COVID-19 Business Assistance Series
5th Episode

Guide to Paycheck Protection Program (PPP) Forgiveness Application

Filling out the 3508EZ PPP Loan Forgiveness Application

Presented by
Housekeeping

• Please use Q&A Tab for questions
• Participate in Polls
• Webcast being recorded and will be available on www.mauibizassist.com
• Slide Deck will be shared after the webcast
Mahalo to our Presenters!

Gerry Smith
Director of Business Development
Maui Economic Development Board (MEDB)

Wayne Wong
Director
Small Business Development Center, Maui (SBDC)
What We Will Cover Today / Target Audience

• In this webinar, we will introduce the PPP Loan Forgiveness Application Form 3508 EZ.
• We will fill out Form 3508 EZ and show how we performed the calculations to populate it using an 8-week example.
• We assume:
  • You have been operating under 8-week guidance.
  • You are near or past the end of your 8-week covered period.
  • You are fully staffed to pre-Covid levels barring safe harbors.
  *or*
  • You are self-employed and received a PPP.
Who **CAN** use this form:

- The 3508 EZ can be used by self-employed Independent Contractors and businesses who received PPP Loans, and operated under established forgiveness criteria.

Who **CAN NOT** use the form:

- The 3508 EZ CANNOT be used if you reduced employees to below pre-Covid levels through the covered period.
- The 3508 EZ cannot be used if you reduced individual salaries by more than 25%.
Biggest changes from the PPP-FA

• The eight-week period to use your PPP funds has now been extended to 24 weeks.
• Final cutoff date for eligible expenses extended to Dec 31, 2020 (not June 30).
• Previously, you had to spend at least 75% of the funds on payroll. You now need to spend only 60% of the funds on payroll for full forgiveness.
• Several Headcount Safe Harbors (allowed reduction) were clarified.
• Forgiveness Application form has been updated and an additional EZ-version has also been released.
Checklist for Using SBA Form 3508EZ

You (the Borrower) can apply for forgiveness of your Paycheck Protection Program (PPP) loan using this SBA Form 3508EZ if you can check at least one of the following:

1. The Borrower is a **self-employed individual**, independent contractor, or sole proprietor who had **no employees** at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483).
The Borrower did not **reduce annual salary or hourly wages of any employee by more than 25 percent** during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in **an amount more than $100,000**); **AND**

The Borrower did not **reduce the number of employees or the average paid hours of employees** between January 1, 2020 and the end of the Covered Period. (Ignore reductions that arose from an **inability to rehire** individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee’s hours that the Borrower offered to restore and the **employee refused**. See 85 FR 33004, 33007 (June 1, 2020) for more details.)
*The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than $100,000); (*same as in 2.)*

**AND**

The Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.
### Cash Compensation Caps

<table>
<thead>
<tr>
<th>Item</th>
<th>8 Week</th>
<th>24 Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Employee Cash Compensation</td>
<td>$15,385</td>
<td>$46,154</td>
</tr>
<tr>
<td>Prorated Employee Cash Compensation</td>
<td>Weekly equivalent of $100K Annual $100K/52 = $1,923 * 8 = $15,385</td>
<td>Weekly equivalent of $100K Annual $100K/52 = $1,923 * 24 = $46,154</td>
</tr>
<tr>
<td>Maximum Owner Cash Compensation</td>
<td>$15,385</td>
<td>$20,833 OR 2019 Schedule C divided by 12 X 2.5 whichever is less</td>
</tr>
</tbody>
</table>

**Employee Compensation:** For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of $100,000, as prorated for the Covered Period. For an 8-week Covered Period, that total is $15,385. For a 24-week Covered Period, that total is $46,154 for purposes of this 3508EZ. You can only include compensation of employees who were employed by the Borrower at any point during the Covered Period or Alternative Payroll Covered Period and whose principal place of residence is in the United States.

**Owner Compensation:** Enter any amounts paid to owners (owner-employees, a self-employed individual, or general partners). For a 24-week Covered Period, this amount is capped at $20,833 (the 2.5-month equivalent of $100,000 per year) for each individual or the 2.5-month equivalent of their applicable compensation in 2019, whichever is lower. For an 8-week Covered Period, this amount is capped at 8/52 of 2019 compensation (up to $15,385).
**Self Employed** PPP Loan Application - Reminder

### Paycheck Protection Program
Application Form

<table>
<thead>
<tr>
<th>Non-Profit □</th>
<th>Vet Org □</th>
<th>Tribal □</th>
<th>Ind. Cont. □</th>
<th>Self Employed X</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Legal Name</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Business Primary Address</strong></td>
<td><strong>Business TIN (EIN,SSN)</strong></td>
<td><strong>Business Phone</strong></td>
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<tr>
<td><strong>Primary Contact</strong></td>
<td><strong>Email Address</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Average Monthly Payroll:</strong></th>
<th><strong>X 2.5 equals Loan Amount:</strong></th>
<th><strong>Number of Jobs:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,000</td>
<td>$12,500</td>
<td></td>
</tr>
</tbody>
</table>

### Purpose of the loan
(select more than one):

- [ ] Payroll
- [ ] Rent / Mortgage Interest
- [ ] Utilities
- [ ] Other (explain):  

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This information should have come from your 2019 Schedule C.

You checked Self Employed

Your PPP Loan Amount
Owner may choose 24-week option, which maxes out Owner Compensation as the lesser of Schedule C (line 31) / 12 X 2.5 or $20,833.

$60,000 / 12 = $5,000  
$5,000 x 2.5 = $12,500  
($100,000 / 12 x 2.5) = $20,833
Documentation **Required** to be Submitted with Application

**Paycheck Protection Program**
**PPP Loan Forgiveness Application Form 3508EZ**

**Documents that Each Borrower Must Submit with its PPP Loan Forgiveness Application Form 3508EZ**

**PPP Loan Forgiveness Calculation Form 3508EZ**

**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.
- d. If you checked only the second box on the checklist on page 1 of these instructions, the average number of full-time equivalent employees on payroll employed by the Borrower on January 1, 2020 and at the end of the Covered Period.

**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.
Documentation **Retained** but not Submitted with Application

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

Documentation supporting the certification that annual salaries or hourly wages were not reduced by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period relative to the period between January 1, 2020 and March 31, 2020. This documentation must include payroll records that separately list each employee and show the amounts paid to each employee during the period between January 1, 2020 and March 31, 2020, and the amounts paid to each employee during the Covered Period or Alternative Payroll Covered Period.

Documentation regarding any employee job offers and refusals, refusals to accept restoration of reductions in hours, firings for cause, voluntary resignations, written requests by any employee for reductions in work schedule, and any inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020.

Documentation supporting the certification, if applicable, that the Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period (other than any reductions that arose from an inability to rehire individuals who were employees on February 15, 2020, if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020). This documentation must include payroll records that separately list each employee and show the amounts paid to each employee between January 1, 2020 and the end of the Covered Period.

Documentation supporting the certification, if applicable, that the Borrower was unable to operate between February 15, 2020 and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19. This documentation must include copies of the applicable requirements for each borrower location and relevant borrower financial records.

All records relating to the Borrower’s PPP loan, including documentation submitted with its PPP loan application, documentation supporting the Borrower’s certifications as to the necessity of the loan request and its eligibility for a PPP loan, documentation necessary to support the Borrower’s loan forgiveness application, and documentation demonstrating the Borrower’s material compliance with PPP requirements. The Borrower must retain all such documentation in its files for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request.
Self-Certifications Submitted with Application

Must check ALL

Must check ONE

Paycheck Protection Program
PPP Loan Forgiveness Application Form 3589EZ

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:
The Authorized Representative of the Borrower certifies to all of the below by initialing next to each one.

The dollar amount for which forgiveness is requested:
• was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
• includes payroll costs equal to at least 60% of the forgiveness amount;
• if a 24-week Covered Period applies, does not exceed 2.5 months’ worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $20,833 per individual, and
• if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks’ worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $15,385 per individual.

I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

The Borrower did not reduce salaries or hourly wages by more than 25 percent for any employee during the Covered Period or Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020. For purposes of this certification, the term “employee” includes only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than $100,000.

The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.

I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.

The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1011 and 1571 by imprisonment of not more than five years and/or a fine of up to $250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than $5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than $1,000,000.

The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA’s authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.

I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower’s eligibility for the PPP loan and for loan forgiveness, and that the Borrower’s failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower’s loan forgiveness application.

In addition, the Authorized Representative of the Borrower must certify by initialing at least ONE of the following two items:

The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period (other than any reductions that arose from an inability to rehire individuals who were employees on February 15, 2020, if the Borrower was unable to hire similarly qualified employees for unfilled positions, or before December 31, 2020, and reductions in an employee’s hours that a borrower offered to restore and were refused).

The Borrower was unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

The Borrower’s eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower’s loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

Signature of Authorized Representative of Borrower

Date

Print Name

Title

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Page 2
Forms & Tools

3508EZ Application
3508 EZ Instructions
Form 3508
Form 3508 Instructions

Copy of 8-week Spreadsheet
Resource: http://www.medb.org/ppp-forgiveness-application/

https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses
Other Helpful Resources

PPP Application and EIDL Application Videos, Power Points and Q&A
http://www.mauibizassist.com

Brain Gain Hawaii
Cares Act Resource Folder:
www.braingainhi.com

Covid-19 Maui Nui Website
www.covid19mauinui.com
Have a question?

Need Help?

SBDC
Phone: 808-875-5990
Email: Library@hisbdc.org
Website: www.hisbdc.org

MEDB
Phone: 808-270-6803
Email: info@hightechmaui.com
Website: www.medb.org
Mahalo!