

Paycheck Protection Program Forgiveness UPDATE

baldwin
CPAs

Filing Requirements: When and How to File

- A borrower can apply for forgiveness once it has used all loan proceeds for which the borrower is requesting forgiveness OR the borrower has up to 10 months from the last day of the covered period.
- Lender will have 60 days to review application and submit to the Small Business Administration
- SBA has 90 days to review and grant forgiveness

Types of Applications

- 1. 3508 S form:
 - Any loans \$50,000 and under
- 2. 3508 EZ form:
 - Loans without any wage or FTE reductions
 - Loans that have had to deal with COVID executive orders/closures
- 3. 3508 form:
 - Long form with multiple wage and FTE calculations



3508 S



Paycheck Protection Program PPP Loan Forgiveness Application Form 3508S

OMB Control No. 3245-0407
Expiration date: 11/30/2020

**A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$50,000 OR LESS.
A Borrower that, together with its affiliates, received PPP loans totaling \$2 million or greater cannot use this form.**

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
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:

Forgiveness Amount:

3508 S

Eligibility: Any Borrower with loans \$50,000 and under

Documentation Requirements:

- Payroll reports from 3rd party processor or Payroll reports and copies of bank statements
- Payroll tax returns filed for 2nd and 3rd quarter 941 forms and unemployment forms
- They do not need any documentation on FTE during covered or lookback periods
- If Schedule C then you will only need to submit a copy of your 2019 Schedule C from your 2019 tax return

3508 EZ

Eligibility: Any Borrower with a PPP loan that did not reduce FTE and did not reduce employee wages more than 25% OR any Borrower who did not reduce wages more than 25% and was unable to operate during COVID period March 1st through December 31st

Documentation Requirements:

- Payroll reports from 3rd party processor or Payroll reports and copies of bank statements
- Payroll tax returns filed for 2nd and 3rd quarter 941 forms and unemployment forms
- FTE calculation for covered period as well as one lookback period.

3508 Full Form

Eligibility: Any Borrower who took out a PPP loan

Documentation Requirements:

- Payroll reports from 3rd party processor of Payroll reports and copies of bank statements
- Payroll tax returns filed for 2nd and 3rd quarter 941 forms and unemployment forms
- FTE calculation for covered period as well as one lookback period
- Wage reduction calculation if applicable

Required Payroll Documentation

- A) Third party Payroll Reports
- B) Internal Payroll Reports with Bank Statements
- C) Payroll Tax Returns
 - Quarterly 941S
 - State Unemployment Returns
- D) Banks might require copies of canceled checks or direct deposit slips.

Required Non-Payroll Documentation

- A) Mortgage Interest Payments
 - Amortization schedule
 - Canceled checks (Must show in existence before 2/15/20)
- B) Business Rent/Lease Payments
 - Copy of current lease agreement
 - Canceled checks (Must show in existence before 2/15/20)
- C) Business Utility Payments
 - Copy of invoices from February 2020
 - Invoices/Account statements for payments made during Covered Period
 - Canceled checks

SBA Letter For Forgiveness Payment



SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

NOTICE OF PAYCHECK PROTECTION PROGRAM FORGIVENESS PAYMENT

Borrower:
Lender of Record: Forcht Bank, National Association
SBA Loan No.:
Loan Approval Date: 04/04/2020
Loan Disbursement Amount: \$ 208,500.00

Amount of Forgiveness Requested by Lender: \$ 208,500.00
Economic Injury Disaster Loan Advance Deduction: \$ 0.00
Forgiveness Amount Remitted: \$ 208,500.00 in principal and \$ 1,222.04 in interest
Forgiveness Payment Date: 11/10/2020

As authorized by Section 1106 of the CARES Act, SBA has remitted to the Lender of Record the payment listed above for forgiveness of the Borrower's Paycheck Protection Program (PPP) loan. If applicable and as required by Section 1110(e)(6) of the CARES Act, the remittance amount was reduced by the amount of the Economic Injury Disaster Loan Advance received by the Borrower.

If any balance remains on the PPP loan after application of the forgiveness payment, the Lender must notify the Borrower of the date on which the first payment is due, and the loan must be repaid by the Borrower on or before the maturity date.

The Borrower must retain all records relating to the Borrower's PPP loan for six years from the date the loan is forgiven or repaid in full.

PPP Loan Necessity Questionnaire (Form 3509)

- Requirement for any loan or any affiliated entities with combined loans over \$2 Million
- Due 10 days upon receiving the requested form from the lender
- Purpose of form:
 - Collection of supplemental information that will be used by the SBA Loan Reviewers to evaluate the **good-faith certification** that was made on the initial application that **economic uncertainty** made the loan necessary.

Highlights of Form 3509

- Business Activity Section
 - 2nd Quarter 2020 Gross Revenue compared to 2nd Quarter 2019 Gross Revenue
 - Has your entity been affected by COVID requirements from federal and local governments?

Highlights of Form 3509

- Liquidity Assessment Section
 - Cash and cash equivalents of PPP loan application date
 - High level employees paid that earn in excess of \$250,000
 - Overview of Ownership Structure
 - Have access to other forms of debt
 - Line of credit
 - Lender loans
 - Publicly traded companies have some additional requirements

The Kentucky Food and Beverage Relief Fund

- The Kentucky Food and Beverage Relief Fund will make one-time grant awards for reimbursement of eligible expenses of up to \$10,000 per restaurant or bar with a maximum of \$20,000 to a business entity that operates multiple restaurants and bars that were required to close for on-site consumption pursuant to Executive Order 2020-968.
- Now accepting applications: Website: <https://teamkyfbrf.ky.gov/Home.aspx>
- Deadline: December 18, 2020



What we know

- Possible Paycheck Protection Program (2)
- Targeted industries
- 25-35% revenue reduction

Remaining Unknowns on PPP

- IRS clarified deductibility of PPP loan expenses:
 - If a businesses PPP loan is forgiven or the business believes it will be forgiven in the future, expenses related to the PPP loan are not deductible
 - In the case where a PPP loan was expected to be forgiven, but is not, businesses will be able to deduct those expenses
- AICPA lobbyists telling us that there is still a high probability that this is fixed

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