

COVID-19 Business Assistance Series

5th Episode

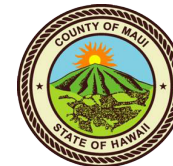
Guide to Paycheck Protection Program (PPP) Forgiveness Application

Filling out the 3508EZ PPP Loan Forgiveness Application

Presented by





maui economic
DEVELOPMENT BOARD





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
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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.
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Who **CAN** use this form:


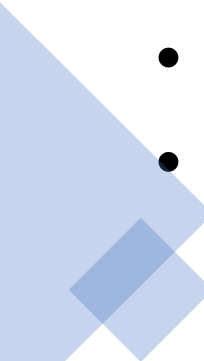
- The 3508 EZ can be used by self-employed Independent Contractors and businesses who received PPP Loans, and operated under established forgiveness criteria.

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.
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Checklist for Using SBA Form 3508EZ

1.

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:

- ✓ 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).

Checklist for Using SBA Form 3508EZ (cont.)

2.

- ✓ 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.

Checklist for Using SBA Form 3508EZ (cont.)

3.

- ✓ *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

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

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

OMB Control No.: 3245-0407
Expiration Date: 09/30/2020

Non-Profit <input type="checkbox"/> Vet Org <input type="checkbox"/> Tribal <input type="checkbox"/> Ind. Cont. <input type="checkbox"/> Self Employed <input checked="" type="checkbox"/>		DBA or Tradename if applicable	
Business Legal Name			
Business Primary Address		Business TIN (EIN,SSN)	Business Phone
			() -
		Primary Contact	Email Address
Average Monthly Payroll:	\$ \$5,000	X 2.5 equals Loan Amount:	\$ \$12,500
Purpose of the loan (select more than one):	<input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Rent / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain):		

This information should have come from your 2019 Schedule C.

You checked Self Employed

Your PPP Loan Amount

Self Employed PPP Loan Application



Paycheck Protection Program Application Form

OMB Control No.: 3245-0407
Expiration Date: 09/30/2020

Non-Profit <input type="checkbox"/> Vet Org <input type="checkbox"/> Tribal <input type="checkbox"/> Ind. Cont. <input type="checkbox"/> Self Employed <input checked="" type="checkbox"/>		DBA or Tradename if applicable	
Business Legal Name			
Business Primary Address		Business TIN (EIN,SSN)	Business Phone
			() -
Primary Contact		Email Address	

Average Monthly Payroll:	\$ \$5,000	X 2.5 equals Loan Amount:	\$ \$12,500	Number of Jobs:	
Purpose of the loan (select more than one):	<input type="checkbox"/> Payroll <input type="checkbox"/> Rent / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain):				

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.

$$\begin{aligned} \$60,000/12 &= \$5,000 \\ \$5,000 \times 2.5 &= \$12,500 \end{aligned}$$

Line 1 and Done!

$$(\$100,000/12 * 2.5) = \$20,833$$

2019 Schedule C

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 (99)		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.		D 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) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶				
G Did you "materially participate" in the operation of this business during 2019? If "No," see instructions for limit on losses <input type="checkbox"/> Yes <input type="checkbox"/> No				
H If you started or acquired this business during 2019, check here <input type="checkbox"/> Yes <input type="checkbox"/> No				
I Did you make any payments in 2019 that would require you to file Form(s) 1099? (see instructions) <input type="checkbox"/> Yes <input type="checkbox"/> No				
J If "Yes," did you or will you file required Forms 1099? <input type="checkbox"/> Yes <input type="checkbox"/> 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	Office expense (see instructions)	18
9	Car and truck expenses (see instructions)	9	Pension and profit-sharing plans	19
10	Commissions and fees	10	20 Rent or lease (see instructions):	
11	Contract labor (see instructions)	11	a Vehicles, 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:	
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
		26	26 Wages (less employment credits)	26
		27a	27a Other expenses (from line 48)	27a
		27b	b Reserved for future use	27b
28	Total expenses before expenses for business use of home. Add lines 8 through 27a ▶	28		28
29	Tentative profit or (loss). Subtract line 28 from line 7	29		29
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	30		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.	31		\$60,000
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	<input type="checkbox"/> All investment is at risk.	
		32b	<input type="checkbox"/> Some investment is not at risk.	



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.

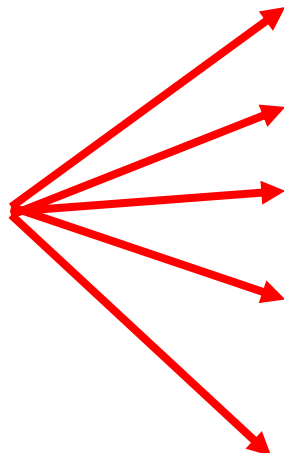
Documentation supporting the certification, if applicable, that the Borrower was unable to operate between February 15, 2020 and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between 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.

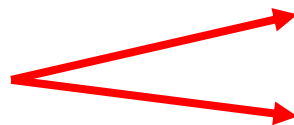


Self-Certifications Submitted with Application

Must check ALL



Must check ONE



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 1001 and 3571 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 on 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

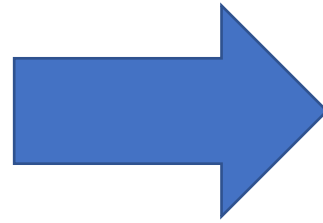
Date

Print Name
SBA Form 3508EZ (06/20)
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Title

Forms & Tools

3508EZ Application
3508 EZ Instructions
Form 3508
Form 3508 Instructions



<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

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

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!