

Form 3508 Documentation

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SBA Application Schedule A

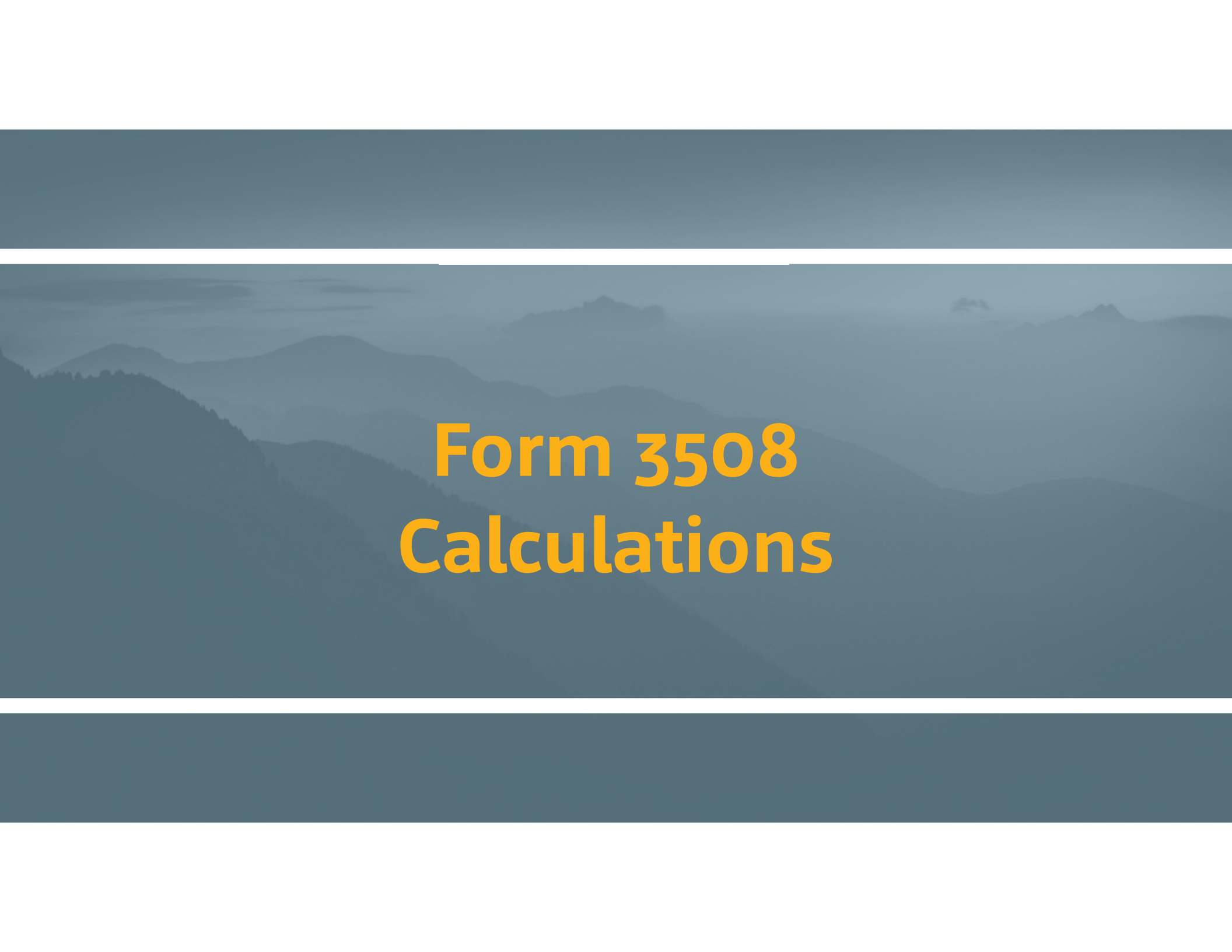
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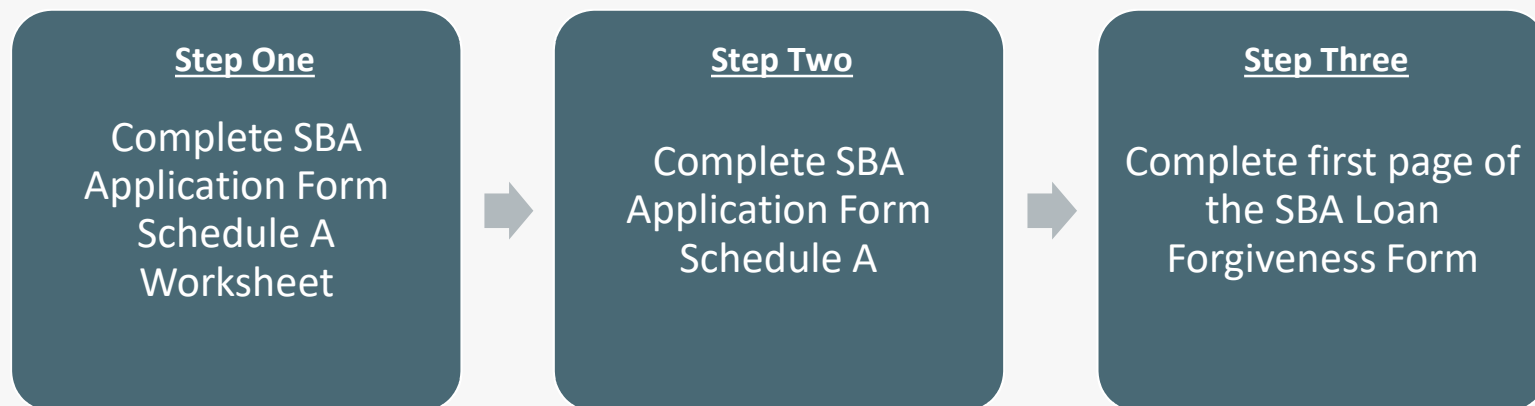
Form 3508 Calculations

Form 3508 – Calculating Forgiveness for Employers

The most likely way to have your loan fully forgiven is through payroll costs. Begin by determining these costs before considering what non-payroll costs are eligible to be included in the calculation of the forgiveness amount.

The definition of eligible payroll costs are more thoroughly defined in the 3508 Instruction Document and the SBA website can be referenced for their FAQ that addresses commonly asked questions surrounding payroll costs.

We recommend working through the calculation form as presented below rather than starting with the first page. Additionally, given the complexity of the calculations involved, if you do not have third party payroll reporting that provides this information we recommend that you work with your accountant to complete the calculations necessary to determine the forgiveness amount when utilizing this application form.





Form 3508 Definitions

Definitions

Terminology	Definition	Definition does NOT include	Notes	Application Section		
				Schedule A Worksheet	Schedule A	Loan Forgiveness Calculation Form
PPP Loan Disbursement Date	<ul style="list-style-type: none"> Date you received PPP funds from FirstBank 		<ul style="list-style-type: none"> If you received multiple advances on the same loan, enter the 1st date you received PPP loan funds 		All	
Covered Period (CP)	<ul style="list-style-type: none"> 24-week (168-day) period beginning with the PPP Loan Disbursement Date but may not extend beyond December 31st Borrower has the option of using an 8-week (56-day) period instead of the 24-week period but we expect this would be less common 	<ul style="list-style-type: none"> 1st date is NOT when loan was approved or the date you received loan documents to sign 	<ul style="list-style-type: none"> Some parts of the Application give you the option to use CP or APCP; however, you must specifically use CP wherever Application specifically references "Covered Period": on PPP Loan Calc Form (top half "Covered Period", line 2-4), on PPP Schedule A (line 13), and on Nonpayroll Documentation (a-c, as applicable) 		All	
Alternative Payroll Covered Period (APCP)	<ul style="list-style-type: none"> You can start your Covered Period on the 1st day of your 1st pay period AFTER the PPP Loan Disbursement Date (so that you can align your "Covered Period" with the beginning of a pay period). 		<ul style="list-style-type: none"> Remember: applies to PAYROLL COSTS only Option to make things easier if your payroll frequency is biweekly or more frequent If you use this alternative time frame, you must consistently use it through the application EXCEPT where specifically noted to use "Covered Period" 		All	
Employee (EE)	<ul style="list-style-type: none"> Will receive a W-2 (salary or hourly, full-time or part-time with a consistent schedule) for the CP or APCP Principal place of residence is in the U.S. Must have SSN 	<ul style="list-style-type: none"> Self-employed (independent contractors, sole proprietors) Owner-EEs Partners 	<ul style="list-style-type: none"> Anyone with a 1099 is considered its own business under PPP and can apply for its own PPP loan 	Table 1 & 2	N/A	Top

**Indicates uncertain areas that remain to be clarified*

Definitions

Terminology	Definition	Definition does NOT include	Notes	Application Section		
				Schedule A Worksheet	Schedule A	Loan Forgiveness Calculation Form
Payroll Costs Eligible for Forgiveness	<p>Total paid to each EE by you:</p> <ol style="list-style-type: none"> Cash Compensation: <ul style="list-style-type: none"> Gross salary, wage, commission, and similar compensation (including bonus) Payment of cash tip or equivalent Payment for paid leave (vacation PTO, parental, family, medical, or sick) Allowance for dismissal or separation Make-whole payments to furloughed EE Benefits <ul style="list-style-type: none"> Payment for benefits (group healthcare/ dental/vision benefits including insurance premiums) Employer retirement plan contribution Payment of state or local tax assessed on compensation of EE <p>For non-EE (owner-employees, self-employed, or general partners) up to \$20,833 or 2.5 months of net profit, or \$15,385 if an 8 week CP is being used</p>	<ul style="list-style-type: none"> Cash compensation in excess of annualized \$100K - thus cap per EE is \$46,154 (\$100K / 52 weeks x 24-week) or \$15,385 if 8-week CP is used Qualified sick and family leave wages under FFCRA* Your (employer) share of federal taxes on compensation (e.g., FICA) Payments to independent contractors (1099) Limitations on expenses related to owner-employees of S-Corp and C-Corps as noted on the next page 	<ul style="list-style-type: none"> ≥60% of total loan forgiveness must be Payroll Costs Count ONLY ONCE any cost that was both incurred and paid Payroll Costs are eligible if they were: <ul style="list-style-type: none"> Incurred (day that EE worked) during CP/APCP and paid (day the paycheck is distributed or the day you originate an ACH credit transaction*) during CP/APCP Incurred during CP/APCP and paid by your next regular payroll date after CP/APCP) Incurred one* pay period before CP/APCP and paid during CP/APCP 	Table 1 & 2 (Cash Compensation)	Line 1 & 4 (Cash Compensation) Line 6 – 9: other	Line 1 & 10
Nonpayroll Costs Eligible for Forgiveness	<ol style="list-style-type: none"> Business mortgage INTEREST only on any mortgage signed before Feb 15, 2020 Business rent or lease payments (includes personal property lease such as leased equipment) on any rental/lease agreement in place before Feb 15, 2020 Business utilities (electricity, gas, water, transportation, telephone, or internet access) on any service that began before Feb 15, 2020 	<ul style="list-style-type: none"> Mortgage: excludes prepayment of interest or payment of principal. 	<ul style="list-style-type: none"> Up to 40% of total loan forgiveness may be Nonpayroll Costs Count ONLY ONCE any cost that was both incurred and paid Nonpayroll Costs are eligible if they were: <ul style="list-style-type: none"> Incurred during CP and paid during CP Incurred during CP and paid by your next regular billing date after CP Owed in arrears before CP and paid during CP 	N/A	N/A	Line 2 – 4

*FFCRA: Families First Coronavirus Response Act, Section 7001

Definitions - Owner-Employee payroll costs


C-Corporations and S-Corporations treat owner's compensation similar to that of a traditional employee. For borrowers that are LLC's the owners must determine how they are organized for tax filing purposes for the tax year 2019 (partnership, sole proprietorship, etc.).

C Corporation owner-employee limitation: The compensation to a C-Corporation owner-employee, is limited to 2.5/12 of their 2019 employee cash compensation. Expenses related to the owner-employee for state and local taxes assessed on their compensation, for the amounts contributed to their employee health insurance, and for employer retirement contributions (capped at 2.5/12 of the 2019 employer retirement contribution) are all eligible amounts to include in the forgiveness calculation.

S Corporation owner-employee limitation: The compensation to a S-Corporation owner-employee, is limited to 2.5/12 of their 2019 employee cash compensation. Expenses related to the owner-employee for state and local taxes assessed on their compensation and for employer retirement contributions (capped at 2.5/12 of the 2019 employer retirement contribution) are eligible amounts to include in the forgiveness calculation. Employer contributions to their employee health insurance are not eligible for additional forgiveness for S-corporation owner-employees with at least a 2% stake in the business, including for employees who are family members of an at least 2% owner because those amounts are included in cash compensation.

Definitions

Terminology	Definition	Definition does NOT include	Notes	Application Section		
				Schedule A Worksheet	Schedule A	Loan Forgiveness Calculation Form
Avg FTE	<ul style="list-style-type: none"> Average Full-Time Equivalent (FTE) is the average # of hours paid per week divided by 40 (rounded to nearest tenth) Maximum per EE is capped at 1.0 (or, you may simplify and enter "1.0" for each EE who worked ≥40 hours, and "0.5" for each EE who worked <40 hours) 		<ul style="list-style-type: none"> Applies to CP / APCP References hours PAID not necessarily WORKED Although amounts paid to owners are eligible for forgiveness, owners are not included in FTE calculations 	Table 1 & 2	Line 2 & 5	N/A
Salary/Hourly Wage Reduction Safe Harbor (Calculation)	This calculation applies only if you reduced salary or hourly wages for any EE by >25% during CP/APCP (when compared to Jan 1, 2020 to Mar 31, 2020). If you restored salary/hourly wages, you can avoid the reduction to the forgivable amount.			Table 1	Line 3	N/A
FTE Reduction Exceptions	FTE count for both of the situations below are excluded from the FTE Reduction calculation: <ol style="list-style-type: none"> Any positions for which you made a good-faith, written offer to rehire an EE during CP/APCP which was rejected by that EE, and Any EEs who during CP/APCP were a) fired for cause, b) voluntarily resigned, or c) voluntarily requested and received a reduction of their hours Enter this total # only if the position(s) was not filled by a new EE		<ul style="list-style-type: none"> This helps minimize any reduction in forgivable loan amount 	Table 1	N/A	N/A
FTE Reduction Safe Harbor (Calculation)	You are exempt from the reduction in loan forgiveness based on FTE EE described in PPP Schedule A if both 1) you had reduced your FTE EE levels from Feb 15, 2020 to Apr 26, 2020; and 2) you then restored your FTE EE levels by Jun 30, 2020 to your FTE EE levels in your pay period that included Feb 15, 2020			Calculation	Line 11	N/A
FTE Reduction (Calculation)	Determines how much your forgivable amount should be reduced due to reduced staffing (headcount and/or payroll)			N/A	Line 11 – 13	N/A



Step One: SBA Application Schedule A Worksheet

Table 1—
is for EEs who make ≤\$100K in annualized compensation for all pay periods in 2019 OR were employed only in 2020. You will need to upload a document containing these fields for each employee and will only have to enter the total of these calculations into the FirstBank portal

Table 2

is for EEs who make >\$100K annualized for all pay periods in 2019

- EE's name: add extra page(s) if you need to list more
- EE identifier: last 4 digits of SSN
- Average FTE: see DEFINITIONS
- Salary/Hourly Wage Reduction:
 - Only applies if you reduced salary or hourly wages by >25% during CP/APCP (vs. during Jan 1, 2020 through Mar 31, 2020). See CALCULATIONS AND FORGIVENESS DEDUCTIONS
 - By definition, this doesn't apply to EE who earned more than \$100K in 2019, so this column does not exist for Table 2
- FTE Reduction Exceptions:
 - Any FTE reductions in these cases do NOT reduce your loan forgiveness amount
- Boxes 1-5: sum the column

OMB Control Number 3245-0087
Expiration Date 10/31/2020

Paycheck Forgiveness Application

PPP Schedule A Worksheet

Table 1: List all 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; 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
FTE Reduction Exceptions:				
Totals:	Box 1	Box 2	Box 3	

Table 2: List all 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; 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
Totals:	Box 4	Box 5	

Attach additional tables if additional rows are needed.

FTE Reduction Safe Harbor:

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, the FTE Reduction Safe Harbor 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 as of June 30, 2020: _____.

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 has been satisfied. Otherwise, the FTE Reduction Safe Harbor does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

FTE Reduction Safe Harbor: see Calculation and Forgiveness Deductions section. These calculations are detailed separately as they apply to multiple sections of the Application. The form does not provide for a place to complete the necessary math

The background of the slide features a misty, mountainous landscape. The mountains are layered, with the closest peaks in the foreground and more distant, hazy peaks in the background. The color palette is muted, consisting of various shades of blue, grey, and white, creating a serene and atmospheric scene. The text is overlaid on the middle section of the image.

Step Two: SBA Application Schedule A

SBA Application Schedule A


PPP Schedule A Worksheet, Table 1 and Table 2 Totals

- Lines 1-5: transfer from Schedule A Worksheet
 - Line 3: If the avg annual salary/hourly wage for each EE listed on Schedule A Worksheet Table 1 during CP/APCP was $\geq 75\%$ of that EE's avg annual salary/hourly wage from Jan 1, 2020 to Mar 31, 2020, check the box found in the text and enter "0" in the field on the right

Non-Cash Compensation Payroll Costs During CP or APCP

(remember lines 6-8 are in addition to the annualized cash compensation cap of \$100K)

- Lines 6: pull from your bill or payroll report (if you have a third party payroll provider, they may have a prepared report)
 - Includes employer contributions to self-insured, employer-sponsored group health plan
 - Excludes pre-tax or after-tax contributions by EE
- Lines 7: pull from payroll register or retirement submission document to your plan
 - Excludes pre-tax or after-tax contributions by EE
- Lines 8: pull from tax return or payroll register
 - Excludes taxes withheld from EE earnings e.g., state unemployment insurance tax

 **Paycheck Protection Program
Loan Forgiveness Application** OMB Control Number 3245-4
Expiration Date: 10/31/2

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 or the Alternative Payroll
Covered Period was at least 75% of such employee's average annual salary or hourly
wage between January 1, 2020 and March 31, 2020, 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 or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance: _____

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

Line 8. Total amount paid 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 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 ☐, skip lines 11 and 12 and enter 1.0 on line 13.

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 Fraction (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met: _____

SBA Application Schedule A

Compensation to Owners

- Line 9: pull from federal tax filing document
 - These individuals should not be in either Table 1 or 2 from Schedule A Worksheet (healthcare and retirement costs of owners/general partners are not forgivable)
 - Also capped at the lower of a) \$15,385 for each individual OR b) 8-week equivalent of EE applicable compensation in 2019 (prevents an owner from increasing her compensation during the CP/APCP to maximize forgiveness and disallows any raises which may have taken effect in 2020)

FTE Reduction Calculation

If your staffing level is the same on Jan 1, 2020 as it is the last day of your CP, then check the box and enter "1.0" on line 13 (FTE Reduction Safe Harbor is met = no reduction required).

Otherwise, lines 11-13 calculates how much your forgivable amount should be reduced due to reduced staffing (headcount) – if at all

- Line 11: see Calculations and Forgiveness Reductions section
- Line 12: purpose is to calculate the reduction in forgiveness if staffing is reduced and not replaced
- Line 13: if >1.0, enter 1.0*

*indicates uncertain areas that remain to be clarified

**Paycheck Protection Program
Loan Forgiveness Application** OMB Control Number 3245-4
Expiration Date: 10/31/20

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 or the Alternative Payroll
Covered Period was at least 75% of such employee's average annual salary or hourly
wage between January 1, 2020 and March 31, 2020, 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 or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance: _____

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

Line 8. Total amount paid 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): _____

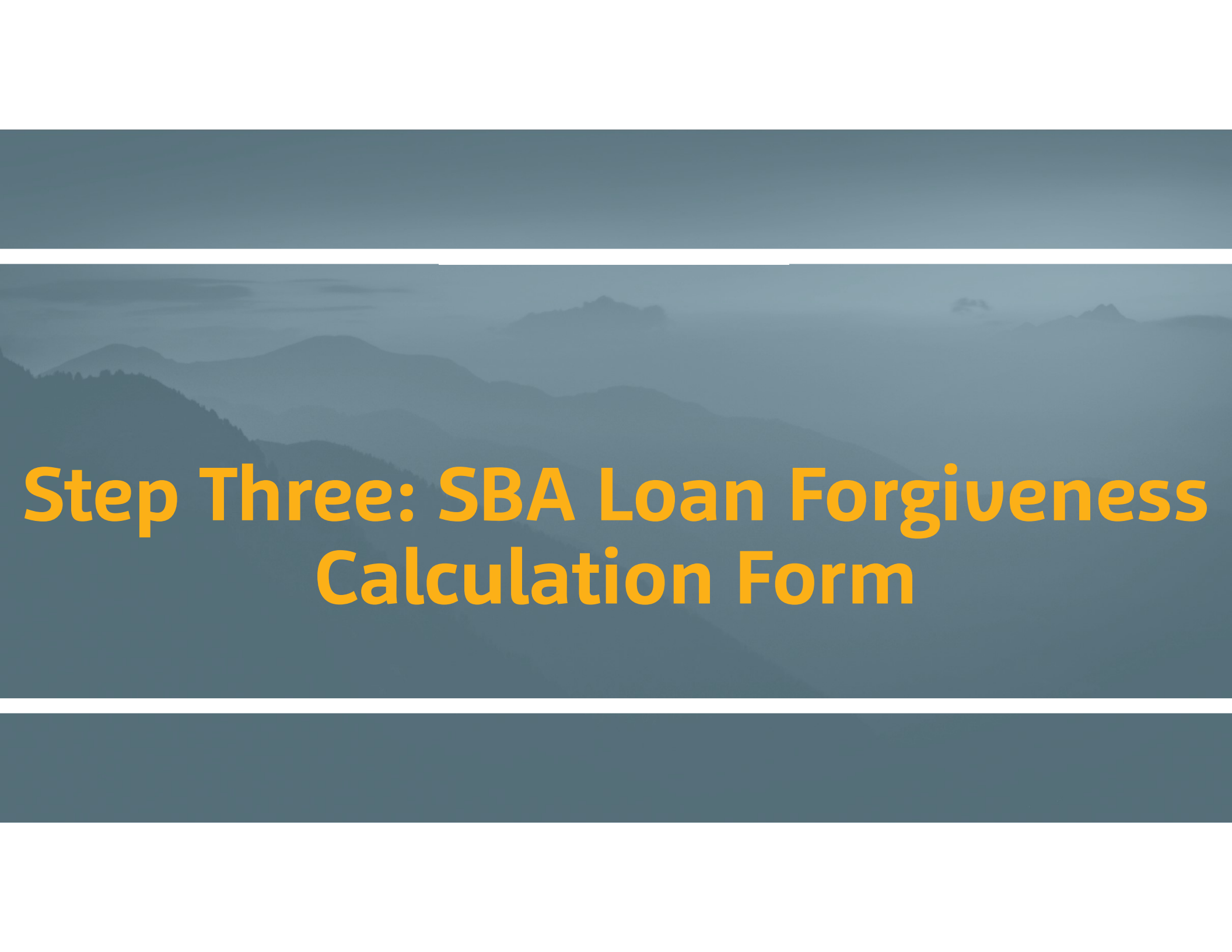
Full-Time Equivalency (FTE) Reduction Calculation

If you 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 ☐ skip lines 11 and 12 and enter 1.0 on line 13.

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 Coefficient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met: _____



Step Three: SBA Loan Forgiveness Calculation Form

SBA PPP Loan Forgiveness Calculation Form

Top of Application

- SBA PPP Loan #: 10-digit # assigned by SBA (this will be provided to you in the FirstBank application portal, you can leave blank for now)
- Lender PPP Loan #: should be on closing documents (this will be provided to you in the FirstBank application portal, you can leave blank for now)
- PPP Loan Amount: this total is the “principal” = maximum amount of loan eligible for forgiveness
- PPP Loan Disbursement Date: see DEFINITIONS
- Employees at Time of Loan: actual # does not affect forgiveness (we believe these two field are intended to be the total # of employees as was used during the application process rather than FTEs)*
- Employees at Time of Forgiveness: actual # does not affect forgiveness; enter # as of date application is completed and submitted to FirstBank*
- EIDL information: applies to EIDL loans received between Jan 31st, 2020 and April 3rd, 2020
 - Any EIDL amount received after Jan 31, 2020 AND used to cover payroll, was LIKELY refinanced into your PPP loan (SBA will reduce the forgivable amount by any initial Advance received on an EIDL loan After April 3rd)
- “If Borrower” row: ONLY check if loan is over \$2M or if all loans to related entities are over \$2M in aggregate (borrowers with loans ≤\$2M were required to make, in good faith, eligibility certification that loan was necessary)

Paycheck Protection Program Loan Forgiveness Application		OMB Control Number 3245-0407 Expiration Date: 10/31/2020	
PPP Loan Forgiveness Calculation Form			
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 Loan Number: _____	
PPP Loan Amount: _____		PPP Loan Disbursement Date: _____	
Employees at Time of Loan Application: _____			
Employees at Time of Forgiveness Application: _____			
EIDL Advance Amount: _____		EIDL Application Number: _____	
Payroll Schedule: The frequency with which payroll is paid to employees is:			
<input type="checkbox"/> Weekly <input type="checkbox"/> Biweekly (every other week) <input type="checkbox"/> Twice a month <input type="checkbox"/> Monthly <input type="checkbox"/> 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: <input type="checkbox"/>			
Forgiveness Amount Calculation:			
<u>Payroll and Nonpayroll Costs</u>			
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:		_____	
<u>Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions</u>			
Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):		_____	
Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: _____			
Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): _____			
<u>Potential Forgiveness Amounts</u>			
Line 8. Modified Total (multiply line 6 by line 7):		_____	
Line 9. PPP Loan Amount:		_____	
Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75):		_____	
<u>Forgiveness Amount</u>			
Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):		_____	

*indicates uncertain areas that remain to be clarified

SBA PPP Loan Forgiveness Calculation Form

Payroll and Nonpayroll Costs

Only include payments you want to be considered for forgiveness

- Line 1: from Schedule A, Line 10. See DEFINITIONS, includes amounts incurred or paid during CP/APCP
- Line 2-4: see DEFINITIONS

Adjustments for FTE and Salary/Hourly Wage Reductions

- Line 5: amount is the loan forgiveness reduction required for salary/hourly wage reductions in excess of 25% for certain EEs as described in Schedule A
- Line 6: if <0, enter "0"

Potential Forgiveness Amounts

These are the final figures used to determine the PPP loan forgiveness amount

- Line 10: ensures that no more than 25% of potential forgiveness amount was used on nonpayroll costs

Paycheck Protection Program Loan Forgiveness Application		OMB Control Number 3245-0407 Expiration Date: 10/31/2020	
PPP Loan Forgiveness Calculation Form			
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 Loan Number:	
PPP Loan Amount:		PPP Loan Disbursement Date:	
Employees at Time of Loan Application: _____			
Employees at Time of Forgiveness Application: _____			
EIDL Advance Amount: _____		EIDL Application Number: _____	
Payroll Schedule: The frequency with which payroll is paid to employees is:			
<input type="checkbox"/> Weekly <input type="checkbox"/> Biweekly (every other week) <input type="checkbox"/> Twice a month <input type="checkbox"/> Monthly <input type="checkbox"/> 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: <input type="checkbox"/>			
Forgiveness Amount Calculation:			
<u>Payroll and Nonpayroll Costs</u>			
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: _____			
<u>Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions</u>			
Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3): _____			
Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: _____			
Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): _____			
<u>Potential Forgiveness Amounts</u>			
Line 8. Modified Total (multiply line 6 by line 7): _____			
Line 9. PPP Loan Amount: _____			
Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75): _____			
<u>Forgiveness Amount</u>			
Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): _____			



Forgiveness Deduction Calculations

Calculations and Forgiveness Reduction

- As previously stated, the forgiveness amount is based primarily on the amount spent on employee salary/wages during the covered period. However, unless certain Safe Harbor conditions are met, the forgiveness amount will be reduced if the level of FTEs declines or employee wages are reduced by more than 25%. These reductions and their associated Safe Harbor allowances do not apply to sole proprietorships or independent contractors without employees, all businesses with employees should proceed with the following calculations unless they can attest to having not reduced the number of employees or the average paid hours of employees between January 1, 2020 and the covered period (question between Line 10 and Line 11 on Schedule A).
- The Salary and Wage Reduction Safe Harbor calculation is summarized on pages 7-8 of the SBA Loan Forgiveness Application form; However, as you are required to retain supporting documentation for this calculation, it is likely that you will need to complete a separate document showing how you arrive at those numbers if you do not have a third party payroll provider that has provided a report with these calculations.
- The FTE Reduction Safe Harbor calculation is summarized on the bottom of the Schedule A Worksheet. As there are two options for how to calculate FTEs, we recommend completing the math for both options to determine which provides for the most advantageous loan forgiveness amount.

**see DEFINITIONS for clarity*

Salary and Wage Reduction Safe Harbor

The SBA wants to determine if your forgivable loan amount needs to be reduced. This particular calculation only applies if you reduced salary or hourly wages for any employee (EE) by >25% during your CP/APCP (vs. during Jan 1, 2020 to Mar 31, 2020). If you did reduce by >25% AND also then restored salary/hour wages, you can avoid a reduced forgivable loan amount. Determine by the following calculation:

Applies to:

- Schedule A Worksheet: Table 1
- Schedule A: Line 3
- Calculation Form: n/a

Step 1	Determine if pay was reduced >25%:			Sample
	1a	Enter average annual salary OR hourly wage during CP/APCP:	1a	\$ 20,000
	1b	Enter average annual salary OR hourly wage between Jan 1, 2020 and Mar 31, 2020 (Q1):	1b	\$ 35,000
	1c	Divide: "1a" / "1b":	1c	0.57
	If 1c is ≥ 0.75 , no reduction is required for this EE; enter "0" in the column for that EE. You are done			
	If 1c is < 0.75 , a reduction is required for this EE (although that reduction may be reinstated); go to Step 2 to determine what to enter			

Salary and Wage Reduction Safe Harbor

(continued)

Step 2 Determine if the Salary/Hourly Wage Reduction Safe Harbor is met:				
2a	Enter annual salary OR hourly wage as of Feb 15, 2020:	2a	\$	35,000
2b	Enter avg annual salary OR hourly wage between Feb 15, 2020 and Apr 26, 2020:	2b	\$	25,000
If 2b is \geq 2a, skip to Step 3				
If 2b is $<$ 2a, go to 2c				
2c	Enter avg annual salary or hourly wage as of Jun 30, 2020:	2c	\$	32,500
If 2c is \geq 2a, the Salary/Hourly Wage Reduction Safe Harbor has been met. Enter "0" in the column for that EE. You are done				
If 2c is $<$ 2a, go to Step 3				

Salary and Wage Reduction Safe Harbor

(continued)

Step 3 Determine the Salary/Hourly Wage Reduction:			
3a	Multiply: "1b" x 0.75:	3a	\$ 26,250
3b	Subtract: "3a" - "1a":	3b	\$ 6,250
If EE is hourly: compute total dollar amount of reduction that exceeds 25%:			
3c	Enter avg number of hours worked per week between Jan 1, 2020 and Mar 31, 2020:	3c	-
3d	Multiply: "3b" x "3c" x 8:	3d	-
Enter this value in column for that EE. You are done			
If EE is salaried: compute total dollar amount of reduction that exceeds 25%:			
3e	Multiply: "3b" x 8; then divide by 52:	3e	\$ 961.54
Enter this value in column for that EE. You are done			

FTE Reduction Safe Harbor

A goal of the PPP loan is to keep employment at pre-COVID-19 levels. For businesses that reduced (fired/laid off/furloughed) headcount from Feb 15, 2020 to Apr 26, 2020, the SBA wants to give you the opportunity to use the PPP loan money to return to your original staffing level (before Feb 15, 2020). Thus if your Average FTE decreased from February 15th to April, BUT you then restored your Average FTE by Jun 30, 2020 to the level it was during your Feb 15, 2020 pay period, your forgiveness amount will not be reduced.

Applies to:

- Schedule A Worksheet: bottom of page
- Schedule A: Line 11
- Calculation Form: n/a

This exception is called the “FTE Reduction Safe Harbor”. Determine if you meet this Safe Harbor by completing the following calculation:

		<u>Example</u>
Step 1	Enter your total Avg FTE from Feb 15, 2020 and Apr 26, 2020:	5
Step 2	Enter your total Avg FTE that is in your pay period that includes Feb 15, 2020:	6.4
Step 3	If answer for Step 2 is ≤ answer for Step 1: Safe Harbor is not applicable; complete line 13 on Schedule A If answer for Step 2 is larger than Step 1: go to Step 4	
Step 4	Enter your total FTE as of Jun 30, 2020 (end date for CARES Act):	6.4 (means I rehired people)
Step 5	If answer for Step 4 is ≥ answer for Step 2: Safe Harbor is met; enter "1.0" on line 13 of PPP Schedule A If answer for Step 4 < answer for Step 2: Safe Harbor is not met; complete line 13 on Schedule A	

Forgiveness Deduction Calculations

(continued)

If your staffing level is the same on Jan 1, 2020 as it is the last day of your CP, then check the box and enter “1.0” on line 13. Otherwise, Schedule A’s lines 11-13 are designed to calculate how much your forgivable amount should be reduced because of reduced staffing (headcount or payroll) – if at all.

Is your Average FTE during CP/APCP less than any of the following “reference periods (you pick)”:

- a) Feb 15, 2019 – Jun 30, 2019 (for YOY comparison with 2020), or
- b) Jan 1, 2020 – Feb 29, 2020 (for 2020 before PPP-determined Feb 15 date), or
- c) Seasonal employer: (a), (b), or any 12-week period between May 1, 2019 and Sep 15, 2019?

If no (your Average FTE did not decrease), then your forgivable loan amount is not affected.

If yes (your Average FTE did decrease during a, b, or c), then your entire forgivable loan amount will decrease by a fraction.

Applies to:

- Schedule A Worksheet: n/a
- Schedule A: Lines 11-13
- Calculation Form: n/a

Forgiveness Deduction Calculations

(continued)

Example: this company has a PPP loan disbursement date of April 10th for \$20K, and incurred \$20K of costs eligible for forgiveness during its CP. During these 8 weeks, the company had the following employees:

Applies to:

- Schedule A Worksheet: n/a
- Schedule A: Lines 11-13
- Calculation Form: n/a

	<u>(a) Feb 15-Jun 30 (2019)</u>		<u>(b) Jan 1-Feb 29 (2020)</u>		<u>During APCP: Apr 20-Jun 14 (2020)</u>			
<u>Employee</u>	<u>Avg hrs paid/wk</u>	<u>Avg FTE (/40, cap at 1.0)</u>	<u>Avg hrs paid/wk</u>	<u>Avg FTE (/40, cap at 1.0)</u>		<u>Avg hrs Paid/wk</u>	<u>Avg FTE (/40, cap at 1.0)</u>	<u>Simplified FTE*</u>
Laura	45	45/40 = 1.0	45	45/40 = 1.0	Able to work remotely	45	45/40 = 1.0	1.0
Luis	40	40/40 = 1.0	40	40/40 = 1.0	Parental leave	40	40/40 = 1.0	1.0
Nayeli	40	40/40 = 1.0	40	40/40 = 1.0	Reduced hours	28	25/40 = 0.6	0.5
Jamie	40	40/40 = 1.0	28	28/40 = 0.7	Reduced hours	20	20/40 = 0.5	0.5
Jackson	32	32/40 = 0.8	28	28/40 = 0.7	Laid off but paid severance	20	20/40 = 0.5	0.5
Parker	40	40/40 = 1.0	40	40/40 = 1.0	Unpaid furlough			
Megan	40	40/40 = 1.0	40	40/40 = 1.0	Unpaid furlough			
Total		6.8		6.4			3.6	3.5

period

*You can opt to use a simplified version of "1.0" for EE who work ≥40 hours, and "0.5" for EE who work <40 hours) While amounts paid to owners are eligible for forgiveness, owners are not included in FTE calculations

The background of the slide is a photograph of a mountain range. The mountains are layered, creating a sense of depth, and are partially shrouded in mist or fog. The color palette is muted, consisting of various shades of blue, grey, and green. A single, solid vertical orange line is positioned on the left side of the slide, to the left of the text.

Thank you