

Payality's PPP Loan Forgiveness Guide

	ck Protection Program ss Application Revised Jun		rol Number 3245-040 ntion Date: 10/31/2020				
PPP I	oan Forgiveness Calculati	on Form					
Business Legal Name ("Borro	wer")	DBA or Tradename, if appl	licable				
Business Address		()	Business Phone				
SBA PPP Loan Number:	Lender PPP Lo	nn Number:					
PPP Loan Amount:	PPP Loan Disb	ursement Date:					
Employees at Time of Loan Application:	Employees at T	ime of Forgiveness Application:					
EIDL Advance Amount: Payroll Schedule: The frequency with white		Paycheck P PPP Loan Forgiven	Protection Progra		OMB Control No. 3245-0407 Expiration date: 10/31/2020		
■ Weekly ■ Biweekly (every other)		Business Legal Name ("Borrower")		DBA or Tradena	DBA or Tradename, if applicable		
Covered Period:		Business Address		Business TIN (EIN, SSN)	Business Phone		
		Business Address		Business TIN (EIN, SSN) Primary Contact	Business Phone () - E-mail Address		
Covered Period:				Primary Contact	E-mail Address		
Alternative Payroll Covered Period, if ap	SBA PPP Loan Numb	Business Address	Lender PPP Lo	, ,	E-mail Address		
Alternative Payroll Covered Period, if ap If Borrower (together with affiliates, if ap Forgiveness Amount Calculation: Payroll and Nonpayroll Costs				Primary Contact	E-mail Address		
Alternative Payroll Covered Period, if ap If Borrower (together with affiliates, if ap Forgiveness Amount Calculation:	PPP Loan Amount:	er:	PPP Loan Disbu	Primary Contact	E-mail Address		
Alternative Payroll Covered Period, if ap If Borrower (together with affiliates, if ap Forgiveness Amount Calculation: Payroll and Nonpayroll Costs	PPP Loan Amount: _ Employees at Time of	er:	PPP Loan Disbu	Primary Contact an Number: ursement Date: time of Forgiveness Applica	E-mail Address		
Alternative Payroll Covered Period, if ap If Borrower (together with affiliates, if ap Forgiveness Amount Calculation: Payroll and Nonpayroll Costs	PPP Loan Amount: Employees at Time of EIDL Advance Amou	er:	PPP Loan Disbu Employees at Ti EIDL Application	Primary Contact an Number: ursement Date: time of Forgiveness Application Number:	E-mail Address		
Alternative Payroll Covered Period, if ap If Borrower (together with affiliates, if ap Forgiveness Amount Calculation: Payroll and Nonpayroll Costs	PPP Loan Amount: Employees at Time of EIDL Advance Amou Payroll Schedule: The	er: Loan Application: nt:	PPP Loan Disbu Employees at Ti EIDL Application	Primary Contact an Number: ursement Date: ime of Forgiveness Application Number:	E-mail Address		
Alternative Payroll Covered Period, if ap If Borrower (together with affiliates, if ap Forgiveness Amount Calculation: Payroll and Nonpayroll Costs	PPP Loan Amount: Employees at Time of EIDL Advance Amou Payroll Schedule: The	Loan Application: nt: e frequency with which payroll is p	PPP Loan Disbu Employees at Ti EIDL Application	Primary Contact an Number: ursement Date: ime of Forgiveness Application Number:	E-mail Address		
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Alternative Payroll Covered Period, if ap If Borrower (together with affiliates, if ap Forgiveness Amount Calculation: Payroll and Nonpayroll Costs	Employees at Time of EIDL Advance Amou Payroll Schedule: The Weekly Covered Period: Alternative Payroll Co	Loan Application: nt: e frequency with which payroll is p Biweekly (every other week)	PPP Loan Disbu Employees at Ti EIDL Application aid to employees is Twice a mon	Primary Contact an Number: ursement Date: time of Forgiveness Application Number: th	E-mail Address		

DISCLAIMER

This guide is being provided for informational purposes. Final decisions regarding loan forgiveness are at the sole discretion of the lender and SBA. The SBA guidance referenced is subject to, and will likely, change. This guide should not be considered legal, accounting, investment or fiduciary advice. Clients should consult their attorney or other professional advisor.

3508 EZ Simplified Loan Forgiveness Application

Borrower's who meet any of the following criteria may use the EZ application form that requires far less reporting:

- Are self-employed and have no employees; OR
- Did not reduce the salaries or wages of their employees by more than 25%, and did not reduce the number or hours of their employees (Use Payality's Loan Forgiveness Report detailed on page 15 to determine if you qualify); OR
- Experienced reductions in business activity as a result of health directives related to COVID-19 and did not reduce the salaries or wages of their employees by more than 25%.



Paycheck Protection Program PPP Loan Forgiveness Application Form 3508EZ

OMB Control No. 3245-0407 Expiration date: 10/31/2020

Business Legal Name ("Borrower")	DBA or Tradename, if applicable							
Business Address	Business TIN (EIN, SSN)	Business Phone						
		Primary Contact	E-mail Address					
SBA PPP Loan Number:	Lender PPP Lo	Lender PPP Loan Number:						
PPP Loan Amount:	PPP Loan Disb	ırsement Date:						
Employees at Time of Loan Application:	Employees at Time of Forgiveness Application:							
EIDL Advance Amount:	EIDL Application Number:							
$\textbf{Payroll Schedule:} \ \ \text{The frequency with which payroll is payroll}$	oaid to employees is	:						
☐ Weekly ☐ Biweekly (every other week)	☐ Twice a mon	th	□ Other					
Covered Period: to								
Alternative Payroll Covered Period, if applicable:		to						
If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:								
Forgiveness Amount Calculation:								

Loan Forgiveness Considerations

Use of Loan during 24-week period

Loans received before June 5th have option of using 8-week covered (or alternative) period.

Full-Time Equivalency Count before and during 24-week period(or by December 31, 2020 or at time of loan forgiveness application if before Dec 31)

Average earnings comparison from QTR 1 2020 to 24-week period to determine wage reductions of 25% or more for any employee

Use of Loan

The Loan Amount eligible for forgiveness is reduced by the amount of the EIDL Emergency Loan Advance received (up to \$10,000)

60% or more on Payroll Cost

- Gross Wages
- Capped at \$46,154 per employee (\$15,385 if using the 8-week covered period)
- If the owner of the business is paid as an employee, their wages are capped at their total 2019 wages divided by 12 times 2.5 or \$20,833, whichever is less. For example: The owner had wages of \$72,000 in 2019. \$72,000 / 12 = \$6,000 times 2.5 = \$15000 (Capped at \$15,385 if using 8-week covered period and annual salary times 8 then divided by 52, whichever number is less)
- FFCRA Emergency Sick Pay or Extended Family Medical Leave Pay cannot be included in gross wages
- State Unemployment Insurance
- Employers Cost of Employee Health Insurance Premiums
- Employers Contribution to Retirement Plan

Up to 40% on other eligible expenses (in place before Feb 15, 2020)

- Mortgage Interest
- Rent
- Utilities

24-Week Covered Period

(or up December 31, 2020) Two Options Available



<u>Covered Period</u> – Starts on the day the PPP loan was deposited. Includes check dates that occur within the 168-day covered period except for the final check date that can include wages earned through the end of the 168-day period. For example: Loan was deposited on May 1. The 168-day covered period is May 1 - October 15. All check dates during this period plus the last check date paid after June 25 for wages earned up to October 15.



<u>Alternative Covered Period</u> – This option is only available for businesses with a bi-weekly or weekly pay frequency. Starts on the first day of the pay period after the loan was deposited. Includes check dates for pay periods that occur within the 168-day period except for the final check date that can include wages earned through the end of the 168-day period. For example: Loan was deposited on May 1 and the beginning date of the next pay period is May 10. The 168-day alternative covered period is May 10 - October 25. All Check dates for pay periods during this period plus the last check date paid after October 25 for wages earned up to October.



<u>The Paycheck Protection Program Flexibility Act</u> was signed into Law on June 5, 2020. The Treasury Department will issue new interim final rules in response to the changes enacted by the new law on June 19, 2020. Two new loan forgiveness applications were released on June 16, 2020 including a simplified <u>EZ application</u> with <u>instructions</u> and <u>Full Application</u> with <u>instructions</u>

PPP Payroll Cost Reports

Payality has created reports to track the payroll cost over the 8-week or 24-week covered period

PPP Payroll Cost – Employee Detail

The reports shows the wages earned over the covered period and then calculates if an employee has earned above the 24-week wage cap of \$46,154 (a separate report for those choosing the 8-week covered period that caps wages at \$15,385 is also available).

The report then provides all eligible earnings, state unemployment, 401k employer match, subtracts any COVID-19 Sick or FMLA payments and then provides the eligible payroll cost used to determine forgiveness.

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PPP Payroll Cost- Employee Detail: 4/20/2020-6/19/2020

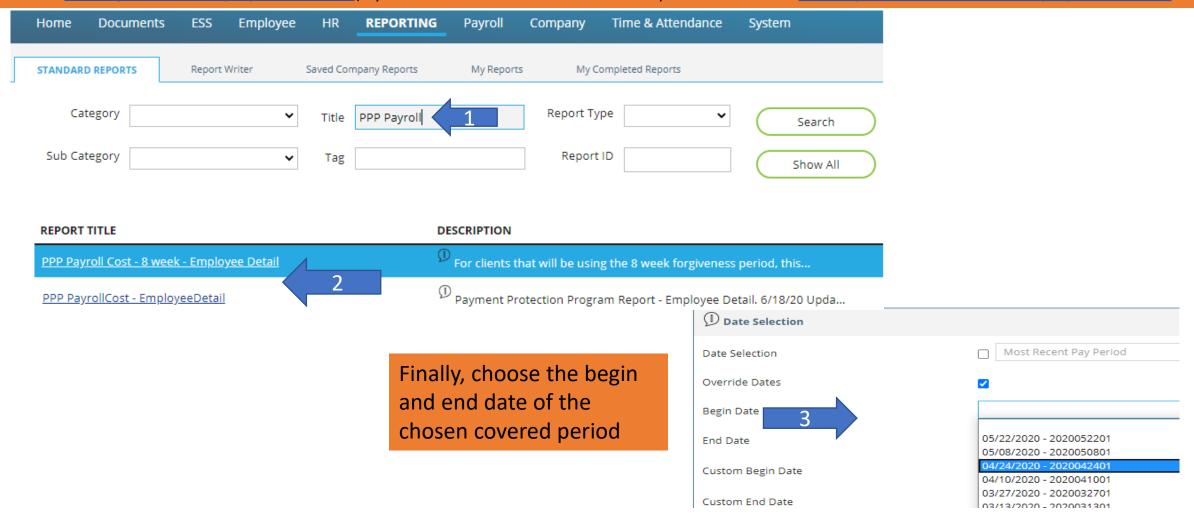
Employee Name	Employee ID CheckDt	Hours	Earnings	Above CAP	Eligible Earnings	State/Local ER Tax	401K Employer	CVD Reg	CVD CARE	CVD FMLA	Eligible Payroll Cost
James Smith	85										
	04-20-2020	88.50	\$2,453.94	\$0.00	\$2,453.94	\$2.05	\$61.35	\$0.00	\$0.00	\$0.00	\$2,515.29
	05-05-2020	88.50	\$2,453.94	\$0.00	\$2,453.94	\$0.00	\$61.35	\$0.00	\$0.00	\$0.00	\$2,515.29
	05-20-2020	88.00	\$2,433.21	\$0.00	\$2,433.21	\$0.00	\$60.83	\$0.00	\$0.00	\$0.00	\$2,494.04
	06-05-2020	80.25	\$2,222.37	\$0.00	\$2,222.37	\$0.00	\$55.56	\$0.00	\$0.00	\$0.00	\$2,277.93
	06-19-2020	88.00	\$2,436.66	\$0.00	\$2,436.66	\$0.00	\$60.92	\$0.00	\$0.00	\$0.00	\$2,497.58
James Smith Tota	als:	433.25	\$12,000.12	\$0.00	\$12,000.12	\$2. 05	\$300.01	\$0.00	\$0.00	\$0.00	\$12,300.13
Chris Huerta	93										
	04-20-2020	86.67	\$10,517.25	\$0.00	\$10,517.25	\$0.00	\$195.50	\$0.00	\$0.00	\$0.00	\$10,712.75
	05-05-2020	86.67	\$10,517.25	\$0.00	\$10,517.25	\$0.00	\$195.50	\$0.00	\$0.00	\$0.00	\$10,712.75
	05-20-2020	86.67	\$10,517.25	\$0.00	\$10,517.25	\$0.00	\$195.50	\$0.00	\$0.00	\$0.00	\$10,712.75
	06-05-2020	86.67	\$10,517.25	\$0.00	\$10,517.25	\$0.00	\$195.50	\$0.00	\$0.00	\$0.00	\$10,712.75
	06-19-2020	86.67	\$10,517.25	\$6,432.25	\$4,085.00	\$0.00	\$195.50	\$0.00	\$0.00	\$0.00	\$4,280.50
Chris Huerta Tota	ls:	433.35	\$52,586.25	\$6,432.25	\$46,154.00	\$0.00	\$977.50	\$0.00	\$0.00	\$0.00	\$47,131.50
Grand Totals:	2	7799.55	\$972,985.51	\$12,864.50	\$960,121.01	\$484.83	\$13,448.94	\$0.00	\$0.00	\$0.00	\$974,054.78

PPP Payroll Cost Reports on Payality Online

PPP Payroll Cost – Employee Detail.

From Reporting Menu, Type PPP Payroll in Title then Click Search.

Click on PPP PayrollCost - EmployeeDetail link (if you have chosen the 8-week covered period click on the PPP Payroll Cost - 8 Week - Employee Detail link



Full-Time Equivalency (FTE) Employee Counts

Full-Time Equivalency (FTE) Calculation – Average hours per week for each employee divided by 40 and rounded to the nearest 10^{th} (capped at 1.0). For Example: An employee is averaging 24.05 hours per week over the covered period: 24.05/40 = .60125, rounded to the nearest $10^{th} = .6$

The FTE for the 24-week period is compared to the FTE for either Feb 15, 2019 – Jun 30, 2019 or Jan 1, 2020 – Feb 29, 2020 (Client chooses)

For Seasonal Employers it can be any 12-week period between May 1, 2019 and September 15, 2019.

FTE Reduction Exceptions

FTE Count will not be reduced for the following Events

- The Borrower made a good-faith, written offer to rehire an individual who was an employee on February 15, 2020 and the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020
- Any positions for which the Borrower made a good-faith, written offer to restore any reduction in hours, at the same salary or wages, during the Covered Period or the Alternative Covered Period and the employee rejected the offer
- Any employees who during the Covered Period or the Alternative Payroll Covered Period (a) were fired for cause, (b) voluntarily resigned, or (c) voluntarily requested and received a reduction of their hours.

Additional Safe Harbor Exceptions

- Borrower is 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 for sanitation, social distancing, or any other worker or customer safety requirement related to
 COVID-19
- Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and (b) the Borrower then restored its FTE employee levels by not later than December 31, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020.

FTE Reports

The PPP Loan Forgiveness report calculates both FTE and the wage reduction. Part 1 (shown here) calculates the following forgiveness criteria:

- 1. Compensation during covered period (to determine if any employee has received more than the allowable cap)
- 2. Hire/Term Date to identify possible FTE exceptions
- 3. Average Hours Per Week
- 4. FTE Value based on SBA's New Formula with total FTE count at the bottom.

FTE Count for covered period

		1		2				3	4	•
PPP Loan Forgiver	ness Report									
-		Covered (or alt	ernative) Period: 4/	30/2020-5/21/2	2020					
Employee Name	Employee ID	Compensation	Hours During Covered Period	Hire Date	Term Date	Pay Frequency	Weeks Worked During Covered Period	Average Hours Per Week	Average FTE	Average Weekly Comp
Employee 1	1	\$384.00	32	3/21/2019		W	3	10.67	0.3	\$128.00
Employee 2	2	\$2,693.76	189	7/1/2016		W	4	47.25	1	\$673.44
Employee 3	4	\$2,004.00	150.5	5/2/2018		W	4	37.63	0.9	\$501.00
Empoloyee 4	6	\$978.25	63.25	1/11/2019		W	4	15.81	0.4	\$244.56
Employee 5	15	\$876.00	73	9/25/2019		W	4	18.25	0.5	\$219.00
Employee 6	16	\$366.00	30.5	11/20/2019		W	4	7.63	0.2	\$91.50
Employee 7	21	\$306.96	25.58	2/14/2020	5/7/2020	W	2	12.79	0.3	\$153.48
Employee 8	22	\$1,500.00	120	3/2/2020		W	3	40	1	\$500.00
Employee 9	23		80	5/1/2020		W	2	40		
		\$10,308.97						4	5.6	

FTE Reports

The FTE Look Back Period Count report calculates the FTE during the Look-back reference period.

This is the FTE count that will be compared to the FTE count during the covered or alternative covered period to determine forgiveness reduction based on any decrease in FTE Count

Divide the FTE count during the covered period by the FTE count during the look back period. That percentage is multiplied by the Forgivable amount of the loan (Loan minus EIDL Emergency Advance)

For Example:

FTE Count during covered period 5

FTE Count during Look Back Period 6

Loan Forgiveness Percentage .8333%

Loan Amount (Minus EIDL) \$100,000

Forgivable Amount of Loan \$83,333

FTE Count for Look Back Reference Period (Either Feb 15, 2019 – June 30, 2019) or Jan 1, 2020 – Feb 29, 2020) or any 12-week period between May 1, 2019 – Sep 15, 2019 for seasonal employers

PPP FTE Look Back Peri	iod Count									
		Pay History: 1/1/2020-2/29/	/2020							
Employee Name	Employee ID	Compensation	Hours During Period	Hire Date	Term Date	Pay Frequency	Weeks Worked During Period	Average Hours Per Week	FTE	Average Weekly Comp
Employee 1	1	\$1,621.96	136.32	3/21/2019		W	9	15.15	0.4	\$180.22
Employee 2	2	\$5,307.89	381	7/1/2016		W	9	42.33	1	\$589.77
Employee 3	4	\$4,195.00	319	5/2/2018		W	9	35.44	0.9	\$466.11
Employee 4	6	\$2,283.64	182.69	1/11/2019		W	9	20.3	0.5	\$253.74
Employee 5	15	\$2,071.76	175.05	9/25/2019		W	9	19.45	0.5	\$230.20
Employee 6	16	\$2,258.92	190.66	11/20/2019		W	9	21.18	0.5	\$250.99
Employee 7	17	\$1,397.50	118	12/24/2019	1/24/2020	W	5	23.6	0.3	\$279.50
Employee 8	18	\$377.00	29	1/15/2020	2/8/2020	W	4	7.25	0.1	\$94.25
Employee 9	20	\$462.00	38.5	2/7/2020	3/12/2020	W	2	19.25	0.1	\$231.00
Employee 10	21		18.5	2/14/2020	5/7/2020	W	1	. 18.5		
		\$20,197.67							4.4	



FTE Reports on Payality Online

FTE Covered or Alternative Covered

24-Week period

From Reporting Menu, Type Loan in Title then Click Search.

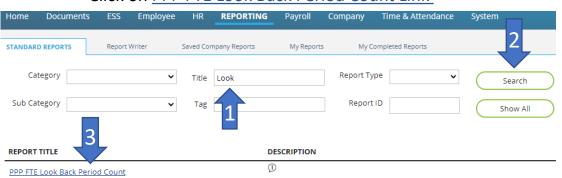
Click on PPPLoanForgivess Link



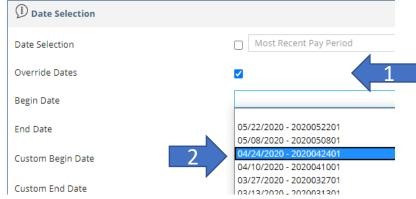
FTE Look Back Period Count

From Reporting Menu, Type Look in Title then Click Search.

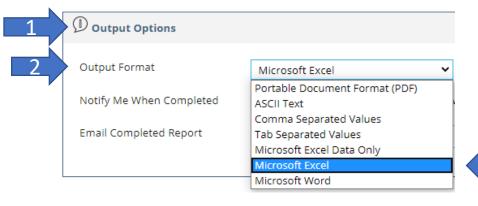
Click on PPP FTE Look Back Period Count Link



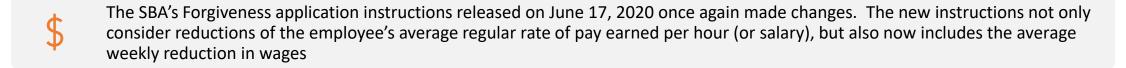
Put a check mark in Override Dates and then choose the first check date based on covered or alternative covered period chosen

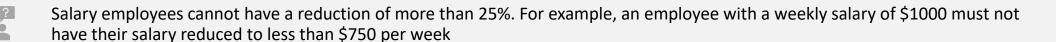


Scroll Down to Output Options and Click on Output Format and choose Microsoft Excel from the drop-down menu



Wage Reductions





Hourly employee's average weekly hours or wages cannot be reduced by more than 25%. For example, an hourly employee that was working 40 hours a week must work at least 30 hours per week at the same average regular rate of pay. Another example is that an employee with an average hourly rate of pay of \$20 must not earn less than \$15 per hour while working the same number of hours per week.

For hourly employees, you compare their average regular rate of pay earned per hour during the 24-week covered period (or 8-week) period to their average regular rate of pay earned per hour from Jan 1, 2020 to Mar 31, 2020. Further, you must compare their average hours per week during these periods as well to determine if the average hours were reduced by 25% or more.

The reduction comparisons are for the period of January 1, 2020 – March 31, 2020 compared to the 24-week or 8-week covered period. There is a safe harbor exception as detailed on the next page

Wage Reduction Safe Harbor Exception

Borrower has until December 31, 2020 to restore an employee's average salary, regular hourly rate of pay or weekly average hours reduction (that occurred between February 15, 2020 and April 26, 2020) to at least 75% of what that amount was on February 15, 2020.

Wage Reduction Report

Wage Reduction is now calculated based on a comparison of the 24-week or 8-week covered period to January 1 – March 31, 2020 for the following:

- 1. Average weekly compensation
- 2. Average Earnings Per Hour
- 3. Average Hours Per week

The percentage difference is shown. If any percentage is a negative 25% or then you are not eligible to use the 3580EZ Simplified Forgiveness Application and also must reduce the forgiveness amount by the amount of reduction above 25% for the entire covered period.



Wage Reduction Report on Payality Online

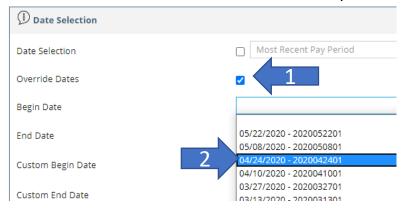
Wage Reduction

(Same Report as the FTE Count during 24-Week or 8-week Covered Period)

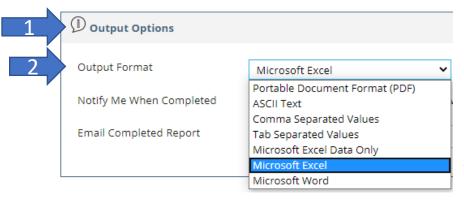
From Reporting Menu, Type Loan in Title then Click Search.
Click on PPPLoanForgivess Link



Put a check mark in Override Dates and then choose the first check date based on covered or alternative covered period chosen



Scroll Down to Output Options and Click on Output Format and choose Microsoft Excel from the drop-down menu



PPP Loan Forgiveness Estimation Calculator

Payality has created a PPP Loan Forgiveness Estimation Calculator that can be found on:

PAYALITY'S COVID-19 Web Page

Or

CLICKING HERE

