



Paycheck Protection Program: Completing the Loan Forgiveness Application Forms Webinar FAQs

Who qualifies for the 3508 EZ form?

This information is outlined in the 3508 EZ form:

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 three boxes below. Do not submit this Checklist with your SBA Form 3508EZ.

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.

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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.

For the 8-week period, when do forms need to be submitted?

Forgiveness applications can be submitted any time before the maturity of the PPP loan, although we would encourage you to file shortly after the end of the 8-week covered period—provided that you take ample time to complete all the application forms in a careful manner.

What are the different implications when you choose 8 weeks versus 24 weeks?

The rules are the same with regard to eligible expenses and the forgiveness application process is also identical. One major advantage of the 24-week covered period is the additional time to use the funds on eligible expenses—thereby increasing the chances of full forgiveness.

We asked for 8 weeks, can we extend the PPP for 10 weeks if we have money left over?

The changes implemented by the PPP Flexibility Act were retroactive, so that any borrower can elect to use a 24-week period. If you have not used all the funds in 8 weeks, the best strategy is likely to use a 24-week covered period. You can apply for forgiveness before the end of the covered period but, if you have reduced any employee's salaries or wages in excess of 25%, you must account for the excess salary reduction for the full 24-week period.

Where should we enter the owner, partner's payroll?

Owner or partner payroll is included in "Payroll Costs" (line 1 of Form 3508 or 3508EZ), but be careful to read the instructions, where "Owner Compensation" is addressed separately.



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Are retirement contributions forgiven for sole proprietors?

No. The instructions state that you must “not add employer retirement contributions made on behalf of a self-employed individual, general partners, or owner-employees of an S Corporation.”

If an employee is fired or resigns, will it go against the salary reduction?

In general, PPP requires certain reductions in a borrower’s loan forgiveness amount based on reductions in full-time equivalent employees or in employee salary and wages during the covered period, subject to an important statutory exemption for borrowers who rehire employees and restore salary levels by no later than December 31, 2020.

If an employee is fired for cause, voluntarily resigns, or voluntarily requests a reduced schedule during the covered period (FTE reduction event), the borrower may count such employee at the same full-time equivalency level before the FTE reduction event when calculating the any FTE employee reduction penalty. Borrowers should maintain records demonstrating that an employee was fired for cause, or voluntarily resigned, or voluntarily requested a schedule reduction. The borrower shall provide such documentation upon request. For example, documentation the borrower should maintain include a written letter of resignation and written evidence of employee dismissal.

What should you do if in 2019 employees were 1099, but W-2 beginning in 2020?

Payments to W-2 employees during the covered period could be eligible for forgiveness, regardless of the status of those employees in 2019.

A covered period is 8 weeks, but first quarter payroll is 12 weeks. How will this impact the calculations in showing reductions in employment?

Reductions in employment are based on average FTE numbers during the period in question. If there has been no change in FTE numbers, the average would be the same, whether that is calculated for an 8-week period, a 12-week period, or a 24-week period.

If full-time is considered 48 hours, are we still required to divide by 40 hours?

Technically, yes. The instructions say to run the calculation based on a 40-hour week, then enter the lesser of the calculated number or 1.0. In this case, the calculation (48/40) results in an FTE number of 1.2, but 1.0 is still entered in the appropriate Worksheet field.

One of my salaried employees is on family leave, so she hasn’t worked during this time. I have a temporary employee working most of her hours. Will I get forgiveness for her salary, since the names are different?

Generally, names are not a factor, it’s the number of employees that is important (“average FTEs”).

For hourly employees, are we looking at just their hourly wage? For example, \$14.00/hour during Q1 and \$14.25/hour during the covered period.

Yes. For hourly employees, detail the hourly wage on the Schedule A worksheet.



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What if the first PPP loan wasn't enough to cover expenses during this time?

Congress is considering allowing a second PPP loan for certain businesses, but the chances of such a bill becoming law are uncertain.

I keep seeing FTE, how does PPP affect PTEs?

Payroll costs for part-time employees are eligible for forgiveness. Further, when calculating FTE's, PTE's are included. A PTE who works a 20-hour week would count as 0.5 FTE for purposes of the required FTE calculations. If you have a large number of PTE's, you may want to consider using the alternative calculation process the SBA allows—instead of determining the FTE number for each PTE by dividing their hours by 40, you can count each and every PTE as ½ (0.5) FTE. If you elect that option, every PTE employee must be treated that way.

What categories fall under cash compensation?

According to the CARES Act, compensation includes:

- a salary, wage, commission, or similar compensation;
- payment of cash tip or equivalent; payment for vacation, parental, family, medical, or sick leave;
- allowance for dismissal or separation;
- payment required for the provision of group health care benefits, including insurance premiums;
- payment of any retirement benefit;
- payment of State or local tax assessed on the compensation of employees; and
- the sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation.

Compensation of over \$100,000 on an annual basis for any individual employee or owner is excluded.

How does the Schedule A worksheet get filled out if an employee had a salary of \$100K and then raised to more than \$100K both during the covered period?

Employees should be listed on the Schedule A worksheet based on compensation in place during the covered period.

Will Fund-Ex Solutions Group complete the application form for me?

No, while our PPP support team is available to answer questions you might have, it is the responsibility of the borrower to complete the application.



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