



## Paycheck Protection Program (PPP) – Loan Forgiveness FAQ

(updated as of June 8, 2020)

Thank you for working with Self-Help to get your PPP loan. Self-Help has close to 40 years' experience lending to small businesses and nonprofits, and 30 years' experience as an SBA lender, and we are committed to helping you through the PPP forgiveness process. Along with other community development lenders and partners, we are working with SBA to get more clarity on the PPP Forgiveness Application, so we can help you maximize forgiveness on your PPP loan.

### What do I need to know right now?

- **Guidance is still coming:** The PPP Flexibility Act was signed into law on June 5, 2020, and the U.S. Treasury Department and the U.S. Small Business Administration are in the process of updating program guidance and the SBA PPP Forgiveness Application to reflect these changes. We are closely monitoring the program rules and will communicate what you need to know as soon as updates become available.
- **Important Changes to all PPP loans:** In addition to other favorable changes, the PPP Flexibility Act:
  - Extends the time period for use of your PPP funds from 8 weeks to 24 weeks;
  - Reduces the percentage of funds that must be used for Payroll Costs from 75% to 60%;
  - Adds exceptions to the requirement to maintain your pre-COVID number of employees; and
  - Allows PPP borrowers to defer payroll tax payments.
- **It is still too early to apply for forgiveness:** As of today, it is still too early to apply for forgiveness – due to the PPP Flexibility Act, revisions to the SBA PPP Forgiveness Application are expected.
- **We will provide you with tools and resources to help you apply for forgiveness:** When the rules have been finalized and clarified, we will notify you and provide instructions on how to apply for forgiveness. We expect our tools to include an online version of the application that includes your loan details and a calculator to help you determine your forgiveness amount.

### What do I need to do right now?

- **Use your PPP funds for eligible purposes:** Please see our Forgiveness FAQ for eligible PPP uses.
- **Keep your documentation:** When it is time to apply for forgiveness, you will need to provide us with documentation to support your request. Keep all documents related to payment of eligible PPP uses.

### How can I learn about updates?

- **Self-Help Website:** While we will continue to contact you directly with major updates and instructions, you can also keep up with any changes by visiting our website at <https://self-helpfcu.org/paycheck-protection-program-loan-forms>.
- **Webinars:** Once the rules are finalized and clarified, we will send you information about how to register for webinars that walk you through the forgiveness process.
- **Contact us:** Our PPP borrowers can always reach us with specific questions at [Postclosing-PPP@self-helpfcu.org](mailto:Postclosing-PPP@self-helpfcu.org).

**Our goal is to help you maximize forgiveness on your PPP loan!** We will help you through this process.

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### FORGIVENESS SUMMARY

The PPP Flexibility Act was signed into law on June 5, 2020, and the U.S. Treasury Department and the U.S. Small Business Administration are in the process of updating program guidance and the SBA PPP Forgiveness Application to reflect these changes. Additional changes are also being considered by Congress. We are closely monitoring the program rules and will communicate what you need to know as soon as updates become available.

**Important Changes for all PPP Loans.** In addition to other favorable changes, the PPP Flexibility Act:

- Extends the time period for use of your PPP funds from 8 weeks to 24 weeks;
- Reduces the percentage of funds that must be used for Payroll Costs from 75% to 60%;
- Adds exceptions to the requirement to maintain your pre-COVID number of employees; and
- Allows PPP borrowers to defer payroll tax payments.

To be eligible for forgiveness of all or part of your PPP loan, you must comply with 1-3 below:

1. Use your PPP loan proceeds for forgivable purposes during your **24-week** period.
  - At least **60%** of the amount of your PPP loan for which you request forgiveness must be used for Payroll Costs as defined in the CARES Act (note, you are allowed to use all of your PPP loan for Payroll Costs); and
  - Up to **40%** of the amount of your PPP loan for which you request forgiveness may be used for the following eligible expenses (if the obligation existed prior to February 15, 2020):
    - payments of interest on mortgage obligations on real or personal property of the borrower,
    - rent payments on lease obligations on real or personal property of the borrower, and
    - utility payments of the borrower.
2. Maintain your employee and compensation levels.
  - Your loan forgiveness will be reduced if you decrease your total number of full-time equivalent (FTE) employees.
  - Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25%.
  - You may avoid these forgiveness reductions if you meet SBA FTE exceptions.
3. Maintain documentation and certify your use of PPP loan funds. After your **24-week** period, or earlier if you have met forgiveness requirements, you may contact Self-Help to process your forgiveness request. Your forgiveness request must include:
  - [SBA PPP Forgiveness Application](#) (SBA revisions expected)
  - SBA PPP Loan Forgiveness Calculation Form (including Borrower Representations and Certifications, PPP Schedule A, and optional Borrower Demographic Information Form) (SBA revisions expected);
  - Documentation of the number of your FTE employees;
  - Documentation of Payroll Costs during your Covered Period (or Alternative Payroll Covered Period, if applicable); and
  - If you are requesting forgiveness for PPP funds used for non-Payroll Costs:
    - Documentation verifying that the mortgage, lease, and utility obligations existed prior to February 15, 2020; and
    - Documentation of funds used for these obligations during your Covered Period.

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Your PPP loan will not be fully forgivable if (i) you are not able to document that you have complied with 1-3 above, (ii) you use loan proceeds for eligible purposes that are not forgivable, such as refinance of an SBA Economic Injury Disaster Loan that was not used for payroll costs during your Covered Period, or (iii) you use PPP loan proceeds for any ineligible purpose (use for any ineligible purpose may subject you to prosecution by the federal government for fraud). Any portion of your PPP loan that does not meet SBA's forgiveness requirements will be repayable under the terms of your Note.

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### **FREQUENTLY ASKED QUESTIONS**

#### **Updated June 8, 2020: Q: What constitutes PPP forgivable Payroll Costs?**

A: Forgivable Payroll Costs include:

- Salary, wage, commission, cash tip or similar compensation (not in excess of an annualized salary of \$100,000).
- Vacation, parental, family, medical, or sick leave.
- Employer-paid payment for the provision of group health care benefits, including insurance premiums.
- Employer-paid employee retirement benefits.
- Employer-paid state or local taxes (but not federal) assessed on the compensation of employees.

The total sum of Payroll Costs must be at least 60% and may be as high as 100% of the amount for which you request forgiveness.

#### **Updated June 8, 2020: Q: What constitutes PPP forgivable non-Payroll Costs?**

A: Forgivable non-Payroll Costs include:

- Interest payments on any business mortgage obligation of the borrower on real or personal property (provided the mortgage obligation was in place before 2/15/20). Note: You may not include payment (or prepayment) of principal.
- Business rent or lease payments pursuant to lease agreements of the borrower for real or personal property (provided the lease agreement was in place before 2/15/20).
- Business utility payments of the borrower for a service for the distribution of electricity, gas, water, transportation, telephone, and internet access (provided the service began before 2/15/20).

The total sum of non-Payroll Costs may be as low as 0% and as high as 40% of the amount for which you request forgiveness.

#### **Q: What is excluded from forgivable Payroll Costs?**

- Compensation of an employee whose principal place of residence is outside the United States.
- Compensation paid to an employee in excess of an annualized salary of \$100,000.
- Federal employment taxes.
- Qualified sick and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act.

#### **Updated June 8, 2020: Q: Are interest payments on my business equipment loan forgivable?**

A: Yes, interest payments on a secured obligation of the borrower on personal property, such as equipment, are forgivable (provided the secured obligation was in place before 2/15/20 and you will include this as a business interest expense on your 2020 federal tax return). Note: You may not include payment (or prepayment) of principal.

#### **Updated June 8, 2020: Q: Are interest payments on my business vehicle loan forgivable?**

A: Yes, interest payments on a secured obligation of the borrower on personal property, such as a business vehicle, are forgivable (provided the secured obligation was in place before 2/15/20 and you will include this as a business interest expense on your 2020 federal tax return). Note: You may not include payment (or prepayment) of principal.

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### Updated June 8, 2020: **Q: Are lease payments on my business equipment forgivable?**

A: Yes, business lease payments pursuant to lease agreements of the borrower for personal property, such as equipment, are forgivable (provided the lease agreement was in place before 2/15/20 and you will include this as a business rent or lease expense on your 2020 federal tax return).

### Updated June 8, 2020: **Q: Are lease payments on my business vehicle lease forgivable?**

A: Yes, business lease payments pursuant to lease agreements of the borrower for personal property, such as a business vehicle, are forgivable (provided the lease agreement was in place before 2/15/20 and you will include this as a business rent or lease expense on your 2020 federal tax return).

### Updated June 8, 2020: **Q: May I increase the compensation I pay to my employees (for example, hazard pay or a cost-of-living increase from 2019)? If I increase employee compensation, may I pay myself the same increase as owner?**

A: For non-owner employees, there is no prohibition on paying your employees a higher amount during your Covered Period (or Alternative Payroll Covered Period, if applicable) than they were paid in your pre-COVID period; provided you do not exceed cash compensation of \$100,000 annualized per employee. For owners, general partners, or self-employed individuals, however, the SBA PPP Forgiveness Application makes clear that any increase to cash compensation over your average 2019 amount (up to \$100,000 annualized) will not be forgiven.

### Updated June 8, 2020: **Q: I am a sole proprietor (I file my business taxes on IRS Schedule C). What amount of my own income can I include as a forgivable Payroll Cost?**

A: As a sole proprietor who files a Schedule C, you may use loan proceeds for up to 24 weeks of the 2019 net profit shown on your 2019 Schedule C (or 24/52 of your 2019 Schedule C net profit); provided you do not exceed cash compensation of \$100,000 annualized. Although the previous guidance was unclear as to whether a sole proprietor could obtain forgiveness for PPP funds used to increase your own salary (for example, hazard pay or a cost-of-living increase from 2019), the SBA PPP Forgiveness Application makes clear that any increase to cash compensation over your average 2019 amount (up to \$100,000 annualized) will not be forgiven.

### Added May 26, 2020: **Q: I am a sole proprietor, an independent contractor, or a general partner. May I include amounts paid for my own retirement contributions or healthcare insurance as forgivable Payroll Costs?**

A: Unfortunately, under the current guidance, the answer is no. SBA has determined that “[n]o additional forgiveness is provided for retirement or health insurance contributions for self-employed individuals, including Schedule C filers and general partners, as such expenses are paid out of their net self-employment income.”

### **Q: My business hires 1099 and independent contractor workers. May I include payments to 1099 and independent contractors for purposes of loan forgiveness?**

A: No. Independent contractors can include their 1099 income as their own payroll costs, so entities that hire independent contractors cannot include those amounts.

### Updated June 8, 2020: **Q: What is my time period to use PPP funds and be eligible for forgiveness?**

- Covered Period: The 24-week period after you receive your loan funds is your Covered Period. PPP funds used for Payroll Costs and eligible non-payroll costs during your Covered Period are eligible for forgiveness. The day you receive your PPP loan is Day 1 of your Covered Period. Based on the example provided by SBA: if your PPP funds were deposited into your bank account on April 20, then the first day of your Covered Period is April 20 and the last day is 168 days later on October 4.

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- **Alternative Payroll Covered Period:** For Payroll Costs only, if you have a biweekly (or more frequent) payroll schedule, you have the option of aligning your 24-week period with the first regularly scheduled payroll cycle after your PPP funds were received (your Alternative Payroll Covered Period). SBA provided the following example: if you received your PPP funds on April 20, and the first day of your next regularly scheduled payroll cycle was April 26, then you may choose the Alternative Payroll Covered Period. In this example, the first day of your Alternative Payroll Covered Period is April 26 and the last day is 168 days later on October 10. Even if you choose an Alternative Payroll Covered Period for Payroll Costs, you will still use your Covered Period for any eligible non-payroll costs.

### Updated June 8, 2020: Q: To be forgivable, do I need to use my PPP funds for costs incurred during my 24-week period, or for costs paid during my 24-week period?

- Payroll Costs are eligible for forgiveness if paid during your Covered Period (or if applicable, during your Alternative Payroll Covered Period). Payroll Costs are also eligible for forgiveness if incurred during your Covered Period (or if applicable, during your Alternative Payroll Covered Period), provided they are paid on or before your next regularly scheduled pay date. Prepayments of Payroll Costs prior to the date such costs are incurred or due do not appear to be eligible for forgiveness.
  - Payroll Costs are considered paid on the date paychecks are distributed (or the date the ACH payroll transaction is originated).
  - Payroll Costs are considered incurred on the date the employee pay is earned (the day the employee worked). If you are paying employees who are not currently working, Payroll Costs are considered incurred on the date the employees would have worked.
  - Examples:
    - Covered Period: April 20 (Day 1) – October 4 (Day 168); monthly payroll paid in arrears
      - Payroll paid May 1 is *fully* eligible – include the amount paid during the Covered Period, even though a portion was incurred prior to Day 1
      - Payroll paid November 1 is *partially* eligible – include the portion that was incurred during the Covered Period, even though paid after Day 168
    - Alternative Payroll Covered Period: April 26 (Day 1) – October 10 (Day 168); biweekly payroll paid in arrears
      - Payroll paid April 26 is *fully* eligible – include the amount paid during the Alternative Payroll Covered Period, even though incurred prior to Day 1
      - Payroll paid October 25 is *fully* eligible – include the amount incurred during the Alternative Payroll Covered Period, even though paid after Day 168
- Eligible non-payroll costs are eligible for forgiveness if paid during your Covered Period. Eligible non-payroll costs are also eligible for forgiveness if incurred during your Covered Period, provided they are paid on or before your next regularly scheduled due date. Based on the example provided by SBA: Assume your Covered Period starts on June 1 and ends on November 15. If you pay your May-October electricity bills during your Covered Period and pay your November electricity bill on its due date of December 10 (your next regular billing date after your Covered Period), then you may request forgiveness for your May-October electricity bills, and may also request forgiveness for the portion of your November electricity bill through November 15, because that portion of your November bill was incurred during your Covered Period. Prepayments of Non-Payroll Costs prior to the date such costs are incurred or due do not appear to be eligible for forgiveness.
  - Even if you choose the Alternative Payroll Covered Period for your Payroll Costs, you must use your Covered Period for non-payroll costs.

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Added May 26, 2020: **Q: Are prepayments of interest on mortgage obligations forgivable?**

A: No, advance payments of mortgage interest are not eligible for forgiveness.

**Q: Do I have to restart operations and put my employees back to work?**

A: No, there is no requirement that you restart operations at this time. The intent of the CARES Act is to continue paying your employees, whether you currently have work for them to do or not. This allows your employees to continue to receive income and benefits. This also benefits your organization by keeping your trained employees on your payroll; when you reopen, you will not need to hire and train new employees before you can resume operations.

Updated May 26, 2020: **Q: If I already had to reduce staff, am I still eligible for forgiveness?**

A: Yes, if you refill those positions and otherwise meet forgiveness requirements. If you do not refill positions and do not meet any FTE exceptions, your forgiveness amount will be reduced.

**Q: Some former employees are no longer available. May I refill those positions with new employees?**

A: Yes. There is no requirement that you rehire the same employees, provided you maintain the same number of full-time equivalent positions.

Updated May 26, 2020: **Q: If I already had to lay off an employee, and offer to rehire that employee but they refuse, will my forgiveness amount be reduced?**

A: No. This is an FTE exception. 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](http://www.sba.gov).) Employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

Added May 26, 2020: **Q: If I had to fire an employee for cause, will my forgiveness amount be reduced?**

A: No. This is an FTE exception. Employees fired for cause will be excluded from the forgiveness reduction calculation if you document they were fired for cause.

Added May 26, 2020: **Q: If an employee voluntarily resigned, or voluntarily requested and received a reduction in hours, will my forgiveness amount be reduced?**

A: No. This is an FTE exception. 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.

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**Added June 8, 2020: Q: If I am unable to rehire individuals who were my employees and I am unable to hire similarly qualified employees for unfilled positions, will my forgiveness amount be reduced?**

A: No. This is an FTE exception. If you document that you are unable to rehire your prior employees and you are unable to hire similarly qualified employees for unfilled positions, then these unfilled positions will not reduce your forgiveness amount.

**Added June 8, 2020: Q: If I am unable to return to profitability, and therefore cannot maintain staff, will my forgiveness amount be reduced?**

A: No. This is an FTE exception. If you document that you were unable to return to pre-COVID-19 profitability due to compliance with requirements or guidance issued 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 during the period from March 1, 2020 through December 31, 2020, 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.

**Updated June 8, 2020: Q: What is the date by which I need to rehire or replace employees to avoid a reduction in forgiveness?**

A: Unless you meet any of the FTE exceptions, you must rehire or replace by the earlier of (i) the end of your Covered Period (or Alternative Payroll Covered Period) and (ii) December 31, 2020.

**Q: Do reductions in compensation affect the amount of loan forgiveness?**

A: Yes. Any reduction in employee compensation in excess of 25% will reduce the amount of your loan which can be forgiven. (Reduction in the salary of an employee down to \$100,000 annualized, however, will not reduce forgiveness.) If you already had to reduce salaries, if you restore those salaries you should avoid this reduction.

**Added May 17, 2020: Q: What time period will SBA use to determine whether I have reduced total FTEs or employee compensation?**

A: SBA will compare your Covered Period (or Alternative Payroll Covered Period, if applicable) average FTE employees and compensation to your pre-COVID average FTE employees and compensation. You may choose one of the following time periods for your pre-COVID period:

- February 15, 2019 to June 30, 2019;
- January 1, 2020 to February 29, 2020; or
- For seasonal businesses only, you may choose either of the above periods, or any consecutive 12-week period between May 1, 2019 and September 15, 2019.

**Added May 17, 2020: Q: How do I calculate average FTE employees?**

A: You may calculate average FTE employees in either of the following ways, provided you use the same method for your pre-COVID and your Covered Period (or Alternative Payroll Covered Period, if applicable) calculations:

- For each employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth; provided no employee may count as more than 1.0 FTE.
- Count each employee that works 40 hours or more per week as 1.0 FTE, and count each employee that works fewer than 40 hours per week as 0.5 FTE.

**Added May 26, 2020: Q: My nonprofit receives federal funding and/or restricted funding that covers some employee salaries. Can I still use PPP funds to pay those employee salaries?**

A: You would not be able to use PPP funds to pay the same salaries for the same period that other federal or restricted funding is paying. Under current guidance, you must use at least 60% of PPP funds for payroll costs to

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maximize loan forgiveness, so we recommend you talk with your other 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. We also recommend that, in addition to documenting your use of PPP funds, you document your use of your other funding sources.

### Updated June 8, 2020: Q: Can I defer payments on my PPP loan?

A: You are not required to make any payments for at least six months following the date of your PPP Note, and your deferral will continue until the date on which the amount of forgiveness has been determined and paid by SBA to the lender. Interest will continue to accrue during this deferment. If 100% of your PPP loan is forgiven, you will never be required to make payments on your loan. Note that you must apply for forgiveness within 10 months of the last day of your Covered Period (or Alternative Payroll Covered Period).

### **Q: Am I responsible for interest on the forgiven loan amount?**

A: No. You are not responsible for accrued interest on the portion of the loan that is forgiven.

### Updated June 8, 2020: Q: How (and when) do I apply to get forgiveness on my PPP loan?

A: You will need to contact Self-Help to request forgiveness for your PPP loan. You may request forgiveness at any time following the end of your Covered Period (or Alternative Payroll Covered Period, if applicable) by providing Self-Help with a completed, signed SBA PPP Forgiveness Application (including all required documents). You must apply for forgiveness within 10 months of the last day of your Covered Period (or Alternative Payroll Covered Period, if applicable). Once forgiveness guidance is finalized, Self-Help will provide you with an update containing specific instructions on how to submit your forgiveness request securely. In the meantime, you may continue to submit your questions to Self-Help at [postclosing-ppp@self-helpfcu.org](mailto:postclosing-ppp@self-helpfcu.org). As of today, it is still too early for you to apply for forgiveness.

### Updated May 26, 2020: Q: What documents do I need to apply for loan forgiveness?

A: You will need to provide:

- [SBA PPP Forgiveness Application](#) (SBA revisions expected);
- SBA PPP Loan Forgiveness Calculation Form (including Borrower Representations and Certifications, PPP Schedule A, and optional Borrower Demographic Information Form) (SBA revisions expected);
- Documentation of the number of your FTE employees;
- Documentation of Payroll Costs during your Covered Period (or Alternative Payroll Covered Period, if applicable); and
- If you are requesting forgiveness for PPP funds used for non-Payroll Costs:
  - Documentation verifying that the mortgage, lease, and utility obligations existed prior to February 15, 2020; and
  - Documentation of funds used for these obligations during your Covered Period.

### Added May 26, 2020: Q: Are there any documents I will need to keep that are not required to be submitted with my forgiveness request?

A: Yes. SBA requires you to keep a copy of all documents you submit with your forgiveness request and all supporting documentation for at least 6 years after the date your loan is forgiven or repaid in full. SBA may review any PPP loan and forgiveness request at any time, and may require you to provide the following additional documentation:

- PPP Schedule A Worksheet (SBA revisions expected) or its equivalent and:
  - Documentation supporting the listing of each individual employee in the PPP Schedule A Worksheet Table 1;

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- Documentation supporting the listing of each individual employee in the PPP Schedule A Worksheet Table 2;
- Documentation supporting FTE exceptions (rejected rehire offers, firings for cause, and voluntary resignations or hour reductions); and
- Documentation supporting the PPP Schedule A Worksheet “safe harbor” (pre-COVID and post-COVID FTE calculations).
- For loans over \$2 million, we recommend you also keep documentation supporting your certification that economic uncertainty at the time of your PPP loan application made the request necessary to support ongoing operations.

### Updated June 8, 2020: Q: When will the debt forgiveness be applied to the loan?

A: Your forgiveness amount will be submitted to SBA within 60 days of Self-Help’s receipt of all required forgiveness request documentation, and SBA will remit payment of the forgiveness amount to Self-Help within 90 days of that submission. Your PPP loan will remain in deferral until Self-Help receives 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.

### Updated June 8, 2020: Q: What happens if there is any unforgiven balance on my PPP loan?

A: Any balance remaining on your loan will be due under the terms of your PPP Note (amortizing payments over the remaining two-year term at 1% interest). You and Self-Help may mutually agree to extend your repayment term for any unforgiven amount if needed. If you prefer, you may choose to prepay your PPP Note in full (there is no prepayment fee on your PPP loan.)

### **Q: What happens if I use my PPP loan funds for purposes that are not eligible?**

A: SBA will direct you to repay misused amounts. If you knowingly use the funds for unauthorized purposes, you may be subject to additional liability and charges of fraud. SBA (and Treasury) will also have recourse against all shareholders, members, partners or owners of the borrower if funds were knowingly used for unauthorized purposes.

### **Q: Are forgiven PPP dollars considered cancellation-of-indebtedness income for federal tax purposes?**

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

### Added May 5, 2020: Q: Can I include forgiven payroll costs and expenses as deductible expenses in calculating my taxable income?

A: No. Under IRS Notice 2020-32, forgiven PPP loan amounts may not be included as deductions from income on your tax return. For example, if you use PPP loan proceeds to pay eligible rent for May and June, and receive forgiveness for those payments, you may not include May and June rent payments as rent expense on your tax return.

### Updated May 17, 2020: Q: Will I have to provide documentation to support my certification that current economic uncertainty makes my PPP loan request necessary to support ongoing operations?

A: This depends on the size of your PPP loan.

- For loans less than \$2 million: Your good faith certification made at the time you applied for your PPP loan does not require additional documentation. SBA has determined that any borrower that received a

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PPP loan of less than \$2 million (including PPP loans to affiliates) will be deemed to have made the required certification in good faith. SBA has determined that this safe harbor is appropriate because borrowers with loans below this threshold are generally less likely to have had access to adequate sources of liquidity in the current economic environment, and because it will promote economic certainty for borrowers with more limited resources as they endeavor to retain and rehire employees.

- For loans of \$2 million or more: Your good faith certification made at the time you applied for your PPP loan may require supporting documentation at the time of your forgiveness request. SBA will review your loan for compliance with program requirements, including the basis for your certification that current economic uncertainty makes the PPP loan necessary to support ongoing operations, based on individual circumstances and SBA guidance. While there was initially no guidance provided to applicants with respect to this certification, SBA recently issued guidance that “large companies with adequate sources of liquidity to support the business’s ongoing operations” should carefully assess whether they can make this certification, “taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business.” Treasury noted that “it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith,” and subsequently clarified that this standard also applies to private companies. If SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification, SBA will seek repayment of the outstanding PPP loan balance and the loan will not be eligible for forgiveness. If the borrower repays the loan after receiving notification from SBA, then SBA will not pursue further administrative enforcement or referrals to other agencies with respect to this certification. (Note, SBA also extended its safe harbor date to May 18, but the May 13 update allowing borrowers to repay a loan at the time of SBA’s review appears to replace the need for a safe harbor deadline.)

### Updated June 8, 2020: Q: If I received an SBA Economic Injury Disaster Loan (EIDL) Advance, does the amount of the EIDL Advance reduce my PPP forgiveness amount?

A: If your PPP loan refinanced an EIDL that you used for Payroll Costs, then the amount of your EIDL Advance will reduce your PPP forgiveness amount. If your PPP loan did not refinance an EIDL because you used your EIDL proceeds to pay other business expenses, then despite the CARES Act and SBA language that an EIDL Advance is not required to be repaid, it appears your EIDL Advance may also reduce your PPP forgiveness amount. We are seeking additional guidance from SBA on this point.

### Updated May 26, 2020: Q: What if SBA determines I was ineligible for a PPP loan?

A: 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 6 years from the date your loan is forgiven or repaid in full.

### Updated June 8, 2020: Q: What representations and certifications will I be required to make as part of my forgiveness request?

A: SBA requires you to make the following representations and certifications as part of your forgiveness request:

- The dollar amount for which forgiveness is requested:
  - was used to pay costs that are eligible for forgiveness (Payroll Costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);

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- includes all applicable reductions due to decreases in the number of FTE employees and salary/hourly wage reductions;
- does not include non-Payroll Costs in excess of 40% of the amount requested; and
- does not exceed twenty-four weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$100,000 annualized per individual.
- I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.
- I have accurately verified the payments for the eligible Payroll Costs and non-Payroll Costs for which I am requesting forgiveness.
- I have submitted to Self-Help Federal Credit Union the required documentation verifying Payroll Costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.
- The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000. (Self-Help Federal Credit Union is federally insured.)
- The tax documents I have submitted to Self-Help Federal Credit Union are consistent with those I have submitted (or will submit) to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that Self-Help Federal Credit Union can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.
- I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the borrower's eligibility for the PPP loan and for loan forgiveness, and that the borrower's failure to provide information requested by SBA may result in a determination that the borrower was ineligible for the PPP loan or a denial of the borrower's loan forgiveness application.

### Added May 27, 2020: Q: May I receive both a PPP loan and unemployment compensation?

A: No. In general, if you are a self-employed individual, an independent contractor, or a sole proprietor with no employees other than yourself, 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.

### Added June 8, 2020: Q: May I defer payment of payroll taxes?

A: Yes. Under the original CARES Act, PPP borrowers were excluded from the provision allowing employers to defer the payment of payroll taxes, but the Paycheck Protection Program Flexibility Act expands this benefit to include PPP borrowers. Payroll taxes may be deferred through December 31, 2020. We recommend you work with your accountant or tax advisor to determine the deferred amounts and the dates by which the deferred amounts must be paid in full to avoid penalties.

## **Paycheck Protection Program (PPP) – Loan Forgiveness FAQ**

(updated as of June 8, 2020)

Self-Help will provide you with additional forgiveness guidance issued by Treasury or SBA as it becomes available and will work with you to help you obtain forgiveness for your loan. You may also check for updates to our Forgiveness FAQ at [PPP Forgiveness FAQ](#). Please reach out to us at [postclosing-ppp@self-helpfcu.org](mailto:postclosing-ppp@self-helpfcu.org) if you have further questions about the use of your PPP loan proceeds or forgiveness requirements.