

# CHECKLIST FOR PPP LOAN FORGIVENESS PREPARATION

Prepare for your PPP loan forgiveness request. This information is based upon available guidance from the SBA and is subject to change. Please consult your legal/financial professional for legal advice.

## **GATHER DOCUMENTATION FOR PAYROLL/EXPENSES FOR THE “COVERED PERIOD”.**

The “Covered Period” is either: (1) the 24-week (168 day) period beginning at loan disbursement, or (2) if the loan occurred before June 5, 2020, the business may elect to use an 8-week (56-day) period beginning at loan disbursement. The Covered Period cannot extend beyond December 31, 2020.

## **EACH BUSINESS MUST PROVIDE THE FOLLOWING:**

Documentation verifying obligations/services *prior* to February 15, 2020 *and* for the Covered Period:

- Mortgage interest – Copies of receipts/cancelled checks for payments during the Covered Period. If your debt is not with Frontier Bank, you will need a copy of your lender’s amortization schedule or account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period showing interest amounts and eligible payments.
- Rent or lease payments – Either a copy of current lease(s) and receipts/cancelled checks for payments during the Covered Period OR lessor account statements from February 2020 and the months of the Covered Period through the end of one month after the end of the Covered Period showing eligible payments.
- Utility payments – Copies of invoices from February 2020 and those paid during the Covered Period, receipts/cancelled checks, or account statements showing eligible payments.
- If you have employees, documentation for the number of employees, average paid hours and rates of pay during the Covered Period and non-cash benefit payments, such as:
  - ✓ Bank account statements documenting amount of cash compensation paid. Copies of checks for wages/salaries
  - ✓ Payment receipts, cancelled checks or account statements documenting employer contributions to health insurance and retirement plans
  - ✓ Payroll report from payroll provider
  - ✓ Payroll tax filings (typically Form 941) AND state quarterly business/individual employee wage reporting and unemployment insurance tax filings.

## **IF YOU’RE A SELF-EMPLOYED/SOLE PROPRIETOR OR INDEPENDENT CONTRACTOR –**

See separate section for self-employed farmers.

- Schedule C of the 1040 Form for the most recent tax filing.
- 1099-MISC form(s) detailing nonemployment compensation *received*.

## **IF YOU’RE A SELF-EMPLOYED/SOLE PROPRIETOR FARMER**

- Schedule F and Schedule 1 of the 1040 Form for the most recent tax filing.

## **FOR PARTNERSHIPS & S CORPORATIONS**

- Schedule K-1 for each partner or S Corporation owner for the most recent tax filing.

**FOR OTHER ENTITIES – CORPORATIONS & LLCs, INCLUDING NON-PROFITS** - follow the checklist which applies to your tax filing status, for example, if a single-member LLC files as a sole proprietor using schedule C, see checklist for sole proprietors. It is possible that no additional documentation is required depending upon your tax filing status.

## LOAN FORGIVENESS INFORMATION FOR ALL BUSINESSES

1. At least 60% of the loan must be used for payroll costs. Payments to independent contractors cannot be included in payroll costs. Payroll for seasonal workers may be determined differently. If the business has seasonal workers, please contact your loan officer.
2. Forgiveness of owner compensation for individuals with self-employment income filing a Schedule C or F is limited to either 8 weeks' worth of 2019 net profit (up to \$15,385) for an 8-week Covered Period or 2.5 months' worth of 2019 net profit (up to \$20,833) for a 24-week Covered Period.
3. If the business does not use at least 60% of the loan for payroll costs, the business may not qualify for loan forgiveness.
4. For administrative convenience, the SBA permits calculating the Covered Period of payroll using the period that begins on the first day of the business' first payroll following loan disbursement.
5. Annual compensation to any individual of more than \$100,000 is excluded from payroll, not including non-cash benefits, i.e. employer contributions to a retirement plan/health care coverage.
6. Up to 40% of the loan may be forgiven if used for mortgage interest, rent payments and utility expenses. The business must have claimed or be entitled to claim a deduction for these expenses on the 2019 tax filing to claim them for forgiveness. And, the mortgage, lease agreement and utility services must have all been in effect before February 15, 2020.
7. Keep records for the following utilities: electric, gas, water, transportation, telephone, and internet.
8. If the business reduced the number of employees or the annual salaries or hourly wages of any employee by more than 25% during the Covered Period compared to the period between January 1, 2020 and March 31, 2020, additional documentation is needed to qualify for forgiveness. The inability to rehire or hire qualified employees may be considered. Please see your loan officer if this applies to the business.
9. If the business was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with COVID-19 requirements/guidelines issued by the Secretary of Health and Human Services, the Director of the Centers for Disease Control, or the Occupational Safety and Health Administration, additional documentation may be needed to qualify for forgiveness. Please see your loan officer if this applies to the business.
10. If the business was not in business in 2019 but was in operation before February 15, 2020, the business may need documentation, such as bookkeeping/financial statements, for the months that it was in operation before February 15, 2020.
11. A simple bank or credit card statement may not be enough to support forgiveness. If expenses are paid using cash, credit cards, PayPal, etc. rather than checks, evidence must show what was paid and when.
12. Recordkeeping involves keeping track of the receipt/invoice/official record of payment and noting the amount spent, what it was spent on, the date, and the purpose.