

PPP Forgiveness Checklist

Paycheck Protection Program loan forgiveness has several categories to ensure compliance on the forgiveness :

- ✓ Spending your PPP funds on the right things
- ✓ Tracking and document your spending
- ✓ Maintain your business employee staffing and salaries

Here is a simple checklist to make sure you can maximize your PPP loan and work towards it being 100% forgiven.

Important: Please always check with your Legal Counsel, Tax Advisor, and Banking Institution (PPP Provider) for details to ensure you are completing and documenting everything appropriately.

Earnings

Spending PPP funds on the right things:

- Spend at least 75% of the funds on payroll costs
 - Salaries / Wages / Commissions / Tips
 - All employer state and local taxes paid on employee gross pay, such as state unemployment insurance and employer-paid state disability insurance (in applicable states).
 - Vacation pay
 - Parental and family leave Medical benefits
 - Sick leave
 - Employer healthcare benefits
 - Retirement benefits, including defined-benefit or defined-contribution retirement plans and employer 401(k) contributions.
- Spend the remaining 25% of the funds on approved expenses*
 - Mortgage interest
 - Rent
 - Utilities

*In order for the Mortgage interest, Rent, and utilities expenses to be forgiven - expenses cannot be brand new—they had to be in effect prior to February 15, 2020

Tracking Your Expenses

In order to prove your PPP expenses and qualify for forgiveness, we recommend the following six steps.

- ❑ Record the PPP deposit as a loan on your books
- ❑ Over the next eight weeks, complete bookkeeping on all financial transactions
 - ❑ Record the expense amount
 - ❑ Record the vendor/payee
 - ❑ Record the “category” of the expense (Utilities, Rent, Payroll, etc.) Record the date of the transaction
 - ❑ Record the purpose of the transaction
 - ❑ Store the receipt or official record (such as payroll records)
- ❑ At the end of eight weeks, add up the total amount spent on forgivable categories
- ❑ Apply for forgiveness through your banking institution/lender
- ❑ Once the amount of forgiveness has been confirmed by your lender, ensure you update your Loan Ledger and adjust that amount into a “Non-Taxable Gains” ledger
- ❑ If you did not qualify to get the full forgiveness of the loan, any remaining amounts will stay in the “Loan” category on your books

Maintain Your Staffing Levels

- ❑ The average number of full-time equivalent (FTE) employees per month during the 8-week period from the date of the loan is at least equal to the average number of FTE employees during the period from:
 - February 15 through June 30, 2019
 - January through February of 2020
- ❑ Review and reverse staffing reductions and June 30th, 2020
 - Any reductions occurring between February 15 and April 26, 2020 will not be considered in reducing the loan forgiveness amount if they are reversed by June 30, 2020. It is important to note that if the staffing/pay reduction was made *outside* the February 15 to April 26 timeframe, the forgivable amount may still be reduced even if the staffing reduction is reversed by June 30, 2020.

Maintain Pay Levels

- Avoid reducing any employee's earnings by 25% or more during the 8-week period from the date of the loan disbursement compared to the most recent full quarter of employment prior to the loan date.
 - Any reductions occurring between February 15 and April 26, 2020 will not be considered in reducing the loan forgiveness amount if they are reversed by June 30, 2020. It is important to note that if the pay reduction was made *outside* the February 15 to April 26 timeframe, the forgivable amount may still be reduced even if the pay reduction is reversed by June 30, 2020.
 - **Note:** When comparing wage levels for the purpose of loan forgiveness, employees who earned wages or a salary at an annualized rate of more than \$100,000 in any pay period of 2019 are not considered.

REMINDER – we at Payroll Network are not legal attorneys, and the information provided here is not legal advice. Please consult with your legal counsel for specific questions and guidance.