

# NFIB UPDATE

## COVID-19 Webinar Series for Small Business

with Beth Milito and Holly Wade, NFIB



**June 30, 2021**

**PPP Forgiveness and other COVID-19 Relief Programs,  
including Employee Retention Credit**



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- This is based on information available by 06/29/21.

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# FACEBOOK LIVE

## Small Biz Coffee Corner

Beth and Holly will discuss the latest small business news, loan programs, and answer questions.

Thursday, July 8, 2021 | 2:00 PM EDT

## Speakers



**Beth Milito**

Senior Executive Counsel,  
Legal Foundation, NFIB



**Holly Wade**

Executive Director,  
NFIB Research Center



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## Upcoming Webinars



**Wednesday, July 12th @ 12pm EST**

Topic – *SBA's PPP Forgiveness Guidelines and  
ERC Basics*

**Wednesday, July 28<sup>th</sup> @ 12pm EST**

Topic – *ERC deep dive with the CPA and  
PPP Forgiveness*

# Agenda



- PPP Forgiveness: 101
- ERC & EIDL Review
- Q&A
- Send questions to [info@nfib.org](mailto:info@nfib.org)

# COVID-19 Resources

- 
- [Paycheck Protection Program](#)
  - [Economic Injury Disaster Loan](#)
  - [Employee Retention Credit](#)
  - [Restaurant Revitalization Fund](#)
  - [Shuttered Venue Grant](#)
  - [NFIB Coronavirus Resources](#) (including past webinars)

# PPP Forgiveness 101





# A brief review of PPP

- The PPP loan program is an SBA loan program under the SBA 7(a) program and created by the CARES Act on March 27, 2020.
- The basic premise of PPP is that business owners—including those who are self-employed—can apply for a loan of 2.5 times their average monthly payroll.
- Borrowers are required to spend the funds during a specific period of time on approved expenses—mostly for payroll—and if they do so, can apply to have the entire amount forgiven.

# How PPP works . . . in theory

- You get a PPP loan.
- During the Covered Period, you spend at least 60% on payroll, you don't reduce employees and you don't reduce wage rate or salaries by more than 25%.
- You apply for forgiveness with your lender and, if required, provide documentation.
- The lender has up to 60 days to respond to your request for forgiveness and approves your forgiveness applications. The lender submits its recommended approval to SBA, which has 90 days to review. SBA confirms the forgiveness and pays off the PPP loan.
- A borrower denied forgiveness can appeal the decision.
- Any balance not forgiven will become a loan at 1% for 5 years (or 2 years for loans made before June 5, 2020).



# Things to keep in mind ...

- The Paycheck Protection Program is NOT accepting any new loan applications. The program ran out of funds in May.
- There are still other COVID-related government support opportunities, such as the Employee Retention Tax Credit, Paid Leave Tax Credit, COBRA credits and Economic Injury Disaster Loans.
- EIDL Advances (grants) are no longer deducted from the PPP loan forgiveness amount. This is retroactive to all PPP loans.
- Forgiven PPP loans are not taxed and the business may still deduct qualified expenses paid for with PPP funds. (States may tax PPP funds; it varies.)
- You apply for forgiveness with the lender that gave you the loan, or the lender that is servicing the loan.



# Covered Expenses or “What can I pay for with my money?”

- Payroll
- Utilities (gas, electricity, water, telephone, internet)
- Rent (real and personal property)
- Mortgage Interest (\*note related-owner restrictions\*)
- Covered operations expenditure
- Covered property damage cost
- Covered supplier cost
- Covered worker protection expenditure

## 60/40 rule applies

Must spend at least 60% of  
PPP loan on eligible payroll  
expenses

# Payroll costs – at least 60%

## Allowed

- Cash compensation\***
- Payment for vacation, parental, family, medical, or sick leave (except for provided under FFCRA)
- Employer's portion group Insurance (medical, dental, vision, disability, life)
- Employer's portion retirement benefits
- Employer's portion state & local payroll taxes

## Not Allowed

- Excess wages for salaries > \$100,000
- Payroll for employees outside USA
- Independent contractor pay (1099s)
- Employer portion of FICA/federal payroll taxes
- Qualified wages and benefits used for tax credits: Employee Retention Credit (ERC), FFCRA sick/family leave, COBRA credits

\* **Cash compensation** includes salaries, wages and commissions, bonuses, hazard pay, paid leave, severance, and housing allowance.



# Payroll costs - Owner compensation is capped

- Restrictions apply to:
  - Owner-employees
  - Self employed (SE)
  - General partners
- The 2021 SBA Forgiveness Rule contains examples, showing a cap of \$15,385 per individual for an 8 week Covered Period, a cap of \$19,231 per individual for a 10 week Covered Period, and for a Covered Period longer than 2.5 months, a cap of \$20,833.

# Non-Payroll costs – no more than 40%

- ❑ **Business Mortgage Interest Payments** - no prepayment of *principal* permitted.
- ❑ **Business Rent or Lease Payments** - original lease must pre-date 2/15/20; includes real or personal property.
- ❑ **Business Utility Payments** (service began before 2/15/20) - Electricity, Gas, Water, Transportation, Telephone or Internet access (Transportation is utility fees assessed by state and local govt).
- ❑ **Covered Supplier Cost Expenditures** – Expenditures made (a) to a supplier of goods for goods that are essential to the borrower’s operations at the time the expenditure is made and (b) pursuant to a contract, order or purchase order in effect at any time before the PPP loan is disbursed, provided that for perishable goods such expenditure need not be tied to a contract or purchase order that existed prior to the PPP loan.
- ❑ **Covered Worker Protection Expenditure** – Expenditures that are made for PPE to comply with DHHS, CDC, OSHA, state, or local rules and regulations starting on March 1, 2020. § These expenditures may include the purchase, maintenance or renovation of drive-through windows, air filtration systems, physical barriers (sneeze guards), expanded indoor or outdoor operating space, onsite or offsite health screening and other expenditures as necessary.
- ❑ **Covered Operations Expenditure** – Expenditures for any business software or cloud computing service that facilitates business operations, product or service delivery, the processing, payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records and expenses.
- ❑ **Covered Property Damage Cost** – Expenditures related to property damage and vandalism or looting due to public disturbances that occurred during 2020 that were not covered by insurance or other compensation.



# Non-Payroll costs – “related party” rent & mortgage

- **Rent Payments:** Rent payments to a related party are eligible for loan forgiveness, as long as:
  - (1) the amount of the loan forgiveness requested for rent or lease payments to a related party is no more than the amount of mortgage interest owed on the property during the Covered Period that is attributable to the space being rented by the business, and
  - (2) the lease and the mortgage were entered into prior to February 15, 2020. *Any ownership in common between the business and the property owner is a related party for these purposes.* The borrower must provide its lender with mortgage interest documentation to substantiate these payments.
- **Mortgage Interest Payments:** Mortgage interest payments to a related party are not eligible for forgiveness.





# Covered Period or “How much time do I have to spend the money?”

- On the first page of the application, you’ll see sections asking you to fill in:

**Covered Period:** \_\_\_\_\_ to \_\_\_\_\_

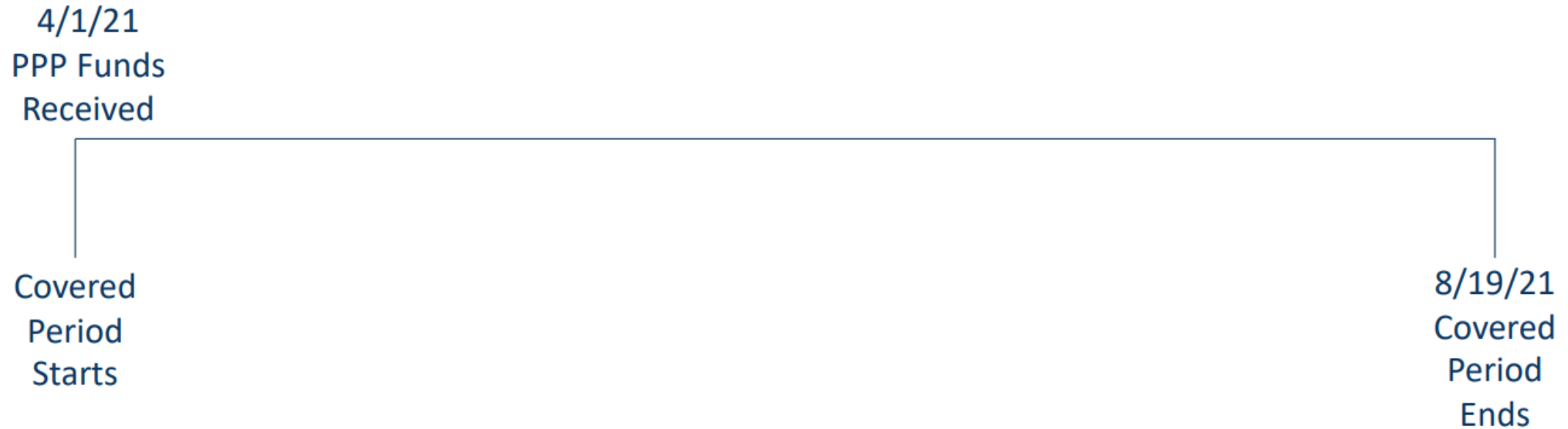
The **Covered Period** is the time period you have to spend your loan funds for forgiveness purposes. You can now choose between 8 to 24 weeks for the Covered Period to Spend PPP funds.

- Covered Period begins on day you receive funds and ends on any day you select but no earlier than 8 weeks from the date you receive the funds and no later than 24 weeks after such date of funding.
- For example, you can spend your loan in 20 weeks and then reduce your workforce in week 21 as long as you are at your pre-2/15/20 levels on the last day of your chosen 20-week Covered Period.
- There is no longer an “Alternative Covered Period” for Payroll expenses.



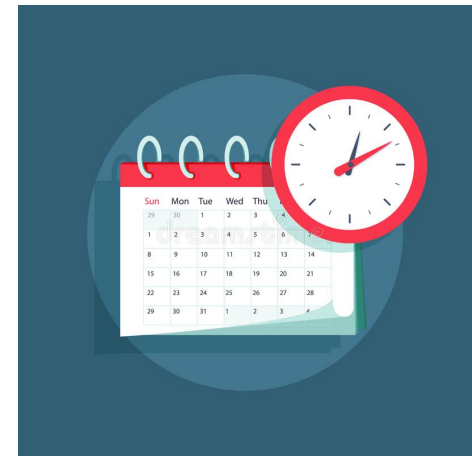
# Example of 20-week Covered Period

- 4/1/21: PPP Loan funds received.
- 8/19/21: You spend the funds on expenses **paid** or **incurred** during those 20 weeks



# When to file for forgiveness

- The Covered Period is now any number of weeks between 8 – 24 weeks after the loan is disbursed. There is no longer an “Alternative Covered Period.” This applies to any PPP loan for which a loan forgiveness payment had not been remitted by SBA as of December 27, 2020.
- Payments (principal and interest) for your PPP loan are deferred for 10 months from the end of your Covered Period (assuming you have not already applied for forgiveness). This rule overrides any date in your promissory note.



# Forgiveness Applications – Three Forms!

- ❑ **3508S**: For PPP 1.0 and 2.0 loans that are \$150K or less apply using the 3508-S (simplified forgiveness application).
- ❑ **3508EZ**: For PPP 1.0 or PPP 2.0 loans of more than \$150K, see next slide for who can use the 3508-EZ.
- ❑ **3508**: If your PPP 1.0 or PPP 2.0 loans are more than \$150K; AND you reduced headcount or salary; and you do not qualify for a safe harbor. Then apply using the Full 3508.

*The PPP forgiveness applications can be used to file for forgiveness for either first or second draw PPP loans. You will, however, file for forgiveness for each loan separately.*



# Form 3508S



## Who can use the S Application?

- **\$150,000 or less use the Form 3508s!** Form 3508S is one page and no documentation needs to be submitted, although certain documentation must be retained.
- For **borrowers with loans of \$50,000 or less** you are not subject to a reduction in forgiveness due to decreases in FTEs or wage/salary levels. No need to look at wage levels or count FTEs.
- For **borrowers with loans > \$50,000 - \$150,000** you can submit the 3508S, but since you might be subject to a reduction in forgiveness due to wage reductions or FTE reductions, you should use the Form 3508 (the standard application) to calculate the overall forgiveness amount you will list on the 3508S.

# Form 3508EZ



## Who can use the EZ Application?

- Self-employed individuals without employees;
- Borrower did not reduce salaries or wages of any employee by more than 25% when compared to the most full quarter before the Covered Period and did not reduce number of employees or average paid hours between 1/1/20 through end of Covered Period; or
- Borrower experienced reductions in business due to government health directives and did not reduce wages by more than 25% when compared to 1/1/20 through 3/31/20.

# Form 3508

## Who can use the Form 3508?

### All borrowers who cannot use the 3508-EZ or 3508-S!

- Any borrower who received a Paycheck Protection Program loan can use [Form 3508](#) to apply for forgiveness.
- But because it is the most complex form, you should ONLY use this form if you do not qualify to use the Form 3508EZ or the 3508S
- Form 3508 is five pages long and broken down into the following parts:
  - Calculation form
  - Signature/authorization form
  - Schedule A
  - Schedule A worksheet
- Form 3508 requires borrowers to calculate FTE and wage/salary levels (i.e., it's complicated!).
- Borrowers who reduce their FTEs or employee wage/salary levels, or both also reduce their PPP forgiveness amount unless allowed to take advantage of an FTE or employee wage/salary level exception or safe harbors.



## The bottom line:



- **3508:** Borrowers who do not qualify to use Form 3508EZ or 3508S.
- **3508EZ:** Borrowers who are self-employed with no employees **OR** borrowers who did not reduce employee salaries by more than 25% and did not reduce employee hours **OR** borrowers who reduced business activity due to COVID-19 government restrictions/health guidance and did not reduce employee salaries by more than 25%.
- **3508S:** Borrowers who took out loans of \$150,000 or less.



# Completing the Forgiveness Application



**Paycheck Protection Program**  
**PPP Loan Forgiveness Application Form 3508S Revised January 19, 2021**

OMB Control No.: 3245-0407  
Expiration Date: 9/30/2021

**A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$150,000 OR LESS**

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address	NAICS Code	Business TIN (EIN, SSN)	Business Phone
			( ) -
		Primary Contact	E-mail Address

**First Draw PPP Loan**  **Second Draw PPP Loan** (check one)

**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:** \_\_\_\_\_

**Covered Period:** \_\_\_\_\_

to \_\_\_\_\_

**If Borrower (Together with Affiliates, if Applicable) Received First Draw PPP Loans of \$2 Million or More or Second Draw PPP Loans of \$2 Million or More, Check Here:**

**Amount of Loan Spent on Payroll Costs:** \_\_\_\_\_

**Requested Loan Forgiveness Amount:** \_\_\_\_\_

# Completing the Forgiveness Application

- **Check box:** If this is your first PPP loan, check the box that says First Draw PPP Loan. If it's your second PPP loan, check the box that says Second Draw PPP Loan.
- **SBA PPP Loan Number:** \_\_\_\_\_  
*This is the number assigned by the SBA to your loan. If you don't have it, ask your lender.*
- **Lender PPP Loan Number:** \_\_\_\_\_  
*Enter the loan number assigned to the PPP loan by the Lender. Again, if you don't know, ask your lender.*
- **PPP Loan Amount:** \_\_\_\_\_  
*This is the amount you received.*
- **PPP Loan Disbursement Date:** \_\_\_\_\_  
*Again, this is when the funds were deposited in your bank account.*
- **Employees at Time of Loan Application:** \_\_\_\_\_  
Enter the total number of employees at the time of the Borrower's PPP Loan Application.
- **Employees at Time of Forgiveness Application:** \_\_\_\_\_  
Enter the total number of employees at the time the borrower is applying for loan forgiveness.
- **Covered Period:** \_\_\_\_\_ to \_\_\_\_\_  
Enter the dates for Covered Period – 8 and up to 24 weeks.



Completing **Form 3508** (aka the LONG Form)

**Is It Really  
*That* Bad?**





**PPP Loan Forgiveness Calculation Form**

<b>Business Legal Name ("Borrower")</b>		<b>DBA or Tradename, if applicable</b>	
<b>Business Address</b>	<b>NAICS Code</b>	<b>Business TIN (EIN, SSN)</b>	<b>Business Phone</b>
		( ) -	
		<b>Primary Contact</b>	<b>E-mail Address</b>

**First Draw PPP Loan**  **Second Draw PPP Loan** (check one)

**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:** \_\_\_\_\_

**Covered Period:** \_\_\_\_\_ to \_\_\_\_\_

**If Borrower (Together with Affiliates, if Applicable) Received First Draw PPP Loans of \$2 Million or More or Second Draw PPP Loans of \$2 Million or More, check here:**

**Forgiveness Amount Calculation:**

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):	_____
Line 2. Business Mortgage Interest Payments:	_____
Line 3. Business Rent or Lease Payments:	_____
Line 4. Business Utility Payments:	_____
Line 5. Covered Operations Expenditures:	_____
Line 6. Covered Property Damage Costs:	_____
Line 7. Covered Supplier Costs:	_____
Line 8. Covered Worker Protection Expenditures:	_____

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 9. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):	_____
Line 10. Sum the amounts on lines 1 through 8, then subtract the amount entered in line 9	_____
Line 11. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):	_____

Potential Forgiveness Amounts

Line 12. Modified Total (multiply line 10 by line 11):	_____
Line 13. PPP Loan Amount:	_____
Line 14. Payroll Cost 60% Requirement (divide line 1 by 0.60):	_____

Forgiveness Amount

Line 15. Forgiveness Amount (enter the smallest of lines 12, 13, and 14):	_____
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**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 (which does not exceed the principal amount of the PPP loan):
- was used to pay business costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; business utility payments; covered operations expenditures; covered property damage costs; covered supplier costs; or covered worker protection expenditures);
  - includes all applicable reductions due to decreases in the number of full-time equivalent employees and salary/hourly wage reductions;
  - includes payroll costs equal to at least 60% of the forgiveness amount;
  - for any owner-employee (with an ownership stake of 5% or more) or self-employed individual/general partner, does not exceed 2.5 months' worth of compensation received during the year used to calculate the PPP loan amount, capped at \$20,833 per individual in total across all businesses.

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 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, business utility payments, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures.

If this application is being submitted for a Second Draw PPP Loan, the Borrower used all First Draw PPP Loan amounts on eligible expenses prior to disbursement of the Second Draw PPP Loan.

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 U.S.C. 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 U.S.C. 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 U.S.C. 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 (if applicable) 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.

If the Borrower has checked the box for FTE Reduction Safe Harbor 1 on PPP Schedule A, 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 (or, for a PPP loan made after December 27, 2020, requirements established or guidance issued between March 1, 2020 and the last day of the Covered Period), 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  
 \_\_\_\_\_  
 Print Name

\_\_\_\_\_  
 Date  
 \_\_\_\_\_  
 Title



**PPP Schedule A**

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:  
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period was at least 75% of such employee's average annual salary or hourly wage for the most recent full quarter before the Covered Period, check here  and enter 0 on line 3.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:

Non-Cash Compensation Payroll Costs During the Covered Period

Line 6. Total amount paid or incurred by Borrower for employer contributions for employee insurance:

Line 7. Total amount paid or incurred by Borrower for employer contributions to employee retirement plans:

Line 8. Total amount paid or incurred by Borrower for employer state and local taxes assessed on employee compensation:

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:  
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):

Full-Time Equivalency (FTE) Reduction Calculation

If you satisfy **any** of the following three criteria, check the appropriate box, skip lines 11 and 12, and enter **1.0** on line 13; otherwise, complete lines 11, 12, and 13:

**No reduction in employees or average paid hours:** If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here

**FTE Reduction Safe Harbor 1:** If you were 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 (or, with respect to a PPP loan made on or after December 27, 2020, between March 1, 2020 and the last day of the Covered Period with respect to such loan), 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 for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19, check here

**FTE Reduction Safe Harbor 2:** If you satisfy FTE Reduction Safe Harbor 2 (see PPP Schedule A Worksheet), check here

Line 11. Average FTE during the Borrower's chosen reference period:

Line 12. Total Average FTE (add lines 2 and 5):

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if any of the above criteria are met:

**PPP Schedule A Worksheet**

**Table 1:** List employees who:

- Were employed by the Borrower at any point during the Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

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

**Table 2:** List employees who:

- Were employed by the Borrower at any point during the Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of more than \$100,000 for any pay period in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
<b>Totals:</b>		<b>Box 4</b>	<b>Box 5</b>

Attach additional tables if additional rows as needed.

**FTE Reduction Safe Harbor 2:**

- Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: .
- Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: .
- Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, FTE Reduction Safe Harbor 2 is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
- Step 4. Enter the borrower's total FTE (a) for a PPP loan made before December 27, 2020, as of December 31, 2020 or (b) for a PPP loan made after December 27, 2020, the last day of the covered period: .
- Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor 2 has been satisfied. Otherwise, FTE Reduction Safe Harbor 2 does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

# Schedule A Worksheet

## Three Components

1. Table 1 – for employees who:
  - Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States
  - Received compensation at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019
2. Table 2 – for employee who:
  - Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States
  - Received compensation at an annualized rate of more than \$100,000 for any pay period in 2019
  - Reducing these salaries will not reduce the forgiveness
3. FTE Reduction Safe Harbor 2

You will have to identify each employee, but do not include:

- Independent Contractors
- Owner-employees – not part of Schedule A Worksheet
- Partners – not part of Schedule A Worksheet
- Self-employed individuals – not part of Schedule A Worksheet





# Schedule A Worksheet - Average FTE Box

**How to calculate FTE:** Average number of hours **paid** during the covered period (or alternative period) and divide by 40 before rounding to the nearest 10<sup>th</sup> (ex. 30 hours = .8)

- Maximum amount for each employee is 1.0
- There is a simplified method:
  - Each employee that worked 40 hours gets 1.0
  - Each employee that worked less than 40 hours gets 0.5
- Choose the option that maximizes your FTE number

Employee	Hours	Detailed FTE	Simplified FTE
A	60	1.0	1.0
B	40	1.0	1.0
C	28	0.7 (28/40)	0.5
D	20	0.5 (20/40)	0.5
E	20	0.5 (20/40)	0.5
Total		3.7	3.5



# Document List

- Gross wages for full quarter before Covered Period (IRS Form 941)
- Gross wages for Covered Period (IRS Form 941)
- List of employees with annualized salary >\$100,000 in 2019.
- Average number of FTEs during lookback FTE safe harbors (if applicable on Form 3508, Schedule A).
- Any group insurance premiums paid.
- Any retirement plan contributions made.
- Third party payroll report (if applicable, Gusto, ADP)
- Statements and proof of payment for covered non-payroll expenses (i.e., utility statements, rent payments)
- Review the instructions on the forgiveness application for additional documents required.*





# Forgiveness Pro Tips

- **Covered Period:** Put the start and end date of your Covered Period on a calendar. Keep PPP expense documents for that period.
- **Salary/Wage/Hours:** If your loan is more than \$150K, you need to track hours and each employee's salary and wages during the Covered Period and how much was paid from 1/1/20 to 3/31/20. Obtain this data now but some payroll processors will provide you a report of this information.
- **60/40 Budget:** If you haven't done so already, create a proposed budget that falls in-line with the 60/40 Rule (at least 60% on Payroll Costs and no more than 40% on Non-Payroll Costs).

# Forgiveness Pro Tips (cont.)

- **Borrowers can use their entire PPP loan on payroll:** enter 0 for all other expense categories not used on forgiveness application.
- **Your lender will likely have their own online portal** to submit the application. But still a good idea to complete the Form 3508S beforehand.
- **Get help**, especially if completing the Form 3508 (CPA, payroll provider, enrolled agent).
- **Resources for completing Form 3508:**
  - ❑ [Navigating PPP Forgiveness](#) webinar (6/1/21), produced by BDO FMA
  - ❑ [How to Apply for Forgiveness for Your Paycheck Protection Program \(PPP\) Loan](#), by Gerri Detwiler, NAV (5/5/21)
  - ❑ [NFIB Webinar PPP Forgiveness](#) (9/30/20)



# **EIDL and ERC Review**



# Economic Injury Disaster Loan – The Basics

## **PURPOSE**

To meet financial obligations and operating expenses that could have been met had the disaster not occurred.

## **LOAN AMOUNT**

For loans approved starting the week of April 6, 2021: 24-months of economic injury with a maximum loan amount of \$500,000. For loans approved prior to the week of April 6, 2021, see loan increases.

## **TERMS**

3.75% for businesses (fixed), 2.75% for nonprofits (fixed)

## **MATURITY**

30 years

## **APPLY**

[HERE](#) (directly through the SBA)

## **USE OF PROCEEDS**

Working capital and normal operating expenses (health insurance, rent, utilities, fixed debt payments).

\* can't use funds for business expansion purposes



# Economic Injury Disaster Loan – The Basics, pt. 2

## **COLLATERAL REQUIREMENTS**

Required for loans over \$25,000

SBA uses a general security agreement (UCC) designating business assets as collateral, such as machinery and equipment, furniture and fixtures, etc.

## **FORGIVABLE**

NO – EIDL Loan, YES – EIDL Advance

## **Application Questions?**

Check EIDL application status: Customer Service Center at 1-800-659-2955 (1-800-877-8339 for the deaf and hard of hearing) or email [DisasterCustomerService@sba.gov](mailto:DisasterCustomerService@sba.gov)

## **PAYMENTS**

Set up online payments through Pay.gov OR mail payments to:

U.S. Small Business Administration

721 19th Street

Denver, CO 80202

Be sure to include EIDL loan number on mailed-in checks.



# Economic Injury Disaster Loan – and more!

## LOAN DEFERMENT

SBA is extending deferment periods for all disaster loans, including COVID-19 EIDLs, until 2022 to offer more time for businesses to build back. SBA will extend the first payment due date for disaster loans made in **2020 to 24-months** from the date of the note and to **18-months** from the date of the note for all loans made in the calendar year 2021.

## RECONSIDERATION REQUEST for Declined Application

Application declined?

- Decline letter sent via email.
- Applicant can request reconsideration in writing within six (6) months of the date of decline letter.

**Send to: E-mail: [pdcrecons@sba.gov](mailto:pdcrecons@sba.gov)**



# Economic Injury Disaster Loan – and more!

## Need additional EIDL loan \$\$

If you were approved for a loan and would like to request additional funds, log into your SBA loan portal account at <https://covid19relief1.sba.gov/>. Once logged on, take these specific steps to request the increase:

1. Click on the button that reads “Request More Funds.” NOTE: That button will only be visible if your current loan amount is not already at the maximum loan limit (currently \$500,000).
2. Borrowers will then be asked to disclose if any changes have occurred since the original EIDL application was submitted, such as any owners of 20 percent or more of the applicant business being currently involved in a bankruptcy.
3. Borrowers will be asked to identify the form used for their most recent tax return [e.g., Form 1040 (Schedule C, E or F), 1065 (Partnership), 1120S (S Corporation), or 1120 (C Corporation)].
4. Borrowers will use the slider bar to select a new (increased) loan amount.
5. Borrowers may be required to electronically sign an IRS Form 4506-T, which allows the SBA to obtain tax transcripts directly from the IRS.
6. When these steps are completed, borrowers will submit the loan increase for processing



# Economic Injury Disaster Loan – and more!

Follow these instructions if you wish to request a loan increase:

- Send email to [CovidEIDLIncreaseRequests@sba.gov](mailto:CovidEIDLIncreaseRequests@sba.gov)
- Use subject line "EIDL Increase Request for [insert your 10-digit application number]"
- Be sure to include in the body of your email identifying information for your current loan including application number, loan number, business name, business address, business owner name(s), and phone number.
- **Important: Do not include any financial documents or tax records with your initial request. You will receive a follow up email notification if we need additional documents.**

We will process increase requests in the order they are received. Due to the expected high volume of incoming requests, it may be several weeks before you receive a response from SBA on next steps to follow. Please do not resend multiple requests if you do not hear back right away as the extra emails could slow down the overall response time.

If you have any questions regarding the COVID-19 EIDL program, or SBA's other COVID relief program, please visit our website at [SBA.gov/relief](https://www.sba.gov/relief) for the most current updates.

We look forward to assisting with your recovery from this pandemic.



# Employee Retention Credit (ERC) – The Basics

	<b>2020</b> <b>3/13/202 – 12/31/2020</b>	<b>2021</b> <b>1/1/2021 – 12/31/2021</b>
<b>Maximum Tax Credit per Employee</b>	\$5,000 for 2020	\$28,000 for 2021
<b>Tax Credit Calculation</b>	50% of the first \$10,000 in qualified wages per employee in a quarter	70% of the first \$10,000 in qualified wages per employee in a quarter
<b>Eligibility</b>	100 employees or less  <b>50% reduction in gross receipts</b> a quarter compared to same quarter in 2019 OR subjected to mandatory partial or full shutdown	500 employees or less  <b>20% reduction in gross receipts</b> a quarter compared to same quarter in 2019 OR subjected to mandatory partial or full shutdown

# Employee Retention Credit (ERC) – More FAQs

## What is “subjected to mandatory partial or full shutdown” exactly?

The IRS has previously stated that “more than a nominal portion” of operations had to be suspended. In Notice 2021-20, explains :

- Gross receipts from the suspended operations measure 10% or more of total gross receipts during the same period in 2019,
- Hours of service performed by employees in the suspended operations measure 10% or more of total hours of service performed during the same period in 2019, or
- Modifications to operations result in a reduction of 10% or more of the employer’s ability to provide goods or services.



# Employee Retention Credit (ERC) – More FAQs

## Qualify for Following Quarter

If a business qualifies for the ERC in Q1, Q2, or Q3 of 2021, the business is automatically eligible for the following quarter regardless of the gross receipts test. Eligible ends the first day of the quarter after the quarter in which gross receipts exceed 80% of the comparable 2019 quarter.



# Employee Retention Credit (ERC) – The Basics

## How to claim the credit

Eligible employers claim the ERC by reducing employment tax deposits on their 941 form.

### **Retroactive**

Employers who didn't claim the ERTC on their originally filed IRS Forms 941 may retroactively claim the credits using the IRS Forms 941-X.

Employers have three years from the date the original return was filed, or two years from the date the taxes were paid, to file an IRS Form 941-X.

### **Advanceable**

Eligible employers can request advance payment of the credit on Form 7200, Advance Payment of Employer Credits Due to COVID-19, after first reducing their employment tax deposits.

“Eligible employers may continue to access the employee retention credit for the first and second calendar quarters of 2021 prior to filing their employment tax returns by reducing employment tax deposits in anticipation of the employee retention credit”



# Employee Retention Credit (ERC) – The Basics

## Some common errors to avoid when filling out Form 7200:

IRS 7200 Form Instructions [www.irs.gov/instructions/i7200](https://www.irs.gov/instructions/i7200)

- Missing or inaccurate Employer Identification Number. Each EIN should be exact. Taxpayers must complete this box.
- Check only one box for the applicable calendar quarter. Only one box should be checked for the correct quarter.
- Check only one box for Part 1, Line A.
- Make sure to complete Part 1, Line B. In Part 1, Line B check either Yes or No.
- Complete Part II, Lines 1-8 using actual dollar amounts. Part II should be completed using dollar amounts, not the number of eligible employees. All lines in Part II should be completed with an actual dollar amount.
- Check the math. Taxpayers should make sure they check the math on lines 4, 7 and 8.
- Sign the form. Taxpayers should remember to sign the form. Failure to sign the form will result in an automatic rejection.



# Employee Retention Credit (ERC) – More FAQs

## Q3 and Q4 2021

### **ERC for Recovery startup**

Employers that started conducting business after February 15, 2020 can take the ERTC if their average annual gross receipts did not exceed \$1 million for the three tax years ending with the tax year preceding the calendar quarter for which the employer seeks to take the credit. These employers are eligible even if they do not satisfy either the gross receipts test or the suspension test.

### **ERC for Severely distressed**

Eligible business is one that experienced a gross receipts reduction of more than 90% compared to the same calendar quarter in 2019. These businesses will be able to treat all wages up to the \$10,000 limitation per employee, per quarter as qualified wages, even if the business is a large employer.



# Employee Retention Credit (ERC) – FAQs

## Related Individuals' Wages Excluded

A child or a descendant of a child;

A brother, sister, stepbrother, or stepsister;

The father or mother, or an ancestor of either;

A stepfather or stepmother;

A niece or nephew;

An aunt or uncle;

A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

### Owners and Spouses?

**Not clear.** The IRS excludes wages paid to related individuals but does not specifically list owner or spouse. A conservative interpretation of the rule would assume that the owner and spouse are also excluded since it is the “employee retention” credit. However, it is not explicitly stated by the IRS.

- ❖ In addition, if the Eligible Employer is a corporation, then a related individual is any person that bears a relationship described above with an individual owning, directly or indirectly, more than 50 percent in value of the outstanding stock of the corporation.
- ❖ If the Eligible Employer is an entity other than a corporation, then a related individual is any person that bears a relationship described above with an individual owning, directly or indirectly, more than 50 percent of the capital and profits interests in the entity.
- ❖ If the Eligible Employer is an estate or trust, then a related individual includes a grantor, beneficiary, or fiduciary of the estate or trust, or any person that bears a relationship described above with an individual who is a grantor, beneficiary, or fiduciary of the estate or trust.



# Employee Retention Credit (ERC) – FAQs

## ERC and PPP

- Eligible ERC wages exclude those wages calculated in PPP loan forgiveness.
- PPP and other stimulus fund are not included when calculating gross receipts for purposes of ERC eligibility.



# Employee Retention Credit (ERC) – FAQs

**Are you eligible but it's too complicated?**

**Find a CPA or accountant who understands the ERC**



**Q&A – *LiVe!***

