

## UPDATE: SBA released new forgiveness applications!

- ▶ The SBA released new forgiveness applications immediately after our webinar was done.
- ▶ There is an EZ form for borrowers who meet certain criteria and the longer form.
- ▶ For those forgiveness applications to go:
  - ▶ <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

1

Paycheck Protection Program (PPP)  
 Forgiveness -  
*What do I provide the bank?*

By Megan Durst, CPA  
 McLain, Hill, Rugg & Associates, Inc.

2

## Upcoming webinars

- ▶ How to Navigate PPP Loan forgiveness webcast  
Thursday June 25th 1 to 3pm  
<https://my.ohiocpa.com/topclass/searchCatalog.do?catId=0>
- ▶ PPP - What's new?  
Wednesday July 8th at 12pm  
<https://conta.cc/2A46E4h>

3

Summary of cumulative Paycheck Protection Program data as of 5:00 p.m. EDT, June 16, 2020.

Approved Loans	Approved Dollars	Average Loan Size	# of Participating Lenders
4,607,098	\$513,046,529,867	\$111,360	5,457

## Summary of PPP Approved Lending

4

## Overview of PPP program

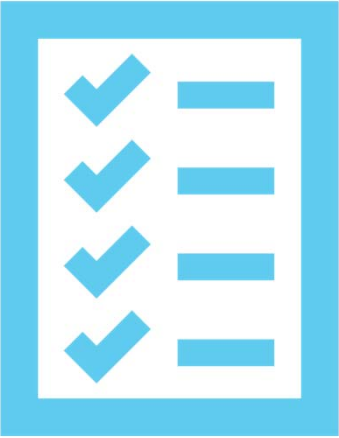
- ▶ ALL small businesses (including schedule C sole proprietors) are eligible
- ▶ Loan of 2.5 months of payroll/self employed income based on 2019
- ▶ Loans are given through local banks and lenders
- ▶ Loan requests can be made until June 30th
- ▶ Amounts not forgiven will be turned into a loan that matures over 2 (or 5) years with 1% interest rate (payments deferred at least 6 months)
- ▶ If get PPP, could lose out on some programs such as employee retention credit.



5





## PPP forgiveness

- ▶ Must use the funds over 24 (or can elect to use the original 8 weeks if loan was funded prior to 6/5/2020) weeks for eligible expenses, including:
  - ▶ Payroll costs
  - ▶ Non-payroll costs
- ▶ Must fill out a forgiveness application after forgiveness period ends to request forgiveness of the loan
- ▶ Must have documentation for payroll, leases, costs paid (receipts, cancelled checks, etc.)



6

## Loan forgiveness application

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[https://www.sba.gov/sites/default/files/2020-05/3245-0407%20SBA%20Form%203508%20PPP%20Forgiveness%20Application%20FINAL\\_Fillable-508.pdf](https://www.sba.gov/sites/default/files/2020-05/3245-0407%20SBA%20Form%203508%20PPP%20Forgiveness%20Application%20FINAL_Fillable-508.pdf)
- 
 11 page application
- 
 Released Friday, May 16<sup>th</sup>
- 
**New app released 06/17/2020** - <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

7

- ▶ Passed the House in a bipartisan vote
- ▶ Passed the Senate Wednesday with no changes
- ▶ President signed 06/05/2020
- ▶ Became PL #116-142 on 06/05/2020

<https://www.congress.gov/bill/116th-congress/house-bill/7010/text>

## Paycheck Protection Program Flexibility Act (Public Law No. 116-142)

8

- ▶ Establishes a minimum maturity of five years for a paycheck protection loan with a remaining balance after forgiveness
- ▶ Extends the covered period for forgiveness to 24 weeks
- ▶ Non-payroll portion of a forgivable covered loan amount from the current 25% up to 40%
- ▶ Extends period to rehire or eliminate reduction to December 31<sup>st</sup> from June 30<sup>th</sup>

## Paycheck Protection Program Flexibility Act (Public Law No. 116-142)

9

- ▶ Eliminates FTE requirements if:
  - ▶ Unable to return to same level of business as pre-COVID due to compliance with federal requirements or guidance
- ▶ Eliminates the need to count an employee as an FTE if:
  - ▶ Unable to rehire former employees and are unable to hire similarly qualified employee
- ▶ Payment deferral extended from 6 months to 10 months after June 30<sup>th</sup> (unless extended)
- ▶ Allows the employer to also defer payroll taxes (which was initially not allowed if received a PPP)

## Paycheck Protection Program Flexibility Act (Public Law No. 116-142)

10

## 10 tips for PPP forgiveness

1. Document company need for the PPP loan
2. If 100% forgiveness is the goal, have a plan!
3. Know your forgiveness period end date
4. It's all about the payroll!
5. Up to 40% of rent, mortgage interest and utility payments
6. Know your FTE's (**Exemption allowed!**)
7. FTE Reduction Exception/Written offer
8. 75% of first quarter wages
9. All can be fixed by **December 31<sup>st</sup>**
10. If in doubt, ask for help!

11

## Unknowns at this point

1. What the new forgiveness app will look like?
2. Will the SBA allow you to use a different covered period between 8 and 24 weeks?
3. Will they change the PPP program some more?
4. Simplified loan forgiveness application for loans less than \$250,000?
5. Will officer compensation be increased to 24/52 of 2019 amount?
6. Can you apply for 8 week forgiveness and if application is denied, reapply for 24 week forgiveness?
7. What happens if employee resigned, retired or was fired prior to coverage period?
8. What happens if a business sells during coverage period and/or before forgiveness?

12

## Forgiveness process - What I'm hearing from banks?

- ▶ Most banks will start accepting after July 1<sup>st</sup> (if using the 8-week covered period)
- ▶ Most banks will have online forgiveness applications or docuSign packets
- ▶ Some will likely have paper submissions
- ▶ Some banks will likely use third party to finalize and submit applications to SBA

13

## Forgiveness - Information to gather

- ▶ PPP loan documents and disbursement date
- ▶ EIDL loan application and advance amount (if applied)
- ▶ Covered forgiveness period (24 weeks or can elect 8 weeks)
- ▶ Forgiveness calculation and details of amounts paid
- ▶ FTE calculation
- ▶ Forgiveness application page 3, 4 and schedule A page 6
- ▶ Documentation required on page 10 of forgiveness application

14

# Forgiveness - Information to gather

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15

# PPP General information



Paycheck Protection Program  
Loan Forgiveness Application

OMB Control Number 3245-0407  
Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation 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: \_\_\_\_\_

Payroll Schedule: The frequency with which payroll is paid to employees is:

Weekly     Biweekly (every other week)     Twice a month     Monthly     Other \_\_\_\_\_

16




## Forgiveness - Information to gather

- ▶ PPP loan documents and disbursement date
- ▶ **EIDL loan application and advance amount (if applied)**
- ▶ Covered forgiveness period (24 weeks or can elect 8 weeks)
- ▶ Forgiveness calculation and details of amounts paid
- ▶ FTE calculation
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17

## EIDL Advance Amount and App #



**Paycheck Protection Program  
Loan Forgiveness Application**

OMB Control Number 3245-0407  
Expiration Date: 10/31/2020

**PPP Loan Forgiveness Calculation 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: \_\_\_\_\_

Payroll Schedule: The frequency with which payroll is paid to employees is:

Weekly   
  Biweekly (every other week)   
  Twice a month   
  Monthly   
  Other \_\_\_\_\_

18

## EIDL Advances

Repayment not required

These will reduce the amount of forgiveness available under the PPP loan program.

19

## Forgiveness - Information to gather

- ▶ PPP loan documents and disbursement date
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20

## Covered period and alternative period?

- ▶ Alternative period for PAYROLL COSTS only!
  - ▶ Only available for weekly and bi-weekly payroll providers
- ▶ Non-payroll costs MUST USE covered period

**Payroll Schedule:** The frequency with which payroll is paid to employees is:

Weekly   
  Biweekly (every other week)   
  Twice a month   
  Monthly   
  Other

**Covered Period:**  to

**Alternative Payroll Covered Period, if applicable:**  to

21

## Know your forgiveness period Election of 8 or 24 weeks under HR 7010

H.R. 7010 does not require all borrowers to adopt a 24-week covered period. To the contrary, any business that borrowed its PPP loan prior to the date the bill is signed into law can elect to use the 8-week period beginning on the date it received the funds. This will appeal to those businesses who have spent all of their proceeds and qualify for full forgiveness and who do not wish to wait until the end of the year to apply.

*\*Source Forbes article 06/03/2020*

22

## Covered period example

- ▶ Weekly payroll employer
- ▶ Pay period - Sunday to Saturday - pays on following Friday
- ▶ Received PPP funds on 04/20/2020
- ▶ Payroll weeks
  - ▶ 04/12/2020 to 04/18/2020 - pays on 04/24/2020 - \$2,000 in payroll
  - ▶ 04/19/2020 to 04/25/2020 - pays on 05/01/2020 - \$2,000 in payroll
  - ▶ 04/26/2020 to 05/02/2020 - pays on 05/08/2020 - \$20,000 in payroll
  - ▶ All future payrolls - \$20k per payroll
- ▶ Use covered period or alternative covered period?

23

## Covered period example

- ▶ 8 week coverage period: Monday April 20<sup>th</sup> to Sunday June 14<sup>th</sup> (or 10/04/2020)
- ▶ Alternative coverage payroll period (if elected): Sunday April 26<sup>th</sup> to Saturday June 20<sup>th</sup> (or 10/10/2020)
- ▶ Since payroll was low for 4/24 payroll period, use alternative period!
  - ▶ CP:  $\$2k + \$2k + \$20k \times 7 = \$144k$
  - ▶ AP:  $\$2k + \$20k \times 8 = \$162k$

April 2020						
SU	MO	TU	WE	TH	FR	SA
29	30	31	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	9	<b>10</b>	11
12	<b>13</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>17</b>	18
19	<b>20</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>24</b>	25
26	<b>27</b>	<b>28</b>	29	<b>30</b>		

24

## Covered period example

- ▶ Weekly payroll employer
- ▶ Pay period - Sunday to Saturday - pays on following Friday
- ▶ Received PPP funds on 04/24/2020
- ▶ Payroll weeks
  - ▶ 04/12/2020 to 04/18/2020 - pays on 04/24/2020 - \$40,000 in payroll and bonuses
  - ▶ 04/19/2020 to 04/25/2020 - pays on 05/01/2020 - \$20,000 in payroll and overtime
  - ▶ 04/26/2020 to 05/02/2020 - pays on 05/08/2020 - \$20,000 in payroll and overtime
  - ▶ All future payrolls \$20k per payroll
- ▶ Use covered period or alternative covered period?

25

## Covered period example

- ▶ 8 week coverage period: Monday April 24<sup>th</sup> to Sunday June 18<sup>th</sup> (or 10/08/2020)
- ▶ Alternative coverage payroll period (if elected): Sunday April 26<sup>th</sup> to Saturday June 20<sup>th</sup> (or 10/10/2020)
- ▶ Since payroll was high for 4/24 payroll period, use covered period!
  - ▶ CP:  $\$40k + \$20k + \$20k \times 7 = \$200k$
  - ▶ AP:  $\$20k + \$20k \times 8 = \$180k$

April 2020						
SU	MO	TU	WE	TH	FR	SA
29	30	31	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	9	<b>10</b>	11
12	<b>13</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>17</b>	18
19	<b>20</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>24</b>	25
26	<b>27</b>	<b>28</b>	29	<b>30</b>		

26

## Forgiveness - Information to gather

- ▶ PPP loan documents and disbursement date
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- ▶ Forgiveness application page 3, 4 and schedule A page 6
- ▶ Documentation required on page 10 of forgiveness application

27

## Forgiveness calculation and details of amounts paid

- ▶ Calculate amounts paid for payroll costs and nonpayroll costs
- ▶ Are payroll costs at least 60% of total requested forgiveness?
- ▶ Have employees been paid 75% of 1<sup>st</sup> quarter payroll?
- ▶ Have FTE's been kept consistent?

28

## Allowable payroll costs

- ▶ Gross salary, wage, commissions or similar
- ▶ Payment of cash tips or equivalent
- ▶ Payment for vacation, parental, family, medical or sick leave
- ▶ Allowance for dismissal or separation
- ▶ *Does not include ER social security and Medicare taxes paid*

29

## Payroll costs PAID

- ▶ Payroll:
  - ▶ If use payroll service, gross wages paid
  - ▶ If self prepare payroll, net payroll + all payroll tax deposits for withholding paid
- ▶ **TIP - MAKE ALL TAX DEPOSITS WITHIN COVERED OR ALTERNATIVE COVERED PERIOD**

Gross	100.00
SS	(6.20)
Medicare	(1.45)
Fed w/h	(5.00)
OH w/h	(3.00)
<b>Net payroll</b>	<b>84.35</b>

30

## Other allowable payroll costs

- ▶ Employer payment for group term health care including premiums
  - ▶ Should reduce by EE withholding
- ▶ Payment for retirement benefits
  - ▶ 401k and Simple match as examples
- ▶ Payment for any state or local tax (example SUTA)
- ▶ Sum of payments of any compensation to or income of a sole proprietor or independent contractor that is net earnings for the applicant
  - ▶ Write and cash a check for payment!

31

**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](http://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. \_\_\_\_\_ **D** Employer ID number (EIN) (see instr.) \_\_\_\_\_

**E** Business address (including suite or room no.) ▶ \_\_\_\_\_

**30** 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.

**31** Net profit or (loss). Subtract line 30 from line 29. \_\_\_\_\_

• 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). Estates and trusts, enter on **Form 1041, line 3**.  
• If a loss, you must go to line 32.

**32** If you have a loss, check the box that describes your investment in this activity (see instructions).  
• 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). Estates and trusts, enter on **Form 1041, line 3**.  
• If you checked 32b, you must attach **Form 6198**. Your loss may be limited.

**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

# PPP for Self Employed Individuals

32



2019 1040 schedule C	75,000	
Non-payroll costs per month	1,000	
	Now (8 weeks)	HR 7010 (24 weeks)
"Payroll" costs	11,538	34,615
Non-payroll costs	2,000	6,000
<b>Forgiveness costs</b>	<b>13,538</b>	<b>40,615</b>
<b>PPP loan</b>	<b>15,625</b>	<b>15,625</b>
Forgiveness amount	13,538	15,625
<b>PPP loan (after forgiveness)</b>	<b>2,087</b>	-

## Self employed PPP Forgiveness Example

33

## Non-payroll costs

- ▶ Rent/lease on real and personal property, utility and mortgage interest for obligations/services prior to 2/15/20
- ▶ An eligible nonpayroll cost must be:
  - ▶ paid during the Covered Period or
  - ▶ 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

34

**CITY OF Albany GEORGIA**  
**Albany Utilities**  
 207 Pine Ave. P.O. Box 1789  
 Albany, GA 31722-1788  
 Phone: (225) 893 6330

**Utility Statement**

To receive future statements electronically, visit <https://albanvwa.esiml.net>

Your Registration ID: **2767-296Y-J4FV**      Smartphone users scan here

Customer Name: JOE SOMEONE  
 Service Address: 111 FRIENDLY ST

Summary of Charges		Bill Date	Account #
Service	Charges	03/02/2016	111111-11111
Previous Balance	755.24	Total Due	Due Date
Payment Received	755.24	656.41	21-MAR-2016
Total New Charges	656.41		

Service Rate/Description	Current Reading	Prior Reading	Usage	Days of Service	Multi-plier	Current Charges	Usage History
Residential Water	91	86	5	32	1	15.84	

Utility payment (after covered period)

35

**Tip!**

- ▶ If using 24 week forgiveness period - likely will only need to use payroll costs!

36

# Forgiveness - Information to gather

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- ▶ **FTE calculation**
- ▶ Forgiveness application page 3, 4 and schedule A page 6
- ▶ Documentation required on page 10 of forgiveness application

37

# FTE's Calculation

Number of staff -if you decrease your full-time employee headcount (based on 40-hour week)

	Weekly hours	FTE	Simplified FTE
Employee A	50	1.0	1.0
Employee B	40	1.0	1.0
Employee C	20	0.5	0.5
Employee D	32	0.8	0.5
Employee D	16	0.4	0.5
		<b>3.7</b>	<b>3.5</b>

38

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- ▶ Documentation required on page 10 of forgiveness application

39

## Forgiveness application page 3, 4 and schedule A (page 6)

- ▶ Documents to give to lender only include three pages (out of the 11)
- ▶ Should prepare the schedule A worksheet also (in case requested)
- ▶ Documentation to be required is listed on page 10

40

## Certifications on page 4 application

- ▶ Used funds to that are eligible for forgiveness:
  - ▶ Payroll costs to retain employees
  - ▶ Business mortgage interest payments
  - ▶ Business rent or lease payments
  - ▶ Business utility payments
- ▶ Owner employee compensation does not exceed eight weeks worth (should update to 24 weeks on new app) of 2019 compensation, capped at \$15,385 (assume will be \$46,153)

41

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42

## Documentation for payroll costs

**Payroll:** Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period or the Alternative Payroll Covered Period consisting of each of the following:

- a. Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- b. Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
  - i. Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
  - ii. State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
- c. Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the Borrower included in the forgiveness amount (PPP Schedule A, lines (6) and (7)).

43

**FTE:** Documentation showing (at the election of the Borrower):

- a. the average number of FTE employees on payroll per month employed by the Borrower between February 15, 2019 and June 30, 2019;
- b. the average number of FTE employees on payroll per month employed by the Borrower between January 1, 2020 and February 29, 2020; or
- c. in the case of a seasonal employer, the average number of FTE employees on payroll per month employed by the Borrower between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or any consecutive twelve-week period between May 1, 2019 and September 15, 2019.

The selected time period must be the same time period selected for purposes of completing PPP Schedule A, line 11. Documents may include payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state. Documents submitted may cover periods longer than the specific time period.

## Documentation for FTE

44

## Documentation for non-payroll costs

**Nonpayroll:** Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period.

- a. Business mortgage interest payments: Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
- b. Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.
- c. Business utility payments: Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.

45

### **Documents that Each Borrower Must Maintain but is Not Required to Submit**

PPP Schedule A Worksheet or its equivalent and the following:

- a. Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1, including the "Salary/Hourly Wage Reduction" calculation, if necessary.
- b. Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 2; specifically, that each listed employee received during any single pay period in 2019 compensation at an annualized rate of more than \$100,000.
- c. Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule.
- d. Documentation supporting the PPP Schedule A Worksheet "FTE Reduction Safe Harbor."

46

Copy of spreadsheet and other webinars?

<https://www.mhrcpa.com/blog>

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47

Questions and examples

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48

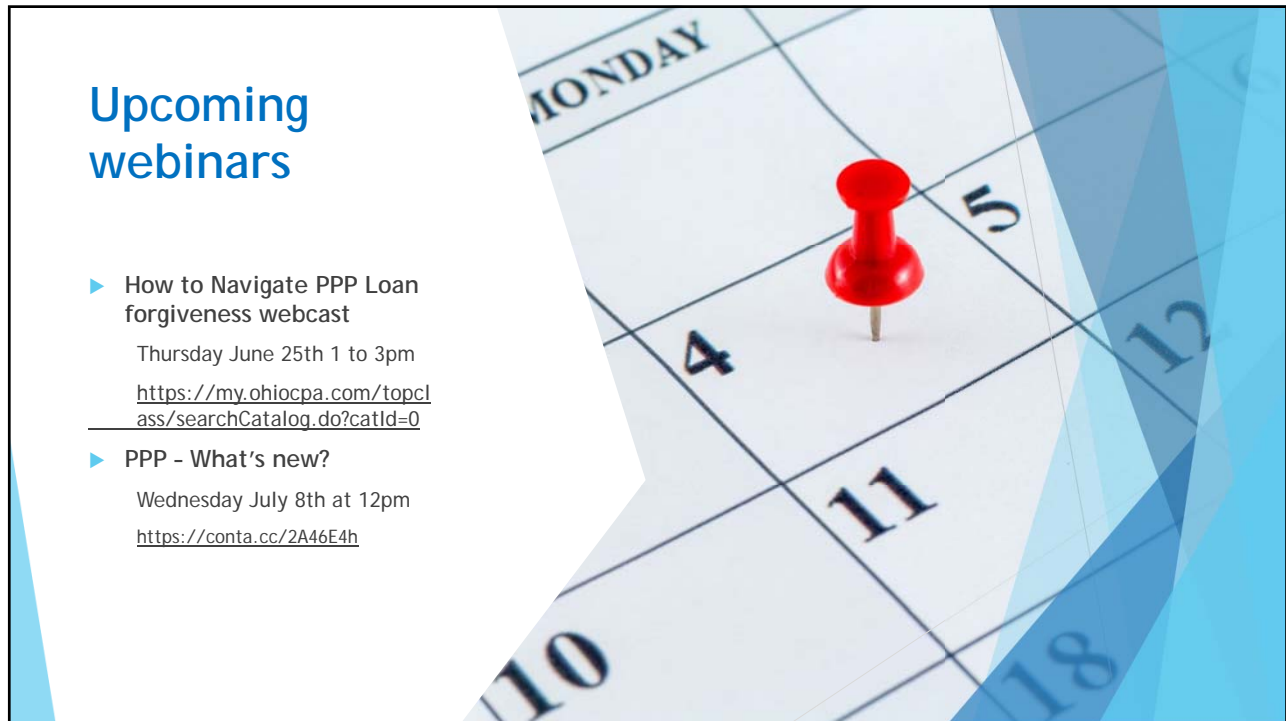




We're here to help!

- ▶ We can help you plan for forgiveness or fill out the forgiveness application - just reach out!
- ▶ Contact us at:
  - ▶ Megan Durst, CPA
  - ▶ T: 740-453-0371
  - ▶ W: [www.mhrcpa.com](http://www.mhrcpa.com)
  - ▶ E: [mmdurst@mhrcpa.com](mailto:mmdurst@mhrcpa.com)

49



Upcoming webinars

- ▶ How to Navigate PPP Loan forgiveness webcast  
Thursday June 25th 1 to 3pm  
<https://my.ohiocpa.com/topclass/searchCatalog.do?catId=0>
- ▶ PPP - What's new?  
Wednesday July 8th at 12pm  
<https://conta.cc/2A46E4h>

50