

PPP LOAN FORGIVENESS

OVERVIEW OF PPP LOAN FORGIVENESS

What follows are general guidelines about the process of forgiveness, and is meant to be used in conjunction with the applications and related instructions.

PPP Loan proceeds are eligible for forgiveness if used for certain expenses incurred by you or your business during the covered period:

At least 60% must be used for payroll to US based employees:

- » Gross wages, commissions, cash tips
- » Payment for vacation, parental, family and medical leave
- » Employer costs for group health care coverage and retirement
- » Employer share of state and local taxes assessed on compensation
- » For independent contractors or sole proprietors, this includes wages, commissions or income from self-employment

The remaining 40% can be used for other eligible items (obligations and services that were in place prior to 2/15/20) such as:

- » Rent and lease payments
- » Mortgage interest
- » Utilities

Covered Period:

- » You/Your business have up to 24 weeks, from the date your funds were disbursed, but no later than December 31, 2020, to spend PPP loan funds.

* See page 4 for more detailed definition for the covered period.

The forgiveness process can be started any time, once all of the PPP loan proceeds have been spent.



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APPLICATION TIMELINE / WHAT TO EXPECT

The process is lengthy and it could be some time before a final answer is provided by the Small Business Administration (SBA).

Timeline for Loan Forgiveness Approval

BORROWER	USB	SBA
Completes application and submits with required documentation to USB	Has up to 60 days from the date of receiving a completed application to issue a decision on Forgiveness to the SBA	Has up to 90 days to remit forgiven amount to USB; (assuming no additional review is required)
	Day 1-59	Day 60-150

PPP Loan Payments are deferred during this time period

You will receive email updates from the Bank throughout the forgiveness process:

- » Acknowledgement that your application was successfully submitted and received by USB
- » Notification when your application is submitted to the SBA for approval
- » Notification when the SBA has made a final decision on your request for forgiveness



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SELECTING THE APPROPRIATE FORGIVENESS APPLICATION

There are currently two options when selecting a Loan Forgiveness Application — The EZ Application and the Long Form Application.

EZ Application, you/your business must meet 1 of the 3 below criteria:

- » You are self-employed or a sole proprietor with NO employees; **OR**
- » Your business did not reduce wages/salaries more than 25% and kept the staff levels (and hours) unchanged; **OR**
- » Your business did not reduce wages/salaries more than 25% and staff reductions were a result of reduced business activity directly related to government imposed Covid-19 related restrictions

[Click here to go to the EZ Application](#)

If you/your business do not meet the criteria to complete the EZ form, the Long Form Application will need to be submitted to the Bank.

The long form forgiveness application *must* include PPP Schedule A which will show certain forgiveness calculations including:

- » Any reduction in loan forgiveness (if applicable)
- » If salaries were reduced by more than 25% or reduced staff and did not meet the “safe harbor” criteria

[Click here to go to the Long Form Application](#)



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THE COVERED PERIOD

Covered Period:

Generally starts on the day the PPP loan funds were disbursed, and covers the next 8-week or 24-week period (you select the term of the covered period). Please note — the covered period cannot go past 12/31/20.

» **Example:** 24 Week Covered Payroll Period:

- PPP funds disbursed on 6/1/2020 — The covered period begins 6/1/2020 and ends 11/15/2020.

Alternative Covered Period:

Borrowers that pay their employees at least by-weekly can start their “alternative” payroll covered period on the day that begins on the first day of the first payroll cycle after the PPP fund disbursement.

» **Example:** 24 Week “Alternative” Covered Payroll Period

- PPP funds disbursed on 6/1/2020, and the first day of first payroll is 6/7/2020. The alternative covered period begins 6/7/2020 and ends 11/21/20.

Remember — you can apply sooner than 24 weeks, provided all of the PPP loan proceeds have been spent!



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SPECIAL RULES FOR OWNER EMPLOYEES, SELF-EMPLOYED INDIVIDUALS & GENERAL PARTNERS

C Corp Owner-Employee Schedule C Filers

S Corp Owner-Employee General Partners

The compensation cap for this group of borrowers is the lower of \$15,385 or 8/52 of 2019 compensation when using an eight-week covered period.

Otherwise, the amount is capped at 2.5 months' worth (2.5/12) of 2019 compensation or \$20,833 per individual, whichever is less.

REQUIRED DOCUMENTATION

In addition to the loan forgiveness application, you will need to provide certain documents to USB:

- » Payroll (tax records; cancelled checks; payroll reports; etc.)
- » Full Time Equivalents (if applicable)
- » Non Payroll (amortization schedules; cancelled checks; lease agreements; invoice copies; utility bills; etc.)

Please check with your payroll provider, as they may have already created custom reports to satisfy the payroll and full time equivalent data requirements.

Keep in mind the SBA requires that PPP loan documents are retained for six years after loan forgiveness/repayment, even for those documents you are not required to provide to the Bank.



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PPP LOAN REPAYMENT

If you/your business do not apply for loan forgiveness, the principal and interest deferral period will end 10 months from the end of your covered period.

Any portion of the PPP that is not forgiven will convert into a term loan:

- » For loans approved by the SBA on or after June 5th, the term is 5 years
- » For loans approved prior to June 5th, the term is 2 years, although this may be extended 5 years

The Bank will notify you regarding the amount of the payment and when the first installment will be due.

SUMMARY

This presentation is not intended to serve as a formal legal or tax advice. Information within the presentation is general and only addresses the main rules and regulations of the program as of 8/10/20. *Information is subject to change.* Certain customers should seek help of the CPAs to clarify their specific loan forgiveness situations.

