any payments for six months following the date of your PPP Note. Interest will continue to accrue during this six-month deferment. If 100% of your PPP loan is forgiven, you will never be required to make payments on your loan.

**Q: Am I responsible for interest on the forgiven loan amount?**

A: No. You are not responsible for accrued interest on the portion of the loan that is forgiven.

**Q: How do I apply to get forgiveness on my PPP loan?**

A: You will need to contact Self-Help to request forgiveness approximately 8 weeks after the date of your PPP Note.

**Q: What documents do I need to apply for loan forgiveness?**

A: You will need to provide:

- Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings.
- Documentation verifying payments on forgivable mortgage obligations, lease obligations, and utilities.
- Certification that the documentation is true and correct.
- Any other documentation the SBA determines to be necessary. Important note: Further SBA guidance on this is still pending.

**Q: When will the debt forgiveness be applied to the loan?**

A: The forgiveness should be applied before the end of your 6-month deferral period.

**Q: What happens if there is any unforgiven balance on my PPP loan?**

A: Any balance remaining on your loan will be due under the terms of your PPP Note (amortizing payments over the remaining two-year term at 1% interest).

**Q: Can I count my own salary towards loan forgiveness if I am a sole proprietor or independent contractor?**

A: Yes. If you are an individual who operates under a sole proprietorship or as an independent contractor, you may include the same payroll costs that were included in calculating your PPP loan amount.

**Q: My business hires 1099 and independent contractor workers. May I include payments to 1099 and independent contractors for purposes of loan forgiveness?**

A: No. Independent contractors can include their 1099 income as their own payroll costs, so entities that hire independent contractors cannot include those amounts.

**Q: What happens if I use my PPP loan funds for purposes that are not eligible?**

A: The SBA will direct you to repay misused amounts. If you knowingly use the funds for unauthorized purposes, you may be subject to additional liability and charges of fraud. The SBA will also have recourse against all shareholders, members, partners or owners of the borrower if funds were knowingly used for unauthorized purposes.

**Q: Are forgiven PPP dollars considered cancellation of indebtedness income for federal tax purposes?**

A: No. Unlike normal circumstances where canceled debt is taxable, cancellation of indebtedness income will not apply to PPP loan forgiveness.