



PPP Frequently Asked Questions

(updated as of January 25, 2021)

SUMMARY

Paycheck Protection Program (“PPP”) loans are intended to provide forgivable loans to help small businesses and nonprofits continue operating and paying employees during the on-going economic uncertainty caused by COVID-19. The Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, signed into law on December 27, 2020 (“Economic Aid Act”), **reopened PPP for first-time borrowers, allowed for 2nd Draw PPP loans for the hardest hit PPP borrowers, and made significant improvements to forgiveness requirements.** The Small Business Administration (“SBA”) continues to issue guidance to implement these changes. Self-Help is closely monitoring PPP rules and guidance, and we will update our PPP FAQ as new information becomes available.

PPP Loans:

If you have not yet received a PPP loan and you meet eligibility requirements, you may apply for a PPP loan (also called 1st Draw PPP loans) in the amount of two and a half months’ worth of your average monthly payroll costs.

2nd Draw PPP Loans for the hardest-hit small businesses and nonprofits:

If you already received a PPP loan and you meet additional eligibility requirements, you may apply for a 2nd Draw PPP loan in the amount of two and a half months’ worth of your average monthly payroll costs. If you are classified NAICS code 72 (accommodations and food services), you are eligible for three and a half months’ worth of your average monthly payroll costs. Additional eligibility requirements include:

- You have experienced at least a 25% reduction in gross receipts in 2020, as compared to 2019; and
- You have used your first PPP loan for eligible purposes.

Forgiveness:

In general, under the current laws and guidance, PPP loans are eligible for forgiveness if:

- At least 60% of PPP loan funds are used to pay employees and any remaining loan funds are used to pay eligible business expenses;
- PPP loan funds are used within 24 weeks; and
- Staff and wage levels are maintained (subject to exceptions).

Any portion of your PPP loan that does not meet these forgiveness requirements will be repayable under the terms of your Note. Self-Help will work with you to help you obtain forgiveness for your loan.

Self-Help’s PPP FAQ is our interpretation and summary of existing SBA guidance as of the date posted. Please refer to the Tools & Resources section of our [website](#) for SBA Guidance and additional information.

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I. ELIGIBILITY

A. Am I eligible for a PPP loan?

In general, most small businesses and nonprofits are eligible for a PPP loan if you are facing economic uncertainty due to the impact of COVID-19 and you meet all of the following requirements:

1. You are an eligible small business or nonprofit, such as a sole proprietor, an independent contractor, a self-employed individual, a small business, a 501(c)3 nonprofit, a 501(c)6 nonprofit, a 501(c)19 veteran's organization, a Tribal business concern, certain news organizations that are majority owned or controlled by a NAICS code 511110 or 5151 business, or nonprofit public broadcasting entity with NAICS code 511110 or 5151, a housing cooperative, or a destination marketing organization.
2. You were in operation on February 15, 2020 and either (a) had employees for whom you paid salaries and payroll taxes, or (b) were a sole proprietor, independent contractor, or self-employed individual. (If you operate a seasonal business, you will be considered to have been in operation on February 15, 2020 if you were in operation for any 12-week period between February 15, 2019 and February 15, 2020.)
3. For most businesses, you must have no more than 500 employees (including employees of your Affiliates). For 501(c)6 nonprofit's, housing cooperatives and destination marketing organizations, you must have no more than 300 employees (including employees of your Affiliates). To determine whether related entities are Affiliates, review SBA's Affiliation Rules for PPP in the Tools & Resources section of our [website](#).
4. You have not already received a PPP loan.
5. You are able to make all of the certifications on SBA Form 2383 (PPP 1st Draw Loan Application).

B. Am I eligible for a 2nd Draw PPP loan?

In general, the hardest-hit small businesses and nonprofits are eligible for a 2nd Draw PPP loan if you were eligible for your first PPP loan, you are still facing economic uncertainty due to the impact of COVID-19, and you meet all of the following additional requirements:

1. You experienced at least a 25% reduction in "gross receipts" in calendar year 2020, as compared to calendar year 2019. (In general, you must include gross receipts of your Affiliates.)
 - You may choose an annual or quarterly comparison.
 - For an annual comparison, you will compare your 2020 calendar year to your 2019 calendar year. For example, if your 2019 gross receipts were \$50,000 and your 2020 gross receipts were \$30,000, then, $\$30,000/\$50,000 = 0.6$ and $1 - 0.6 = 0.4$, demonstrating a 40% reduction (must be 25% or greater to be eligible for a 2nd PPP).
 - If you operate on a non-calendar fiscal year, you may choose an annual comparison only if your fiscal year starts the first day of February, March or April; otherwise, you must make a quarterly comparison.
 - For a quarterly comparison, you will compare one quarter in 2020 to the same quarter in 2019. For example, if your gross receipts were \$50,000 in the 3rd quarter of 2019, and your gross

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receipts were \$30,000 in the 3rd quarter of 2020, then, $\$30,000/\$50,000 = 0.6$ and $1 - 0.6 = 0.4$, demonstrating a 40% reduction (must be 25% or greater to be eligible for a 2nd PPP).

- If you were not operating until after June 30 of 2019, you will compare either 3rd or 4th quarter of 2019 with any quarter in 2020.
 - If you were not operating until after September 30, 2019, you will compare 4th quarter 2019 with any quarter in 2020.
2. You have no more than 300 employees (including employees of your Affiliates) as of the date of your 2nd Draw PPP loan application. To determine whether related entities are Affiliates, review SBA's Affiliation Rules for PPP in the Tools & Resources section of our [website](#).
 - This eligibility count is based on your total number of employees, not full-time equivalents. For example, if you have 200 full-time employees and 150 part-time employees, you have 350 total employees and you are not eligible for a 2nd Draw PPP loan.
 - *Exceptions for NAICS code 72:* If your NAICS code is 72 (accommodations and food services):
 - Do not include your Affiliates in determining your total number of employees.
 - If you have more than one physical location, you may have up to 300 employees per location.
 3. You have used the full amount of your first PPP loan for eligible purposes.
 4. You have not permanently closed. (If you have temporarily closed due to the impact of COVID-19, but intend to reopen, then you have not permanently closed. Remember, to obtain forgiveness on your 2nd Draw PPP loan, you will have to use the funds for eligible purposes during your Covered Period.)
 5. You have not received a Shuttered Venue Grant.
 6. You have not already received a 2nd Draw PPP loan.
 7. You are able to make all of the certifications on SBA Form 2383-SD (PPP 2nd Draw Loan Application).

C. How does SBA calculate “gross receipts” for 2nd Draw PPP loan eligibility?

- For a for-profit business, SBA defines “gross receipts” as:
 - All revenue in whatever form received or accrued (in accordance with the entity's accounting method, i.e., accrual or cash) from whatever source, including from the sales of products or services, interest, dividends, rents, royalties, fees, or commissions, reduced by returns and allowances but excluding net capital gains and losses. These terms carry the definitions used and reported on IRS tax return forms.
 - Gross receipts do not include the following:
 - taxes collected for and remitted to a taxing authority if included in gross or total income, such as sales or other taxes collected from customers (this does not include taxes levied on the concern or its employees);
 - proceeds from transactions between a concern and its domestic or foreign affiliates; and
 - amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder or customs broker.

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- All other items, such as subcontractor costs, reimbursements for purchases a contractor makes at a customer's request, investment income, and employee-based costs such as payroll taxes, may not be excluded from gross receipts.
- For a nonprofit, SBA defines gross receipts within the meaning of section 6033 of the Internal Revenue Code, which is the gross amount received by the organization during its annual accounting period from all sources without reduction for any costs or expenses including, for example, cost of goods or assets sold, cost of operations, or expenses of earning, raising, or collecting such amounts. Gross receipts includes, but is not limited to:
 - the gross amount received as contributions, gifts, grants, and similar amounts without reduction for the expenses of raising and collecting such amounts,
 - the gross amount received as dues or assessments from members or affiliated organizations without reduction for expenses attributable to the receipt of such amounts,
 - gross sales or receipts from business activities (including business activities unrelated to the purpose for which the organization qualifies for exemption, the net income or loss from which may be required to be reported on Form 990-T),
 - the gross amount received from the sale of assets without reduction for cost or other basis and expenses of sale, and
 - the gross amount received as investment income, such as interest, dividends, rents, and royalties.
- In most cases, you must include the gross receipts of your Affiliates in your calculation.
- Your first PPP loan is not considered income for tax purposes, and should not be included in your calculation of gross receipts.
- If you received an SBA Economic Injury Loan (EIDL) Advance, your EIDL Advance is not considered income for tax purposes, and should not be included in your calculation of gross receipts.
- Please refer to our Guidance by Entity Type and SBA Guidance – How to Calculate 2nd Draw PPP Loans in the Tools & Resources section of our [website](#) for more detail.

II. PPP LOAN AMOUNTS

A. How is my 1st Draw PPP loan amount determined?

The loan amount for your first PPP loan is equal to two and one-half months of your average monthly “payroll costs” (up to a maximum of \$10 million). Your average monthly payroll costs may be based on your 2019 calendar year or your 2020 calendar year. Unless you are a sole proprietor, independent contractor, or are self-employed, you may also base your payroll costs on the one-year period before the date on which your 1st Draw PPP loan is made. Please refer to our Guidance by Entity Type and SBA Guidance - How to Calculate 1st Draw PPP Loans in the Tools & Resources section of our [website](#) for more detail.

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B. How is my 2nd Draw PPP loan amount determined?

For most borrowers, the loan amount for a 2nd Draw PPP loan is equal to two and one-half months of your average monthly payroll costs (up to a maximum of \$2 million). Your average monthly payroll costs may be based on your 2019 calendar year, your 2020 calendar year, or the one-year period before the date on which your 2nd Draw PPP loan is made. (In most cases, your 2019 calendar year will be your best option. Most borrowers had higher payroll costs in 2019, and because your first PPP loan was typically based on this period, we may already have most of the required documentation.)

- For seasonal employers (an employer that does not operate for more than 7 months per year, or that, during the preceding calendar year, had gross receipts for 6 months that were not more than 1/3 of its gross receipts for the other 6 months), your average monthly payroll costs are based on any 12-week period between February 15, 2019 and February 15, 2020.
- For new entities (businesses or nonprofits that were not in operation until on or after February 15, 2019), your average monthly payroll costs are based on the number of months you have been paying or incurring payroll costs.
- For NAICS code 72 borrowers (accommodations and food services), the loan amount for a 2nd Draw PPP loan is equal to three and one-half months of your average monthly payroll costs (up to a maximum of \$2 million). Your average monthly payroll costs may be based on your 2019 calendar year, your 2020 calendar year, or the one-year period before the date on which your 2nd Draw PPP loan is made. (In most cases, your 2019 calendar year will be your best option. Most borrowers had higher payroll costs in 2019, and because your first PPP loan was typically based on this period, we may already have most of the required documentation.) If you are a seasonal employer or a new entity, your average monthly payroll costs will be based on those alternative time periods.

C. How do I determine whether my business is classified as NAICS code 72?

North American Industry Classification System (NAICS) codes are used by the federal government to classify your primary business activity. NAICS code 72 is the classification for accommodations and food services (e.g., hotels, inns, restaurants, caterers, bars). In general, “primary” is defined as the activity that produces the largest percentage of your total receipts. Your NAICS code is the “business activity code” you entered on your most recent filed tax return (e.g., for Schedule C filers, line B; for Form 1065 filers, line C; for Form 1120-S filers, line B; for Form 1120 filers, Schedule K, line 2a; for Form 990 filers, Part VIII, Column A, lines 2 & 11). If your primary business activity is accommodation or food service, but you inadvertently left the business activity code blank on your most recent tax return, then you must provide alternative documentation, such as permits or licenses unique to these types of businesses and other information.

D. How does SBA calculate Payroll Costs?

- Payroll Costs includes:
 - Cash compensation: Salary, wages, commissions, cash tips or similar compensation (up to \$100,000 annualized per employee). For purposes of calculating cash compensation, borrowers should use the gross amount before deductions for taxes, employee benefits payments, and similar payments.
 - Benefits: If in addition to employee gross pay included in cash compensation, the borrower also pays the following benefits, they may be included as well:

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- Employer contributions to employee group health, life, disability, vision, or dental insurance, including to a self-insured, employer-sponsored group health plan (excluding contributions made on behalf of a self-employed individual, general partners, or S-corporation owner-employees); and
- Employer contributions to employee retirement plans (excluding contributions made on behalf of a self-employed individual or general partners).
- State and local taxes paid by the borrower assessed on employee compensation (e.g., State unemployment insurance tax).
- You may not include payments made to 1099 workers/independent contractors who perform work for you in your Payroll Costs calculation, because independent contractors may apply directly for a PPP loan to cover their compensation.
- You may not include payments made to employees whose principal place of residence is outside the US in your Payroll Costs calculation.

III. ELIGIBLE USES

To be forgiven, **you must use at least 60% of your PPP loan for Payroll Costs**, and the remainder for eligible Non-Payroll Costs, during your Covered Period.

- Payroll Costs: To be eligible for forgiveness, you must use at least 60% of your PPP loan for Payroll Costs. There is no exception to this rule, either for your first PPP loan or your 2nd Draw PPP loan. (As an example, if you receive a \$50,000 PPP loan, and during your Covered Period you have only \$15,000 in Payroll Costs, the maximum amount of forgiveness you will be eligible to receive is \$25,000.)
 - Bonuses and Hazard Pay: There is no prohibition on paying your employees a higher amount than they were paid in 2019, as long as you do not exceed cash compensation of \$100,000 annualized per employee. For owner-employees, however, this is not permitted.
 - Owner-Employee Compensation: This is capped at the lesser of (i) two-and-a-half months of the owner's compensation in the year used to calculate the loan amount (i.e., either 2019 or 2020), or (ii) \$20,833. (If you own more than one business that received a PPP loan, the capped amount includes all businesses.)
 - Independent Contractors: You may not include payments your business makes to independent contractors in your calculation of Payroll Costs, because independent contractors can obtain their own PPP loan.
 - Unemployment Compensation: If you are self-employed, you should consider whether unemployment compensation would be more beneficial to you than a PPP loan. Contact your State unemployment office to determine the amount of unemployment compensation you would qualify to receive. If your PPP loan is covering your payroll, you may not claim unemployment benefits for that same time period.
 - Federal Funding: If your organization receives federal funding for employee payroll, you may not use PPP funds to pay those salaries for the same period. We recommend you talk with your funders to determine whether your other funding can be used for alternative purposes, or during a different time period, to allow your organization to obtain the maximum benefit from your PPP loan.

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- **Non-Payroll Costs:** If you do not use your entire PPP loan for Payroll Costs, you may use up to 40% for the following eligible Non-Payroll Costs:
 - Interest payments on any business mortgage obligation on real or personal property (but not prepayments or principal payments).
 - If you have a mortgage on your office building and lease a portion of the space to tenants, you may not include the proportional amount of mortgage interest for the space leased to your tenants. For example, if the space leased to your tenants represents 25% of the fair market value of the office building, then you may only claim forgiveness on 75% of your mortgage interest.
 - If your mortgage loan is to a related party, your mortgage interest payments are not eligible for forgiveness. For purposes of determining forgivable Non-Payroll Costs, SBA will consider entities with any ownership in common to be related parties.
 - If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
 - Business rent or lease payments for real or personal property.
 - If you sublease a portion of your space, you may not include the portion of your rent that is paid by your subtenant. For example, if you rent an office building for \$10,000 per month and sublease out a portion of the space to another business for \$2,500 per month, only \$7,500 per month would be eligible for forgiveness on your PPP loan.
 - If you share rented space with another business, then when determining the amount that is eligible for loan forgiveness, you must prorate rent payments in the same manner as on your tax filings.
 - If you are a home-based business, then when determining the amount of rent payments that are eligible for loan forgiveness, you must prorate payments in the same manner as on your tax filings.
 - If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
 - If your rent payments are to a related party, you may request forgiveness for rent payments up to the amount of mortgage interest owed by the related party on the property (if you rent less than 100% of the property, you must prorate this amount based on the portion you rent). Your lease and the related party's mortgage must both have been in place on or prior to February 15, 2020. For purposes of determining forgivable Non-Payroll Costs, SBA will consider entities with any ownership in common to be related parties.
 - Business utility payments for a service for the distribution of electricity, gas, water, transportation, telephone, and internet access.
 - A "service for the distribution of transportation" refers to transportation utility fees (sometimes known as street maintenance fees or road user fees) assessed by state and local governments. No other transportation-related cost is eligible for loan forgiveness.
 - If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
 - If you have tenants or subtenants, you may not include any amount attributable to the operation of your tenant or subtenant.
 - Covered Operations Expenditures: business software or cloud computing services that facilitate your business operations, product or service delivery, the processing, payment or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records and expenses.

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- If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
- Covered Property Damage Costs: costs related to property damage, vandalism or looting due to public disturbances that occurred during 2020 that was not covered by insurance or other compensation.
 - If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
- Covered Supplier Costs: expenditures made by a borrower to a supplier of goods for the supply of goods that (A) are essential to the operations of the borrower at the time at which the expenditure is made; and (B) are made pursuant to a contract, order, or purchase order (i) in effect at any time before the Covered Period for the loan; or (ii) with respect to perishable goods, in effect at any time before or during the Covered Period for the loan.
 - If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
- Covered Worker Protection Expenditures: costs to facilitate the adaptation of your operations to comply with federal, state or local requirements or guidance from March 1, 2020 through the end of the COVID-19 national emergency declaration, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement, including:
 - purchase, maintenance, or renovation of assets that create or expand (i) a drive-through window facility; (ii) an indoor, outdoor, or combined air or air pressure ventilation or filtration system; (iii) a physical barrier such as a sneeze guard; (iv) an expansion of additional indoor, outdoor, or combined business space; (v) an onsite or offsite health screening capability; or (vi) other assets relating to the compliance with COVID-19 requirements or guidance as determined by SBA
 - purchase of (i) covered materials described in section 328.103(a) of title 44, Code of Federal Regulations, or any successor regulation; (ii) particulate filtering facepiece respirators approved by the National Institute for Occupational Safety and Health, including those approved only for emergency use authorization; or (iii) other kinds of personal protective equipment, as determined by SBA.
 - Covered Worker Protection Expenditures do not include expenditures for residential real property or intangible property.
 - If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
- Ineligible Uses: No other uses are forgivable. SBA also specifies that borrowers may not use PPP funds for lobbying activities.

IV. COVERED PERIOD

Your PPP loan must be used for within your Covered Period to be eligible for forgiveness. The Covered Period for your first PPP loan or your 2nd Draw PPP loan begins on the date you receive your PPP loan proceeds, and ends on any date you select that is (i) at least 8 weeks after you receive your loan and (ii) not more than 24 weeks after you receive your loan. You will select your Covered Period end date when you apply for forgiveness. (SBA has eliminated the option for an “alternative” covered period to align with your payroll cycle.)

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Eligible Payroll Costs and Non-Payroll Costs that are paid during your Covered Period may be included in your forgiveness request, even if incurred prior to your Covered Period. Eligible costs incurred during your Covered Period may be included in your forgiveness request, even if paid after your Covered Period, if paid by the next regularly scheduled due date. Prepayments (payment of a cost not yet incurred or due) may not be included.

v. STAFF MAINTENANCE REQUIREMENTS

If your PPP loan is \$50,000 or less (and all PPP loans received by you and your affiliates total less than \$2 million), then reductions in staff wages and/or full-time equivalent (“FTE”) hours will not reduce your forgiveness amount.

If your PPP loan is more than \$50,000 (or if all PPP loans received by you and your affiliates total \$2 million or more), your forgiveness amount will be reduced if you do not maintain staff wages and FTEs and do not meet any exception. You will be required to certify that you have maintained your staff wages and FTEs when you apply for forgiveness. You are required to keep documentation supporting this certification for at least 4 years following forgiveness, and to provide this documentation to SBA upon request. If your loan is over \$150,000, you will submit this documentation as part of your forgiveness request.

A. How does SBA calculate maintenance of staff wages and forgiveness reductions?

- If your PPP loan is more than \$50,000 (or if all PPP loans received by you and your affiliates total \$2 million or more), then reductions of more than 25% in any employee’s salary/hourly wages will reduce the amount of forgiveness, unless:
 - The reduction is for an employee who made more than \$100,000 in 2019;
 - The reduction is for an owner-employee; or
 - The employee’s salary/hourly wage is restored. To meet this exception, you would resume paying your employee their pre-COVID hourly wage/annual salary before the end of your Covered Period. You are not required to restore lost wages for the period during which you had to reduce the employee’s hourly wage/annual salary.
- Calculation of a reduction in employee compensation is separate from the determination of whether you have reduced FTEs. For example, assume you have an employee who made \$20/hour and worked 40 hours per week prior to COVID. During your Covered Period, the employee continued to make \$20 per hour, but you had to reduce her hours from 40 hours per week to 20 hours per week. Although this is an FTE reduction (from 1 FTE to ½ FTE), it is not a reduction in compensation – you have continued to pay the employee \$20 per hour.
 - Hourly Employee Example: Pre-COVID, you employed Samuel at \$20/hour and he worked 10 hours per week. During your Covered Period, you reduced Samuel’s pay to \$14/hour. The reduction over 25% is equal to \$1/hour. To determine the impact on your loan forgiveness, you must calculate Samuel’s average weekly wage reduction. Since Samuel worked an average of 10 hours per week pre-COVID, you will multiply the reduction over 25% by Samuel’s average pre-COVID hours (\$1 x 10), which results in an average weekly wage reduction of \$10. SBA will reduce your forgiveness amount by \$10 for each week of your Covered Period. For an 8-week Covered Period, your forgiveness will be reduced by \$80; for a 24-week Covered Period, your forgiveness will be reduced by \$240. If you resume paying Samuel \$20/hour before the end of your Covered Period, SBA will not reduce your forgiveness amount.

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- **Salaried Employee Example:** Pre-COVID, you employed Veronica at an annual salary of \$52,000/year. During your Covered Period, you reduced Veronica's annual salary to \$33,800/year. The reduction over 25% is equal to \$5,200. To determine the impact on your loan forgiveness, you must calculate Veronica's average weekly wage reduction. Since Veronica was a salaried employee, you will divide her reduction over 25% by the number of weeks in the year ($\$5,200/52$), which results in an average weekly wage reduction of \$100. SBA will reduce your forgiveness amount by \$100 for each week of your Covered Period. For an 8-week Covered Period, your forgiveness will be reduced by \$800; for a 24-week Covered Period, your forgiveness will be reduced by \$2,400. If you resume paying Veronica \$52,000/year before the end of your Covered Period, SBA will not reduce your forgiveness amount.
- If you have an employee with an average weekly compensation reduction of more than 25%, then the amount in excess of 25% will be multiplied by the number of weeks in your Covered Period, and your total eligible Payroll Costs and Non-Payroll Costs eligible for forgiveness will be reduced by the result. For example, assume you have a 24-week Covered Period, you reduced an employee's average weekly wages by more than 25%, and the portion over 25% is \$100 per week. If your Payroll Costs and Non-Payroll Costs during your 24-week Covered Period total \$50,000, you would reduce that amount by \$2,400 ($\100×24 weeks), for total eligible forgivable costs of \$47,600.

B. How does SBA calculate maintenance of total average full-time equivalent ("FTE") employees and forgiveness reductions?

For borrowers with loans over \$50,000, if you have FTE reductions and no FTE Reduction Exceptions apply, your forgiveness may be reduced. First, you will determine your total Payroll Costs and Non-Payroll Costs for your Covered Period. If you have had FTE reductions and no exceptions apply, you will reduce your total eligible costs by a proportional amount. For example, assume during your pre-COVID reference period, you averaged 10 FTEs, but for your Covered Period, you average only 9 FTEs, and no FTE Reductions Exceptions apply. If your Payroll Costs and Non-Payroll Costs during your Covered Period total \$50,000, you would multiply that amount by 9/10 for total eligible forgivable costs of \$45,000.

C. What are the FTE Reduction Exceptions?

If you meet one of the following FTE Reduction Exceptions, a reduction in FTEs will not reduce your forgiveness amount:

- Laid-off employees will be excluded from the forgiveness reduction calculation if you document all of the following:
 - During your Covered Period (or Alternative Payroll Covered Period, if applicable), you made a good faith, written offer of rehire (or restoration of reduced hours),
 - the offer was for the same salary/wages and same number of hours as the employee previously worked,
 - the employee rejected your offer, and
 - within 30 days of the employee's rejection, you notify the applicable State unemployment insurance office. (SBA plans to provide information on how to report rejected reemployment offers to State unemployment insurance offices on its website at www.sba.gov.) Employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.
- Employees fired for cause will be excluded from the forgiveness reduction calculation if you document they were fired for cause.

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- Employees who voluntarily resigned, and employees who voluntarily requested and received a reduction in hours, will be excluded from the forgiveness reduction calculation if you document they resigned or reduced their hours voluntarily.
- If you document that you are unable to hire qualified employees for unfilled positions, then these unfilled positions will not reduce your forgiveness amount.
- If you document that you were unable to operate at the same level of business activity between February 15, 2020 and the end of your Covered Period as you were before February 15, 2020, due to compliance with federal, State or local requirements or guidance issued from March 1, 2020 through the end of the national emergency declaration for COVID-19, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19, then your reduction in staff will not reduce your forgiveness amount. To document this exception, you should keep copies of (i) the guidance issued for your location, and (ii) borrower financials for the pre-COVID period and for your Covered Period.

VI. FORGIVENESS APPLICATION, PROCESS, & DOCUMENTATION REQUIREMENTS

A. How and when do I apply for forgiveness on my PPP loan?

Self-Help is staggering access to our forgiveness portal based on the date your loan was made. When it is time for you to apply, we will notify you and send you a unique link by email from “notifications@venturesgo.com,” which will allow you to access and complete the forgiveness application for your loan. We will also provide you with step-by-step instructions on how to submit your forgiveness application securely.

While you may apply for forgiveness at any time before the maturity of your PPP loan, you should apply for forgiveness within ten months of the last day of your Covered Period. For example, if you received your first PPP loan in May of 2020, and you chose a full 24-week Covered Period ending in October, you should start your forgiveness application process at least by late June to ensure it can be submitted within your ten-month window. If you do not submit your forgiveness application within your ten-month window, you must begin making payments on the loan.

B. Are the SBA forgiveness applications available?

Yes, SBA forgiveness application forms are available on SBA’s website at www.sba.gov. As a result of changes in the Economic Aid Act, SBA released a new, much simpler forgiveness application for loans up to \$150,000, and updated earlier versions of the forgiveness application for loans over \$150,000. To apply for forgiveness with Self-Help, you will complete the appropriate forgiveness application through our online forgiveness portal, which will lead you through the steps to complete your forgiveness application. You do not need to separately download a copy of the application from SBA’s website.

C. What documents do I need to submit to apply for loan forgiveness?

- For loans up to \$150,000, you are not required to submit documentation with your forgiveness application. SBA requires you to retain copies of all employment records/payroll documentation for 4 years, and all other documentation related to your PPP loan for 3 years after the date your forgiveness application is submitted. SBA may review your loan at any time during these periods, and you will be required to provide this documentation upon SBA’s request.

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- For loans over \$150,000, you will submit the documentation listed in the relevant SBA forgiveness application. In addition, SBA requires you to retain copies of all employment records/payroll documentation for 4 years, and all other documentation related to your PPP loan for 3 years after the date your forgiveness application is submitted. SBA may review your loan at any time during these periods, and you will be required to provide this additional documentation upon SBA's request.
- For loans over \$2 million, you must keep documentation supporting your certification that economic uncertainty at the time of your PPP loan application made the request necessary to support ongoing operations. In addition, SBA has released its Necessity Questionnaires (SBA Form 3509, to be completed by for-profit borrowers, and SBA Form 3510, to be completed by nonprofit borrowers). Under the current process, SBA will request that you complete the questionnaire once you have submitted your forgiveness application. Upon SBA's request, you will have ten business days to return the completed form. You can find copies of the SBA Necessity Questionnaires in the Tools & Resources section of our [website](#).

D. For a self-employed individual, an independent contractor, or a sole proprietor with no employees, what documentation is needed to show the entire PPP loan was used to pay owner income?

Schedule C filers and Schedule F filers may use your PPP loan for your owner income without additional documentation for that use. You do not need to write yourself a check to show that you have used your PPP loan to pay yourself your owner income.

E. What if SBA determines I was ineligible for a PPP loan?

SBA may direct a lender to deny your forgiveness request if SBA determines that the borrower was ineligible for a PPP loan. It is important to remember that SBA may review and make this determination at any time, and requires borrowers to keep all documentation related to your PPP loan and forgiveness request for at least 4 years from the date your loan is forgiven or repaid in full. If SBA makes this determination after your loan has been forgiven, you will be required to repay SBA in full.

F. What if SBA determines I was ineligible for the amount of forgiveness requested?

SBA may direct a lender to deny any portion of your forgiveness request that it determines that amount was ineligible for forgiveness. It is important to remember that SBA may review and make this determination at any time, and requires borrowers to keep all documentation related to your PPP loan and forgiveness request for at least 4 years from the date your loan is forgiven or repaid in full. If SBA makes this determination after your loan has been forgiven, you will be required to repay SBA the portion that was ineligible for forgiveness.

G. If I obtained my PPP loan through another lender, may I apply for forgiveness with Self-Help?

No, you must work with your lender to apply for forgiveness for your loan.

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VII. UNFORGIVEN AMOUNTS

A. What happens if there is any unforgiven balance on my PPP loan?

Any balance remaining on your loan will be due under the terms of your PPP Note (amortizing payments over the remaining loan term at 1% interest). Interest accrues on the unforgiven portion of your PPP loan from the date the loan was made. You are not responsible for interest on the forgiven portion of your PPP loan. For PPP loans approved by SBA prior to June 5, 2020, your PPP Note has a 2-year term, but you and your lender may mutually agree to extend your repayment term for any unforgiven amount if needed. For PPP loans approved by SBA on or after June 5, 2020, your PPP Note has a 5-year term. In either case, if you prefer, you may choose to prepay your PPP Note in full. There is no prepayment fee on your PPP loan.

B. When will the debt forgiveness be applied to the loan?

Your forgiveness amount will be submitted to SBA within 60 days of our receipt of all required forgiveness application documentation. Unless SBA places your loan under review, SBA is required to remit payment of the forgiven amount to us within 90 days of our forgiveness determination submission. Your PPP loan will remain in deferral until we receive payment from SBA for the forgiven amount, if any. It is important to remember that SBA may review the loan at any time, whether before or after forgiveness is applied. If SBA determines the borrower was ineligible for a PPP loan, the borrower will be required to repay the loan in full. If SBA determines the borrower was ineligible for forgiveness of all or part of the PPP loan, the borrower will be required to repay the ineligible forgiveness amount. SBA requires borrowers to keep all documentation for 4 years from the date your loan is forgiven or repaid in full, and may ask for copies of your documentation as part of any review.

C. When do I have to start making payments on my PPP loan?

As long as you submit your forgiveness application within ten months of the end of your Covered Period, no payment is due until the date the forgiven amount has been determined and SBA has paid the PPP loan down by the forgiven amount. You are not responsible for payment of accrued interest on the portion of your PPP loan that is forgiven, but interest accrues on the unforgiven portion from the date of your PPP Note. If 100% of your PPP loan is forgiven, you will not be required to make principal or interest payments on your loan.

D. Am I responsible for interest on the forgiven loan amount?

No, you are not responsible for accrued interest on the portion of the loan that is forgiven. For any unforgiven portion, you are responsible for accrued interest from the date the loan was made.

E. If I received an SBA Economic Injury Disaster Loan (“EIDL”) advance, does the amount of the EIDL advance reduce my PPP forgiveness amount?

No, your PPP forgiveness amount will not be reduced by the amount of any EIDL advance you received. Congress made this favorable change to the program in the Economic Aid Act at the end of December 2020.

F. Are forgiven PPP dollars considered cancellation-of-indebtedness income for federal tax purposes?

No. Unlike normal circumstances where canceled debt is considered as taxable income, forgiven PPP loan amounts will not be considered as taxable income.

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G. Can I include forgiven payroll costs and expenses as deductible expenses in calculating my taxable income?

Yes. Congress reversed IRS Notice 2020-32 in the Economic Aid Act.

VIII. MISCELLANEOUS

A. Who are Owner-Employees?

SBA considers you to be an owner-employee if you are: (i) any owner of 5% or more of the business; (ii) a general partner; (iii) a sole proprietor; (iv) an independent contractor; or (v) a self-employed individual.

B. Do I need SBA approval to sell my business or to change the ownership structure of my business?

For purposes of PPP, SBA will consider each of the following to be a “Change of Ownership” if it occurs at any time between (i) the date you submitted your application for a PPP loan and (ii) the date your PPP loan is fully forgiven or repaid in full:

- 20% or more of ownership of the PPP borrower is sold or otherwise transferred, whether in one or more transactions (including if the transfer is to an affiliate or another existing owner),
- 50% or more of the PPP borrower’s assets are sold or otherwise transferred, whether in one or more transactions, or
- The PPP borrower merges with or into another entity.

If you have a Change of Ownership, the following rules apply:

- **Notice Requirements:** SBA requires you to provide your PPP lender with advance written notice of any Change of Ownership, along with a copy of the proposed agreements. You may notify us of a Change of Ownership by email at Postclosing-PPP@self-helpfcu.org.
- **SBA Approval:**
 - SBA approval of your Change of Ownership is not required if SBA has made its forgiveness determination on your PPP loan and you have repaid any unforgiven amount in full.
 - SBA approval of your Change of Ownership is not required if 50% or less of the ownership interest or assets of the PPP borrower are being transferred.
 - SBA approval of your Change of Ownership is required if more than 50% of the ownership interest or assets of the PPP borrower are being transferred and your PPP loan is still outstanding (unless you submit your completed PPP forgiveness application and establish an escrow account with your PPP lender in the full amount of your PPP loan pending SBA’s forgiveness determination). To obtain SBA approval, you must provide your PPP lender with the following information:
 - An explanation of why you cannot either (i) complete the forgiveness process and repay any unforgiven amount in full prior to the Change of Ownership or (ii) establish an escrow account for the full amount of your PPP loan;
 - The details of the proposed Change of Ownership;
 - Documentation, including any letter of intent or purchase agreement, setting forth the terms of the Change of Ownership;
 - Disclosure of any existing PPP loan of the new owner, including the PPP loan number; and

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- A list (including names and tax identification numbers) of all owners of 20% or more of the new owner/successor entity.

SBA will review and provide a determination within 60 calendar days of SBA's receipt of a complete Change of Ownership request. If deemed appropriate, SBA may require additional risk mitigation measures as a condition of its approval of the transaction.

- Continuing Responsibilities: Regardless of any Change of Ownership, the PPP borrower remains responsible for (1) performance of all obligations under the PPP loan, (2) the certifications made in connection with the PPP loan application, and (3) compliance with all other applicable PPP requirements. Additionally, the PPP borrower remains responsible for obtaining, preparing, and retaining all required PPP forms and supporting documentation and providing those forms and supporting documentation to the PPP lender or to SBA upon request. The new owner/successor entity will be subject to all obligations under the PPP loan. If the new owner/successor entity has a separate PPP loan, PPP funds and expenses must be segregated to document compliance with PPP requirements by each borrower. SBA reserves all rights and remedies available under the law in the event of fraud, false statements, and/or unauthorized uses of PPP loan proceeds by the original PPP borrower, the new owner and/or any successor entity.

To review the complete SBA Change of Ownership rules, please refer to SBA Procedural Notice Control No. 5000-20057, issued October 2, 2020.