

PPP Loan Forgiveness

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Module Outline

- PPP Forgiveness Changes – How did we get here? **(UPDATE 10/8 - NEW FORM 3508S)**
- Forgiveness Application Practical Tips **(UPDATE 10/8 - NEW FORM 3508S)**
- Choosing the Right Forgiveness Form – Who may use Form EZ? **(UPDATE 10/8 - NEW FORM 3508S)**
- Choosing the Right Covered Period
- Employee Payroll Costs
- Partners, Self-Employed Individuals, Owner-Employees And Independent Contractors
- Non-Payroll Costs
- Supporting Documents – Payroll including partners, self-employed individuals, and owner-employees
- Supporting Documents – Non-Payroll
- Form 3508 – Schedule A and Schedule A Worksheet
- Safe Harbors and Exceptions From Forgiveness Reduction
- Forgiveness Reduction due to Reduction in Employees or Hours
- Forgiveness Reduction due to Salary/Wage Reductions
- Forgiveness Reduction Wrap-Up

Tamara Wagman

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PPP Forgiveness Changes - How did we get here?

PPP Forgiveness Changes - How did we get here?

PPP Applications Begin April 3rd

- 8-weeks
- 75% payroll requirement
- Had to reverse reductions in FTE and wages prior to June 30, 2020 or forgiveness reduced proportionately

PPP Flexibility Act June 5th

- 8-weeks or 24-weeks (latest December 31, 2020)
- 60% payroll requirement
- Exemptions for employee/salary reductions
- Extended deadlines to reduce reductions in FTE and wages to December 31, 2020

3058 Application May 15th

3508 EZ June 18th

No calculation of reduction of forgiveness due to reduction of headcount or wages. Schedule A and Schedule A Worksheet unnecessary.

3508S October 8th

Simplified form for loans \$50,000 or less so long as borrower, together with its affiliates, received PPP loans totaling less than \$2,000,000

Further simplified process?

HEALS or HEROES Act?

PRACTICAL TIP #1:

TIME IS ON YOUR SIDE

Have up to 10 months after the end of your Covered Period to file for forgiveness before you have to start paying principal and interest.

PRACTICAL TIP #2:

CHOOSE THE RIGHT FORM

If your loan is \$50,000 or less and you and your affiliates received PPP loans totalling less than \$2 million, use form 3508S. If you cannot qualify for form 3508S, which is the most simple PPP forgiveness form, form 3508 EZ really is easier than 3508. Consider effects of different covered periods, the safe harbor and exemptions that may allow you to qualify for Form EZ.

PRACTICAL TIP #3:

LESS IS JUST FINE

Make your application and supporting materials as clean and simple as possible.

Choosing The Right Forgiveness Form

New Form 3508S

On Oct. 8, 2020, the SBA came out with a new, simplified form - 3508S.

Any borrower with an individual PPP loan of \$50,000 or less AND that, together with its affiliates did not receive PPP loans totaling \$2 million or greater, qualifies to use Form 3508S **REGARDLESS** of whether the borrower reduced staff or salaries.

If you did reduce staff or salaries, Form 3508S allows you to avoid any reduction in your PPP forgiveness amount regardless of such reduction. 3508S is even easier than form 3508 EZ and if qualify, 3508S is the form you should use.

The supporting documentation you must supply to the bank is the same as 3508EZ and 3508, but the completion of form 3508S itself is very simple.

Who May Use The EZ Form?

Self-employed, independent contractor or sole proprietor who has no employees;

OR

A borrower with no reductions of salaries or wages by more than 25% during the Covered Period (or Alternative Covered Period) compared to the period between January 1, 2020 and March 31, 2020

AND

A

Borrower did not reduce the number of employees or paid hours of employees between January 1 2020 and the end of the Covered Period
(See safe harbors and exceptions)

OR

B

Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020 due to Health and Human Services, CDC or OSHA requirements or guidance assessed between March 1, 2020 and December 31, 2020 related to the maintenance of sanitation, social distancing, or any other work or customer safety requirements related to COVID-19

OPTION B

SBA Interim Rule June 26, 2020

“Borrowers that can certify that they have documented *in good faith* that their reduction in business activity during the Covered Period stems directly *or indirectly* from compliance with COVID Requirements or Guidance are exempt. . .”

Documentation *must* include:

Copies of applicable COVID Requirements or Guidance for *each business location*;

AND

Relevant borrower financial records.

Choosing The Right Covered Period

Choosing the Right Covered Period



OR



Borrowers may elect an **Alternative Payroll Period** that begins on the first day of the first payroll cycle after disbursement of the PPP loan and ends on the day 8-weeks or 24-weeks thereafter, as applicable.

Alternative Payroll Period **only applies to payroll costs** and may only be used for payroll periods that are bi-weekly or more frequent.

Choosing the Right Covered Period

8-Weeks:

- Only for loans receiving an SBA loan number on or before June 5, 2020.
- Desirable if you spent all your PPP funds on eligible costs, meet the 60% payroll threshold and didn't reduce salary or headcount during the 8-week period or qualify for a safe harbor or exception.
- Less calculations and supporting documentation required.
- No questions about PPP continuing FTE obligations.

24-Weeks:

- Increases forgiveness expenses up to an additional 16-weeks (but not past December 31).
- More expenses likely to compensate for reductions of employees or salary.
- Allows you to take advantage of longer opportunity to restore FTE (up to December 31).
- You may apply before end of 24-weeks. Salary reductions extrapolated out. Application silent on FTE reduction.

Employee Payroll Costs

Employee Payroll Costs – Not Less than 60% of forgivable expenses but could be up to 100%

May Include:

- Salary, wage, cash tips, commissions, bonuses and hazard pay (use gross amount before deductions for taxes, employee benefits and similar payments)
- Payments for vacation, parental, family, medical or sick leave
- Allowance for dismissal or separation
- Employer contributions to health insurance
- Employer contributions to employee retirement plans
- Employer payments of state and local taxes assessed on employee compensation

Do NOT Include:

- Qualified sick or family leave that was allowed under the Families First Coronavirus Response Act
- Cash compensation (not including health insurance or retirement contributions) of an individual employee in excess of \$100,000 as prorated for the covered period (i.e. don't exceed \$46,154 for 24-week or \$15,384 for 8-week)
- Any compensation for an employee whose principal residence is outside the United States
- Employee contributions to health insurance or retirement plans or state or local withholding

Incurred and Paid:

Include payroll cost if they are incurred before but paid during the covered period **AND** if they are incurred during the covered period and paid on or before the next regular payroll after the covered period.

Partners, Self-Employed Individuals, Owner-Employees And Independent Contractors

Partners, Self-Employed Individuals, Owner-Employees And Independent Contractors

- **For borrowers that received** a PPP loan before June 5, 2020 and elect to use an eight-week covered period, the amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation is capped at eight weeks' worth (8/52) of 2019 compensation (i.e., approximately 15.38 percent of 2019 compensation) or \$15,385 per individual, whichever is less, in total across all businesses.
- **For all other borrowers**, the amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation is capped at 2.5 months' worth (2.5/12) of 2019 compensation (i.e., approximately 20.83 percent of 2019 compensation) or \$20,833 per individual, whichever is less, in total across all businesses.
 - **C-corporation** owner-employees are capped by the amount of their 2019 employee cash compensation and employer retirement and health insurance contributions made on their behalf.
 - **S-corporation** owner-employees are capped by the amount of their 2019 employee cash compensation and employer retirement contributions made on their behalf, but employer health insurance contributions made on their behalf cannot be separately added because those payments are already included in their employee cash compensation.
 - **Schedule C or F filers** are capped by the amount of their owner compensation replacement, calculated based on 2019 net profit.
 - **General partners** are capped by 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.
 - For **self-employed individuals**, including Schedule C or F filers and general partners, retirement and health insurance contributions are included in their net self-employment income and therefore cannot be separately added to their payroll calculation.

See also Question #8 from SBA August 4, 2020 FAQ –

<https://www.sba.gov/sites/default/files/2020-08/PPP%20Loan%20Forgiveness%20FAQs%208-4-20-508.pdf>

Non-Payroll Forgivable Costs

Non-Payroll Forgivable Costs – Not greater than 40% of forgivable expenses

Business Interest Mortgage Payments (Line 2)

Business mortgage interest payments paid or incurred during the Covered Period for any business mortgage obligation on real or personal property in place before February 15, 2020. No forgiveness for any prepayment or payment of principal.

Business Rent or Lease Payments (Line 3)

Business rent or lease payments for real or personal property during Covered Period. Must be obligated under a leasing agreement in force before February 15, 2020.

Business Utility Payments (Line 4)

Payment for electricity, gas, sewage, water, transportation, telephone (cell phone or landline) or internet access service which began before February 15, 2020.

Incurred and Paid:

Includes non-payroll expenses 1) paid during the Covered Period or 2) incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period.

Cashin White

Director of SBA Lending,
BOK Financial



Supporting Documents – Payroll Including Partners, Self-Employed Individuals, And Owner-Employee

Payroll Costs

- A) Internal payroll reports and bank statements
- B) Third-party payroll service provider report
- C) Payroll tax filings reported to the IRS (generally form 941) and state quarterly income, payroll, and unemployment insurance filings for periods that overlap with the Covered Period
- D) State quarterly business and individual employee wage reporting and unemployment insurance tax filings
- E) Payment receipts, cancelled checks, or account statements documenting the amount of employer contributions to employee health insurance and retirement plans (that are included)

Requires A, C, D & E, or B & E, and any information from C or D that is not already included in B.

Payroll Costs

QUESTION:

If I don't have any payroll tax filings (typically Form 941) available at the time I apply for forgiveness, may I instead use reports provided by my payroll services company to prove out my payroll during the covered period?

ANSWER:

Yes, so long as the time periods provided overlap with the Covered Period or Alternative Covered Period.

Payroll Costs Examples

Internal Payroll Reports

Employee information Payroll April 9, 2020 - June 1, 2020

Employee ID	Name	Cash Compensation During Period	Employee Contributions to Health Insurance	Employer Contributions to Health Insurance	401K Contributions BY EMPLOYEE	401K Contributions BY EMPLOYER	Employer State Taxes	Employee State Taxes	Federal Taxes	Social Security Tax (Percentage)	Medicare Tax (Percentage)	Total Payroll
1	Mark Coyne	\$15,385.00	\$ 761.00	\$ 1,111.00	\$ 1,000.00	\$ 560.00	\$ 769.25	\$ 769.25	\$ 3,384.70	\$ 953.87	\$ 190.77	\$24,884.84
2	Wayne Coyne	\$15,385.00	\$ 761.00	\$ 1,112.00	\$ 2,000.00	\$ 555.00	\$ 769.25	\$ 769.25	\$ 3,384.70	\$ 953.87	\$ 190.77	\$25,880.84
3	Michael Ivins	\$12,087.86	\$ 761.00	\$ 1,111.00	\$ 3,000.00	\$ 555.00	\$ 604.39	\$ 604.39	\$ 1,450.54	\$ 749.45	\$ 149.89	\$21,073.53
4	Steven Drozd	\$12,087.86	\$ 761.00	\$ 1,111.00	\$ 1,000.00	\$ 555.00	\$ 604.39	\$ 604.39	\$ 1,450.54	\$ 749.45	\$ 149.89	\$19,073.53
5	Derek Brown	\$12,087.86	\$ 761.00	\$ 1,111.00	\$ 500.00	\$ 555.00	\$ 604.39	\$ 604.39	\$ 1,450.54	\$ 749.45	\$ 149.89	\$18,573.53
6	Jake Ingalls	\$12,087.86	\$ 761.00	\$ 1,111.00	\$ 200.00	\$ 555.00	\$ 604.39	\$ 604.39	\$ 1,450.54	\$ 749.45	\$ 149.89	\$18,273.53
7	Matt Kirksey	\$12,087.86	\$ 761.00	\$ 1,111.00	\$ 100.00	\$ 555.00	\$ 604.39	\$ 604.39	\$ 1,450.54	\$ 749.45	\$ 149.89	\$18,173.53
8	Nick Ley	\$12,087.86	\$ 761.00	\$ 1,111.00	\$ 300.00	\$ 555.00	\$ 604.39	\$ 604.39	\$ 1,450.54	\$ 749.45	\$ 149.89	\$18,373.53
9	Ray Suen	\$12,087.86	\$ 761.00	\$ 1,111.00	\$ 400.00	\$ 555.00	\$ 604.39	\$ 604.39	\$ 1,450.54	\$ 749.45	\$ 149.89	\$18,473.53
10		\$ 115,385.02	\$ 8,849.00	\$ 10,000.00	\$ 8,500.00	\$ 5,000.00	\$ 5,769.25	\$ 5,769.25	\$ 16,923.20	\$ 7,153.87	\$ 1,430.77	\$182,780.37
11												

IRS 941

941 for 2020: Employer's QUARTERLY Federal Tax Return

Employer identification number: 12-34567890
 Name of your business: Example Company, LLC
 Address: 123 Training Loop Alley, Oklahoma City, OK 73104

Part 1 Answer these questions for this quarter:

1. Number of employees who received wages, tips, or other compensation for the pay period including: June 12 (Quarter 2), Sept. 12 (Quarter 3), or Dec. 12 (Quarter 4) **9**

2. Wages, tips, and other compensation **153,983.20**

3. Federal income tax withheld from wages, tips, and other compensation **25,507.28**

4. If no wages, tips, and other compensation are subject to social security or Medicare tax, check and go to line 6. Check and go to line 6.

5a. Taxable social security wages **115,385.00**

5b. Qualified sick leave wages **0.00**

5c. Qualified family leave wages **0.00**

5d. Taxable social security tips **0.00**

5e. Taxable Medicare wages & tips **115,385.00**

5f. Taxable wages & tips subject to Additional Medicare Tax withheld **0.00**

6a. Total social security and Medicare taxes, Add Columns 2 through 5e, 5f, 5g, 5h, 5i, and 5j **8,584.00**

6b. Section 512(b) Notice and Demand - Tax due on unreported tips (see instructions) **0.00**

6c. Total taxes before adjustments, Add lines 6a, 6b, and 6d **8,584.00**

6d. Current quarter's adjustment for reduction of credits **0.00**

6e. Current quarter's adjustment for sick pay **0.00**

6f. Current quarter's adjustments for tips and group-term life insurance **0.00**

6g. Total taxes after adjustments, Combine lines 6 through 6f **8,584.00**

6h. Qualified small business payroll tax credit for increasing research activities, Attach Form 8879 **0.00**

6i. Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1 **0.00**

6j. Nonrefundable portion of employee retention credit from Worksheet 1 **0.00**

You MUST complete all three pages of Form 941 and 941-E.

State Quarterly Employee Wage Reporting (WES-3 for OK)

OKLAHOMA EMPLOYMENT SECURITY COMMISSION
EMPLOYERS QUARTERLY CONTRIBUTION REPORT

Employer Social Security Number: 12-34567890
 Last Name: Example
 First Name: Company
 Total Wages Paid: 153,983.20
 Taxable Wages Paid: 115,385.00

13. Monthly count of all full and part-time workers who worked or received sick leave or other compensation for the pay period that includes the 1st of the month:

14. Oklahoma Account Number: 12-34567890
 15. Federal ID No.: 12-34567890
 16. Due Date: 06/15/2020

17. Taxable Amount For 2014 to 2019: \$14,700.00; 2019 to 2020: \$10,000.00; 2012 to 2019: \$15,100.00

18. Name / Address: Example Company, LLC, 123 Training Loop Alley, Oklahoma City, OK 73104

19. Signature: Wayne Coyne
 Date: 06/15/2020
 Contact Name: Wayne Coyne
 Contact Phone: (505) 123-4567

Account Statement

BOK FINANCIAL

STATEMENT OF ACCOUNT

Account Number: 111-234-567-890
 Statement Date: mm/dd/yyyy
 Period Covered: mm/dd/yyyy to mm/dd/yyyy

John Smith
 2450 Courage St, STE 108
 Brownsville, TX 78521

<Branch Name>

Number of Transactions: 8

Opening Balance: 175,800.00
 Total Credit Amount: 10,000.00
 Total Debit Amount: 94,000.00
 Closing Balance: 91,800.00
 Account Type: Current Account

Transactions

Date	Description	Credit	Debit	Balance
mm/dd/yyyy	Payment - Credit Card	5,400.00		170,400.00
mm/dd/yyyy	Payment - Insurance		3,000.00	167,400.00
mm/dd/yyyy	Account Transfer In	500,000.00		667,400.00
mm/dd/yyyy	Cheque Deposit	10,000.00		677,400.00
mm/dd/yyyy	Payment - Electricity		1,500.00	675,900.00
mm/dd/yyyy	Payment - Water Utility		600.00	675,300.00
mm/dd/yyyy	Payment - Car Loan		3,500.00	671,800.00
mm/dd/yyyy	Account Transfer Out		80,000.00	591,800.00
mm/dd/yyyy	--- End of Transactions ---			

Canceled Check for employer contributions to retirement accounts or health insurance

Example Company
 123 Training Loop Alley
 Oklahoma City, OK 73104

5/12/2020 0070

NOT A LEGAL CHECK FOR TRANSACTIONS OVER \$100

PAY TO THE ORDER OF Any Bank USA \$ 9,123.00

Nine thousand one hundred twentythree 00/100 DOLLARS

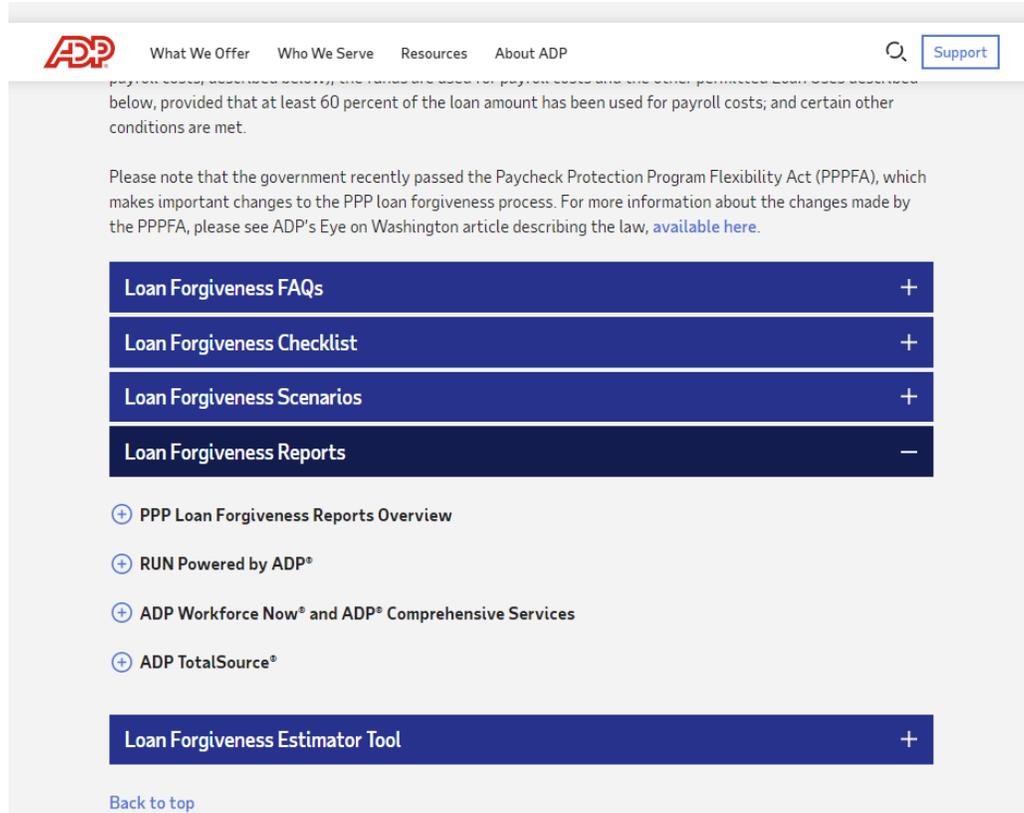
FOR: May Mortgage Payment Wayne Coyne

⑆ 012345678910 ⑆ 012345678910

Payroll Costs Example

Third-Party payroll service provider report

Examples Firms:



The screenshot shows the ADP website's navigation bar with links for 'What We Offer', 'Who We Serve', 'Resources', and 'About ADP'. A search icon and a 'Support' button are also visible. The main content area features a paragraph of text, a notice about the Paycheck Protection Program Flexibility Act (PPPFA), and a list of resources including 'Loan Forgiveness FAQs', 'Loan Forgiveness Checklist', 'Loan Forgiveness Scenarios', and 'Loan Forgiveness Reports'. Below these are links to 'PPP Loan Forgiveness Reports Overview', 'RUN Powered by ADP', 'ADP Workforce Now and ADP Comprehensive Services', and 'ADP TotalSource'. At the bottom, there is a 'Loan Forgiveness Estimator Tool' link and a 'Back to top' link.

ADP What We Offer Who We Serve Resources About ADP

below, provided that at least 60 percent of the loan amount has been used for payroll costs; and certain other conditions are met.

Please note that the government recently passed the Paycheck Protection Program Flexibility Act (PPPFA), which makes important changes to the PPP loan forgiveness process. For more information about the changes made by the PPPFA, please see ADP's Eye on Washington article describing the law, [available here](#).

- Loan Forgiveness FAQs +
- Loan Forgiveness Checklist +
- Loan Forgiveness Scenarios +
- Loan Forgiveness Reports -

- + PPP Loan Forgiveness Reports Overview
- + RUN Powered by ADP®
- + ADP Workforce Now® and ADP® Comprehensive Services
- + ADP TotalSource®

Loan Forgiveness Estimator Tool +

[Back to top](#)



Supporting Documents – Non-Payroll

Self-Employed Schedule C or Schedule F and General Partners

Schedule C or Schedule F

- 1) Copy of IRS Form 1040 Schedule C line 31 or IRS Form 1040 Schedule F line 31

General Partners who applied using 2019 IRS Form 1065 Schedule K-1 box 14a

- 1) Copy of 2019 IRS form 1065 K-1
- 2) Proof of payment to partners during the chosen covered period
 - Copies of cancelled checks
 - Copies of bank statements showing payment
 - Copies of income statements showing guaranteed payments to partners or distributions during the covered period

Self-Employed Schedule C or Schedule F and General Partners

1) Copy of IRS Form 1040 Schedule C line 31 or IRS Form 1040 Schedule F

SCHEDULE C
(Form 1040 or 1040-SR)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074
2019
Attachment Sequence No. **09**

Department of the Treasury
Internal Revenue Service (IRS) ▶ Go to www.irs.gov/ScheduleC for instructions and the latest information.
▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor _____ Social security number (SSN) _____

A Principal business or profession, including product or service (see instructions) **B** Enter code from instructions _____

C Business name, if no separate business name, leave blank. **C** Employer ID number (EIN) (see instr.) _____

E Business address (including suite or room no.) ▶
City, town or post office, state, and ZIP code _____

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____

G Did you "materially participate" in the operation of this business during 2019? If "No," see instructions for limit on losses Yes No

H If you started or acquired this business during 2019, check here Yes No

I Did you make any payments in 2019 that would require you to file Form(s) 1099? See instructions Yes No

J If "Yes," did you or will you file required Form(s) 1099? Yes No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1
2	Returns and allowances	2
3	Subtract line 2 from line 1	3
4	Cost of goods sold (from line 42)	4
5	Gross profit. Subtract line 4 from line 3	5
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6
7	Gross income. Add lines 5 and 6	7

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	18	Office expense (see instructions)	18
9	Car and truck expenses (see instructions)	9	19	Pension and profit-sharing plans	19
10	Commissions and fees	10	20	Rent or lease (see instructions):	20
11	Contract labor (see instructions)	11	a	Vehicle, machinery, and equipment	20a
12	Depletion	12	b	Other business property	20b
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	21	Repairs and maintenance	21
14	Employee benefit programs (other than on line 19)	14	22	Supplies (not included in Part III)	22
15	Insurance (other than health)	15	23	Taxes and licenses	23
16	Interest (see instructions):	16	24	Travel and meals:	24
a	Mortgage (paid to banks, etc.)	16a	a	Travel	24a
b	Other	16b	b	Deductible meals (see instructions)	24b
17	Legal and professional services	17	25	Utilities	25
18	Total expenses before expenses for business use of home. Add lines 8 through 27a	18	26	Wages (less employment credits)	26
19	Tentative profit or (loss). Subtract line 18 from line 7	19	27a	Other expenses (from line 48)	27a
20	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	20	b	Reserved for future use	27b
21	Net profit or (loss). Subtract line 30 from line 29.	21	28	Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions	28
22	If a profit, enter on both Schedule 1 (Form 1040 or 1040-SR), line 3 (or Form 1040-NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estate and trusts, enter on Form 1041, line 3.	22	29	Net farm profit or (loss). Subtract line 33 from line 9	29
23	If a loss, you must go to line 32.	23	30	If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.	30
24	If you have a loss, check the box that describes your investment in this activity (see instructions).	24	31	Reserved for future use.	31
25	If you checked 32a, enter the loss on both Schedule 1 (Form 1040 or 1040-SR), line 3 (or Form 1040-NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see the line 31 instructions). Estate and trusts, enter on Form 1041, line 3.	25	32	Check the box that describes your investment in this activity and see instructions for where to report your loss:	32
26	If you checked 32b, you must attach Form 8198. Your loss may be limited.	26	a	All investment is at risk.	32a
27		27	b	Some investment is not at risk.	32b

32a All investment is at risk.
32b Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040 or 1040-SR) 2019

SCHEDULE F
(Form 1040 or 1040-SR)

Profit or Loss From Farming

OMB No. 1545-0074
2019
Attachment Sequence No. **14**

Department of the Treasury
Internal Revenue Service (IRS) ▶ Attach to Form 1040, Form 1040-SR, Form 1040-NR, Form 1041, or Form 1065.
▶ Go to www.irs.gov/ScheduleF for instructions and the latest information.

Name of proprietor _____ Social security number (SSN) _____

A Principal crop or activity **B** Enter code from Part IV _____ **C** Accounting method: Cash Accrual **D** Employer ID number (EIN) (see instr.) _____

E Did you "materially participate" in the operation of this business during 2019? If "No," see instructions for limit on passive losses Yes No

F Did you make any payments in 2019 that would require you to file Form(s) 1099? See instructions Yes No

G If "Yes," did you or will you file required Form(s) 1099? Yes No

Part I Farm Income—Cash Method. Complete Parts I and II. (Accrual method. Complete Parts II and III, and Part I, line 9.)

1a	Sales of livestock and other resale items (see instructions)	1a
b	Cost or other basis of livestock or other items reported on line 1a	1b
c	Subtract line 1b from line 1a	1c
2	Sales of livestock, produce, grains, and other products you raised	2
3a	Cooperative distributions (Form(s) 1099-PATR)	3a
3b	Taxable amount	3b
4a	Agricultural program payments (see instructions)	4a
4b	Taxable amount	4b
5a	Commodity Credit Corporation (CCC) loans reported under allocation	5a
5b	CCC loans forfeited	5b
5c	Taxable amount	5c
6	Crop insurance proceeds and federal crop disaster payments (see instructions):	6
a	Amount received in 2019	6a
b	Taxable amount	6b
c	If allocation to defers to 2020 is attached, check here <input type="checkbox"/> Yes <input type="checkbox"/> No	6d
7	Custom hire (machine work) income	7
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	8
9	Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions	9

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.

10	Car and truck expenses (see instructions). Also attach Form 4562	10	23	Pension and profit-sharing plans	23
11	Chemicals	11	24	Rent or lease (see instructions):	24
12	Conservation expenses (see instructions)	12	a	Vehicle, machinery, equipment	24a
13	Custom hire (machine work)	13	b	Other (land, animals, etc.)	24b
14	Depreciation and section 179 expense (see instructions)	14	25	Repairs and maintenance	25
15	Employee benefit programs other than on line 23	15	26	Seeds and plants	26
16	Food	16	27	Storage and warehousing	27
17	Fertilizers and lime	17	28	Supplies	28
18	Freight and trucking	18	29	Taxes	29
19	Gasoline, fuel, and oil	19	30	Utilities	30
20	Insurance (other than health)	20	31	Veterinary, breeding, and medicine	31
21	Interest (see instructions):	21	32	Other expenses (specify):	32
a	Mortgage (paid to banks, etc.)	21a	a		32a
b	Other	21b	b		32b
22	Labor hired (less employment credits)	22	c		32c
23	Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions	23	d		32d
24	Net farm profit or (loss). Subtract line 33 from line 9	24	e		32e
25	If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.	25	f		32f
26	Reserved for future use.	26			
27	Check the box that describes your investment in this activity and see instructions for where to report your loss:	27			
a	All investment is at risk.	27a			
b	Some investment is not at risk.	27b			

27a All investment is at risk.
27b Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334F Schedule F (Form 1040 or 1040-SR) 2019

Self-Employed Schedule C or Schedule F and General Partners

1) Copy of 2019 IRS form 1065 K-1

2) Proof of payment to partners during the chosen covered period. This can be:

Schedule K-1 (Form 1065) 2019
 Department of the Treasury
 Internal Revenue Service
 For calendar year 2019, or tax year beginning 2019 ending 2019

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Part I Information About the Partnership

Part II Information About the Partner

Part IV Other Information

651119
 OMB No. 1545-0123

Faux Florists, Inc.

+

Faux Florists Distributors Corporation
Income Statement
 Years Ended December 31, Xxx1, Xxx2, and Xxx3

December 31	Xxx1	Xxx2	Xxx3
Sales	\$ 14,100,309	\$ 14,376,876	\$ 13,963,928
Cost of Sales	\$ 10,098,564	\$ 10,232,623	\$ 9,825,438
Gross Profit	\$ 4,001,745	\$ 4,144,253	\$ 4,138,490
SG&A Expenses	\$ 3,241,280	\$ 3,479,631	\$ 3,537,573
Depreciation Expense	\$ 67,138	\$ 60,898	\$ 60,144
Operating Income	\$ 693,327	\$ 603,724	\$ 540,773
Interest Expense	\$ 60,716	\$ 50,705	\$ 55,891
Other Income	\$ 31,000	\$ 51,000	\$ 16,000
Profit Before Taxes	\$ 663,611	\$ 604,019	\$ 500,882
Provision for Income Taxes	\$ 219,808		
Net Income	\$ 443,803		
Dividends/Distributions	\$ 300,120		

Example Company
 123 Flaming Lips Alley
 Oklahoma City, OK 73104

5/1/2020 0070
NOT A LEGAL CHECK FOR TEACHING USE ONLY

PAY TO THE ORDER OF Any Bank USA \$ 9,123.00

Nine Thousand one hundred twenty three and No/100 DOLLARS

FOR May Mortgage Payment FOR Wayne Coyne

⑆ 012345678910 ⑆ 012345678910

Business Mortgage Interest Payments

One of the following options (F in Forgiveness Approval Form)

- 1) Copy of lender amortization schedule (remember this is only the interest portion)
 - With receipts or canceled checks

- 2) Lender account statements:
 - 2/2020 account statement
 - The months of the covered period through 1 month after the end of the covered period (verifying interest amounts and eligible payments)

This is a total of at least 4 statements for the 8 week covered period

Business Mortgage Interest Payments Examples

1) Copy of Amortization Schedule

Customer Name	Example Company LLC
Account Number	132131

Enter Values	
Loan Amount	\$ 1,000,000.00
Annual Interest Rate	7.50 %
Loan Period in Years	20
Number of Payments Per Year	12
Start Date of Loan	2/1/2015
Start Date of Pmt	3/1/2015
Days Basis Option	2
Days Basis	Actual/360
Estimated Payment	\$8,116.38
Actual Scheduled Payment	\$ 9,000.00
Optional Extra Payments	\$ 123.00

Loan Summary	
Scheduled Number of Payments	240
Actual Number of Payments	188
Total Early Payments	\$ 23,001.00
Total Principal	\$ 1,000,000.00
Total Interest	\$ 713,338.98

NOTE: This is an estimated loan amortization schedule. Actual amounts may vary if payments are made on different dates or in different amounts.

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance
1	3/1/2015	\$ 1,000,000.00	\$ 9,000.00	\$ 123.00	\$ 9,123.00	\$ 3,289.67	5,833.33	\$ 996,710.33
2	4/1/2015	996,710.33	\$ 9,000.00	123.00	9,123.00	2,696.91	6,437.09	994,024.42
3	5/1/2015	994,024.42	\$ 9,000.00	123.00	9,123.00	2,910.35	6,212.65	991,114.07
4	6/1/2015	991,114.07	\$ 9,000.00	123.00	9,123.00	2,722.05	6,400.95	988,392.02
5	7/1/2015	988,392.02	\$ 9,000.00	123.00	9,123.00	2,945.55	6,177.45	985,446.47
6	8/1/2015	985,446.47	\$ 9,000.00	123.00	9,123.00	2,758.66	6,364.34	982,687.81
7	9/1/2015	982,687.81	\$ 9,000.00	123.00	9,123.00	2,776.47	6,346.53	979,911.34
8	10/1/2015	979,911.34	\$ 9,000.00	123.00	9,123.00	2,998.55	6,124.45	976,912.78
9	11/1/2015	976,912.78	\$ 9,000.00	123.00	9,123.00	2,913.77	6,309.23	974,009.01
10	12/1/2015	974,009.01	\$ 9,000.00	123.00	9,123.00	3,034.88	6,088.12	971,064.13
11	1/1/2016	971,064.13	\$ 9,000.00	123.00	9,123.00	2,851.54	6,271.46	968,212.58
12	2/1/2016	968,212.58	\$ 9,000.00	123.00	9,123.00	2,869.96	6,253.04	965,342.62

2) Alternative is four Account Statements from the Lender

In this example this would be:

1. 2/2020 Statement
2. 5/2020 Statement
3. 6/2020 Statement
4. 7/2020 Statement

A) Canceled Checks



Covered Period Interest Payments

63	5/1/2020	789,150.96	\$ 9,000.00	123.00	9,123.00	4,190.81	4,932.19	784,960.16
64	6/1/2020	784,960.16	\$ 9,000.00	123.00	9,123.00	4,053.47	5,069.53	780,906.69

Mortgage Interest		Interest Portion
5/1/2020 Payment	\$ 9,123.00	\$ 4,932.19
6/1/2020 Payment	\$ 9,123.00	\$ 5,069.53
Total Mortgage Interest		\$ 10,001.72

Business Rent or Lease Payments

Each of the following is required: (G in PPP Forgiveness Approval Form)

- 1)** Copy of current lease agreement
- 2A)** Receipts or canceled checks verifying eligible payments
- OR**
- 2B)** Lessor account statements from 2/2020 and for the covered period through One month after the end of the covered period.

This is a total of at least 4 account statements for the 8-week covered period

Business Rent or Lease Payments Example

1) Copy of current lease agreement

COMMERCIAL LEASE AGREEMENT

This Lease is made this 25 day of January, 1997 (Year) by and between

Sample Landlord LLC (hereinafter "Landlord") and

Example Company LLC (hereinafter "Tenant"). In consideration for the mutual promises and covenants contained herein, and for other good and valuable consideration, the parties hereby agree as follows:

- The Landlord leases to the Tenant, and the Tenant rents from the Landlord the following described premises:
123 Flaming Lips Alley Oklahoma City, OK 73104
 - The term of the Lease shall be for 1/25/1997 commencing 2/1/1997 and ending 2/1/2032.
 - The Tenant shall pay to Landlord as rent \$60,000.00 per year in equal monthly installments of \$5,000.00 payable in advance Monthly (Time Period).
 - This Lease is subject to all present or future mortgages affecting the premises.
 - The Tenant shall not make any alterations, additions or improvements to the premises without the prior written consent of the Landlord.
 - The Tenant shall purchase at his own expense public liability insurance in the amount of \$ 1,000 as well as fire and hazard insurance in the amount of \$ 5,000,000 for the premises and shall provide satisfactory evidence thereof to the Landlord and shall continue same in force and effect throughout the Lease term hereof.
 - The Tenant shall not permit or commit waste to the premises.
 - The Tenant shall comply with all rules, regulations, ordinances codes and laws of all governmental authorities having jurisdiction over the premises.
 - The Tenant shall not permit or engage in any activity that will effect an increase in the rate of insurance for the Building in which the premises is contained nor shall the Tenant permit or commit any nuisance thereon.
 - The Tenant shall not sublet or assign the premises nor allow any other person or business to use or occupy the premises without the prior written consent of the Landlord, which consent may not be unreasonably withheld.
 - At the end of the term of this Lease, the Tenant shall surrender and deliver up the premises in the same condition (subject to any additions, alterations or improvements, if any) as presently exists, reasonable wear and tear excluded.
 - Upon default in any term or condition of this Lease, the Landlord shall have the right to undertake any or all other remedies permitted by Law.
 - This Lease shall be binding upon, and inure to the benefit of, the parties, their heirs, successors, and assigns.
- Signed this 25 day of January (Month) 1997 (Year).

2A) Canceled Checks



2) Canceled Checks

Alternative is 4 Account Statements from the Lessor

- 2/2020 Statement
- 5/2020 Statement
- 6/2020 Statement
- 7/2020 Statement

Lease Payments			
Paid to Sample Landlord			Check
	5/1/2020	\$ 5,000.00	1
	6/1/2020	\$ 5,000.00	2
Total Lease Payments in Covered Period		\$10,000.00	

Supporting Documents For: Line 4-Business Utility Payments

Each of the following is required: (H in the PPP Forgiveness Approval Form)

- 1)** Invoices from 2/2020
- 2)** Invoices for the covered period
- 3)** Receipts, canceled checks or account statements.

Naming Your Supporting Documents

Naming Conventions for Files	
Description	File Name Examples
Cash Compensation (Payroll Costs)	
Third-party payroll service provider report	CC_3rdpty
Internal payroll report	CC_Internal
Bank Statement	CC_Statement_MM.DD.YY
Income Statement/Profit and Loss (for Self Employed Distrib)	CC_PL_MM.DD.YY
2019 Schedule C or Schedule F (For Sole Prop/1099)	CC_TaxRet_YYYY
2019 K-1 (for Self Employed)	CC_K1_YYYY
Canceled check	CC_MM.DD.YY
Payroll tax filings reported to the IRS	CC_3 rd quarter_941
State quarterly income, payroll, unemployment insurance	CC_3 rd quarter_State
Health Care Premiums	
Receipt	HIP_MM.DD.YY_receipt
Cancelled check	HIP_MM.DD.YY_ck
Account statement	HIP_MM.DD.YY_Acct St
Retirement	
Receipt	RC_MM.DD.YY_Reciept
Cancelled check	RC_MM.DD.YY_ck
Account statement	RC_MM.DD.YY_Acct St
Mortgage Interest	
Amortization schedule	MI_amortization
Receipt	MI_MM.DD.YY_reciept
Cancelled check	MI_MM.DD.YY_ck
Mortgage Statement	MI_MM.DD.YY_Statement
Rent	
Lease Agreement	Rent_MM.DD.YY_Lease
Reciept	Rent_MM.DD.YY_receipt
Canceled check	Rent_MM.DD.YY_check
Utilities	
Statement	"Type of Utility"_MM.DD.YY_bill
Reciept	"Type of Utility"_MM.DD.YY_receipt
Canceled check	"Type of Utility"_MM.DD.YY_check

Eric Swenton

Frederic Dorwart, Lawyers PLLC



Form 3508 – Schedule A and Schedule A Worksheet

Form 3508 – Schedule A and Schedule A Worksheet

PPP Schedule A helps: Determine forgiveness reductions.

The PPP Schedule A Worksheet helps:

- Calculate eligible payroll cash compensation for forgiveness;
- *AND*
- Determine the number of full-time equivalent employees (“FTEs”) for the Covered Period.

Two Tables

Table 1:

To list employees who received compensation from the borrower at an annualized salary of less than or equal to \$100K (or were not employed by the Borrower at any point in 2019);

AND

Table 2:

To list employees with annualized salary of over \$100K in 2019.

Why Two Tables?

Employees are segregated because reduction in salaries for employees over \$100K does not effect forgiveness.

A Few Tips For Completion

The PPP Schedule A Worksheet helps:

- Partners, self-employed individuals, owner-employees and independent contractors are NOT included in these tables. (Line 9 of Schedule A)
- Only include CASH compensation:
 - salary, wage, commission or similar compensation
 - payments of cash tips or equivalents
 - payments for vacation, parental, family, medical or sick leave
 - allowance for dismissal or separation
- **Do NOT include:**
 - Qualified sick or family leave payments that were allowed under the Families First Coronavirus Response Act;
 - Any compensation for an employee whose principal residence is outside the United States; and
 - Compensation of an individual employee in excess of \$100,000 as prorated for the covered period (Do not exceed \$46,154 for 24-week covered period or \$15,384 for 8-week covered period).
- **NON-CASH Compensation** - Entered on PPP Schedule A lines 6,7 and 8 and include employer contributions to health insurance, retirement plans and state and local taxes assessed on employee compensation.

Safe Harbors And Exceptions From Forgiveness Reduction

FTE Reduction Safe Harbor 1 (The COVID Reduced Business Safe Harbor):

An inability to return to the level of business activity as such business was operating prior to February 15, 2020 due to compliance with guidance by the Secretary of Human Health Services: Director of the Centers for Disease Control and Prevention; or the Occupational Safety, and Health Administration during the period beginning March 31, 2020 and ending December 31, 2020, related to the maintenance of standards for sanitation, social distancing or other safety requirements related to COVID-19.

FTE Reduction Safe Harbor 2 (The FTE Restoration Safe Harbor):

FTE Safe Harbor 2 is satisfied if, during the period from February 15, 2020 to April 26, 2020, there was a reduction in FTE employees from borrower's employment level on February 15, 2020, and such reduction is eliminated as of the earlier of the application for forgiveness or December 31, 2020. Steps 1 through 5 on PPP Schedule A Worksheet assist the Borrower in making this assessment. NOTE: Reductions in employee headcount after April 26, 2020 are not eligible for the FTE Restoration Safe Harbor.

Salary / Wage Reduction Safe Harbor (The Salary Restoration Safe Harbor):

There is no reduction in forgiveness due to the reduction of the salary or wages of an employee by more than 25% during the period from February 15, 2020 to April 26, 2020 if such employee's salary was restored before the earlier of the application for forgiveness or December 31, 2020 to February 15, 2020 levels. Calculated in Step 2 of the Instructions to the Schedule A Worksheet. NOTE: Reductions in salary / wages after April 26, 2020 are not eligible for the Salary Restoration Safe Harbor.

Exception Due to Inability to Rehire (The We-Tried Exception):

Do not include in the FTE reduction calculation any positions where (1) the Borrower made a good-faith written offer to rehire an individual who was an employee on February 15, 2020 and the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020; and (2) any positions for which the Borrower made a good-faith, written offer to restore any reduction in hours, at the same salary or wages, during the Covered Period or the Alternative Covered Period and the employee rejected the offer.

NOTE: Borrower must notify the employment bureau that any employee that the borrower offered to rehire did not return to work.

Exception Due to Termination for Cause or other Voluntary Termination (The Pink-Slip / Retirement Exception):

Exception Due to Termination for Cause or other Voluntary Termination (The Pink-Slip / Retirement Exception): do not include in the FTE reduction calculation any employees who during the Covered Period or the Alternative Payroll Covered Period (a) were fired for cause, (b) voluntarily resigned, or (c) voluntarily requested and received a reduction of their hours. In all of these cases, include these FTEs in the “FTE Reduction Exceptions” Box in Table 1 only if the position was not filled by a new employee. Any FTE reductions in these cases do not reduce the Borrower’s loan forgiveness.

Exception from Wage Reduction for Prior Forgiveness Reduction due to FTE Headcount Reductions (The No Double-Dipping Exception):

Do not reduce forgiveness due to reduction of wages if the employee's reduction of wages is attributed to reduction of hours worked, which such hours-reduction will be reflected in the headcount reduction calculations.

Forgiveness Reduction due to Reduction in Employees or Hours

Forgiveness Reduction Due To Reduction Of Employee Headcount

Borrower must reduce its forgiveness amount by a percentage equal to (a) its average full-time equivalent employees per month during the Covered Period (Line 12 of Schedule A), divided by (b) either (i) its average full-time equivalent employees per month during the period from February 15, 2019 to June 30, 2019, or (ii) its average full-time equivalent employees per month during the period from January 1, 2020 to February 29, 2020 (Line 11 of Schedule A).

- Seasonal employers can also use average full-time equivalent employees during a 12-week period between May 1, 2019 and September 15, 2019 for “(b)” above.
- There is no reduction for employees fired for cause, who resign or request a reduced schedule during the Covered Period.

Calculating Average FTE

Where Applicable?

Schedule A and the Schedule A Worksheet, in each instance where calculating Average Full Time Employment for an applicable period.

Requirements:

- Calculate based on **HOURS PAID** not worked (include hours paid to furloughed and reduced hour employees).
- **Be Consistent!** You must choose one method and use consistently.

Two Methods:

Method 1: On employee-by-employee basis, take the average number of hours worked per week during the applicable covered period and divide by 40, rounding to the nearest tenth (maximum is 1.0).

Method 2: Use 1.0 for every employee who worked at least 40 hours per week and 0.5 for every employee who worked less than 40 hours per week.

Example:

Assume XYZ Company has three employees, Employee A, Employee B and Employee C. Employee A works 45 hours per week, Employee B works 30 hours per week and Employee C works 20 hours per week.

- If use **Method 1**, XYZ Company has a FTE of 2.3.
- If use **Method 2**, XYZ Company has a FTE of 2.0.

Hours per Week:	45	30	20	XYZ Total FTE
Method 1:	1.0 FTE (45/40)	.8 FTE (30/40)	.5 FTE (20/40)	2.3 FTE
Method 2:	1.0 FTE	.5 FTE	.5 FTE	2.0 FTE

Forgiveness Reduction due to Salary/Wage Reductions

Table 1 From Schedule A Worksheet

	Column 1	Column 2	Column 3	Column 4
Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

Column 1: Insert last four numbers of employee's Social Security number.

Column 2: Insert cash compensation paid (discussed earlier) to such employee during the applicable Covered Period.

Column 3: Insert Average FTE (calculation discussed earlier) for such employee during the applicable Covered Period.

Column 4: Calculate in three steps with a fourth calculation (and a fourth calculation if reduction tentatively required).

Table 1 From Schedule A Worksheet

Step 1: Determine the average annual salary or hourly wage during the Covered Period or Alternative Covered Period (“Covered Period Salary”)

Step 2: Determine the average annual salary or hourly wage from January 1, 2020 to March 31, 2020 (“Pre-COVID Salary”)

Step 3: Divide the Covered Period Salary by the Pre-COVID Salary (the “Pay Comparison”)

- If the Pay Comparison is GREATER than 75%, no reduction is required and you DO NOT put any amount in Column 4
- If the Pay Comparison is LESS than 75%, a reduction of the following amount is tentatively required (i.e. **Fourth Calculation**):
 - For Salaried Employee: (a) Pre-Covid Salary multiplied by 75% minus Covered Period Salary, multiplied by (b) 24 (or 8 if using 8-week Covered Period), divided by (c) 52. Enter such amount in Column 4.
 - For Hourly Employee: (a) Pre-Covid Salary multiplied by 75% minus Covered Period Salary, multiplied by (b) average hours worked per week during Pre-COVID Salary period, multiplied by (c) 24 (or 8 if using 8-week covered period). Enter such amount in Column 4.

Table 1 From Schedule A Worksheet

Example 1 (Salaried Employee):

XYZ Company pays Employee A an annual salary of (a) \$24,000 during the 24-week covered period and (b) \$20,000 for the period from January 1, 2020 through March 31, 2020.

- Covered Period Salary is \$52,000 (i.e. $\$24,000/24$, multiplied by 52)
- Pre-COVID Salary is \$80,000 (i.e. $\$20,000 \times 4$)
- Pay Comparison is 65% (i.e. $\$52,000/\$80,000$)
- Because Pay Comparison is less than 75%, a reduction of \$3,692 is tentatively required, calculated as follows:
 - Pre-COVID Salary (i.e. \$80,000) multiplied by 75%, minus Covered Period Salary (\$52,000) multiplied by (b) 24 because using 24-week covered period here, divided by (c) 52.

Table 1 From Schedule A Worksheet

Examples 2 (Hourly Employee):

XYZ Company pays Employee A \$10 per hour and Employee A works 20 hours per week during the 24-week covered period. Employee A was paid \$15 per hour and worked 20 hours per week for the period from January 1, 2020 through March 31, 2020.

- Covered Period Salary is \$10,400 (i.e. \$10, multiplied by 20, multiplied by 52)
- Pre-COVID Salary is \$15,600 (i.e. \$15, multiplied by 20, multiplied by 52)
- Pay Comparison is 66.67% (i.e. \$10,400/\$15,600)
- Because Pay Comparison is less than 75%, a reduction of \$600 is tentatively required, calculated as follows:
 - Pre-COVID Salary (i.e. \$15) multiplied by 75% minus Covered Period Salary (i.e. \$10), multiplied by (b) average hours worked per week during Pre-COVID Salary period (i.e. 20), multiplied by (c) 24 because using a 24-week covered period here.

IMPORTANT:

With 24-week covered period, there is a greater opportunity to maximize forgiveness expenses, as opposed to the 8-week covered period because there is a longer time to accrue salary; Forgivable Payroll Costs may be well in excess of PPP proceeds.

Safe Harbor: If annual average salary or hourly wage is restored by earlier of (a) forgiveness application, or (b) December 31, 2020, then the Borrower is eligible for the Salary Restoration Safe Harbor. (Note that if Borrower plans to restore salaries before December 31, 2020, it would be advantageous to delay application for forgiveness.)

Thank You