

PPP FORGIVENESS FORM SELECTION

The SBA has provided three applications for PPP forgiveness: 3508S, 3508EZ and Regular 3508.

SBA Form 3508S requires fewer calculations and less documentation for eligible borrowers. SBA Form 3508S does not require borrowers to show the calculations used to determine their loan forgiveness amount. However, the SBA may request information and documents to review those calculations as part of its loan review or audit processes.

We've outlined the scenarios in which you are eligible to use each form. We recommend that you work closely with your CPA to determine which application you should use.

3508S

Borrowers can apply for forgiveness of your first or second Paycheck Protection Program (PPP) loan using the SBA Form 3508S only if the loan amount you received from your lender was \$150,000 or less for an individual first or second PPP Loan. If you are not eligible to use this form, you must apply for PPP loan forgiveness using SBA Form 3508 or 3508EZ (or lender's equivalent form). Each PPP loan must use a separate loan forgiveness application form. You cannot use one form to apply for forgiveness of both a first and second PPP loan.

Reductions to a Borrower's requested loan forgiveness amount should not occur if a borrower can attest to the following:

That the Borrower did not reduce annual salaries or hourly wages of any employee by more than 25 percent during the Covered Period compared to the most recent full quarter before the Covered Period.

AND
THAT
EITHER

The Borrower did not reduce the number of employees

or

reduce the average paid hours of employees between Jan. 1 and the end of the Covered Period.

OR

The Borrower was unable to operate during the Covered Period at the same level of business activity as before Feb. 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020, and Dec. 31, 2020 (or, for a PPP loan made after Dec. 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.

If the Borrower does not satisfy these requirements and is potentially subject to reductions in a Requested Loan Forgiveness Amount, the Borrower must follow SBA Form 3508 and its instructions to calculate its Requested Loan Forgiveness Amount.

3508EZ

1

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).¹

2

The borrower did not reduce annual salary or hourly wages of any employee by more than 25%

during their Covered Period compared to the most recent full quarter before the Covered Period.²

AND

The borrower did not reduce the number of employees or the average paid hours of those employees

from Jan. 1, 2020 to the end of their Covered Period.^{3,4}

3

The borrower did not reduce annual salary or hourly wages of any employee by more than 25%

during their Covered Period compared to the most recent full quarter before the Covered Period.²

AND

The borrower was unable to operate during the Covered Period at the same level of business activity

as before Feb. 15, 2020, due to compliance with requirements established or guidance issued between 3/1/20 and 12/31/20 (or for a PPP loan made after 12/27/20, requirements established or guidance issued between 3/1/20 and the last day of the Covered Period) regarding COVID-19.⁵

Note: The term "Covered Period" is defined in the Borrower Application Form.

REGULAR 3508

If none of the above apply, the borrower must complete the regular 3508 form.

¹ If you report your taxes on Form 1040 Schedule C or Schedule F or Form 1065 (for example, if you are a sole proprietor, LLC, or partnership) and do not have any employees, you qualify for scenario one and move on to Form 3508EZ.

² Keep in mind that reductions in hourly rate or salary are allowed for employees who earned an annualized income of \$100,000 or more during any pay period in 2019.

³ 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 (or, for a PPP loan made after December 27, 2020, the last day of the Covered Period).

⁴ 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.

⁵ If you qualify for this scenario you will need to maintain copies of applicable COVID-19 related restrictions for each business location and relevant financial records demonstrating the impact of these restrictions.