

# QUESTCO COMPANIES

## PAYCHECK PROTECTION PROGRAM - LOAN FORGIVENESS APPLICATION INSTRUCTIONS - **EZ FORM**

OCTOBER 2020

---

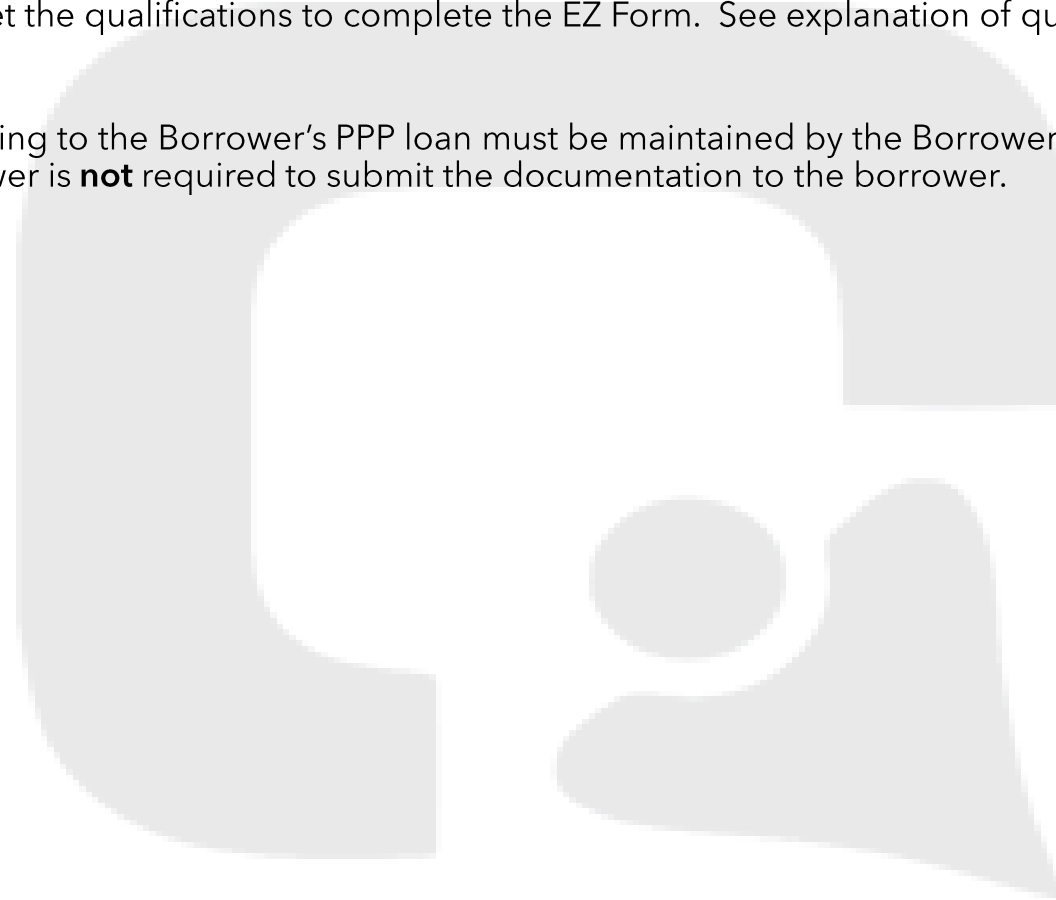
# CONTENTS

- I. Overview of the Paycheck Protection Program (“PPP”) Loan Forgiveness Application - **EZ Form**
- II. Qualifications for the EZ Form
- III. Summary of Questco Provided Reports
- IV. Completing the EZ Form
- V. Closing Comments
- VI. Appendix

*Information contained herein is intended for information purposes only and does not constitute legal advice or option, nor is it a substitute for the professional judgment of an attorney or accountant.*

# OVERVIEW OF THE PPP LOAN FORGIVENESS APPLICATION – **EZ FORM**

- The PPP Loan Forgiveness Application EZ Form (“EZ Form”) is comprised of the PPP Loan Calculation Form and Certifications by the Borrower.
- The Borrower must certify that they meet the qualifications to complete the EZ Form. See explanation of qualifications on **Slide 4-5**.
- All documentation supporting and relating to the Borrower’s PPP loan must be maintained by the Borrower for **six years** after the date the loan is forgiven or repaid in full, but the Borrower is **not** required to submit the documentation to the borrower.



# QUALIFICATIONS FOR THE EZ FORM

In order to apply for forgiveness of a PPP loan using the EZ Form, the borrower must be able to certify that they meet both qualifying criteria under either Scenario 1 or Scenario 2 outlined on slides 4 and 5:

## Qualifying Scenario 1

The Borrower did not reduce annual salaries or hourly wages by more than 25% for any employee during the Covered Period or Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020.

- For purposes of the above statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate in an amount more than \$100,000.
- Questco will provide the following reports for the Borrower to calculate if there was a Salary/Hourly Wage Reduction:
  - **Payroll Registers**, as requested for the purposes of calculating impact of Salary/Hourly Wage Reductions
  - **PPP Average Pay Rate Report**, as requested for the purposes of calculating whether an employee incurred Salary/Hourly Wage Reduction

## AND

The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period.

- Ignore reductions where you were unable 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 the date the application for forgiveness is submitted). Ignore reductions in an employee’s hours that the Borrower offered to restore the hours and the employee refused.
- Questco will provide the following reports for the Borrower to calculate if there was a reduction in the number of employees or the average paid hours:
  - **Payroll Registers**, for the pay period including January 1, 2020 and for the last pay period during the covered loan period for the purpose of determining whether there was a reduction in the number of employees

# QUALIFICATIONS FOR THE **EZ FORM** (continued)

## Qualifying Scenario 2

The Borrower did not reduce annual salaries or hourly wages by more than 25% for any employee during the Covered Period or Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020.

- For purposes of the above statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate in an amount more than \$100,000.
- Questco will provide the following reports for the Borrower to calculate if there was a Salary/Hourly Wage Reduction:
  - **Payroll Registers**, as requested for the purposes of calculating impact of Salary/Hourly Wage Reductions
  - **PPP Average Pay Rate Report**, as requested for the purposes of calculating whether an employee incurred Salary/Hourly Wage Reduction

## **AND**

The Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 (or the date this application is submitted) 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 you meet the qualifications under either Scenario 1 or 2, you qualify to complete the EZ Form.

# SUMMARY OF QUESTCO PROVIDED REPORTS

Reports can be requested from your Questco Payroll Processor or Client Success Manager to assist you in the completion of your PPP loan forgiveness application

- Payroll Cost Report for Covered Period (*borrower must elect either 8 or 24-week covered period*)
  - **Note:** Questco's Payroll Cost Report includes employees designated as non-resident aliens. Contact Questco if you are unsure whether any non-resident aliens qualify as "covered employees".
- FTE Report for Covered Period and Lookback Periods
- Other Reports Available from Questco if Needed:
  - Payroll Registers, as requested for the purposes of calculating impact of Salary/Hourly Wage Reductions and for calculating reduction in number of employees paid
  - PPP Average Pay Rate Report, as requested for the purposes of calculating whether an employee incurred Salary/Hourly Wage Reductions
- PEO Relationship Letter - explaining the responsibility of Questco to file payroll taxes and administer benefits under the co-employment relationship.

# COMPLETING THE EZ FORM

- Complete the informational area based on your specific loan

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
		Primary Contact	( ) - E-mail Address

SBA PPP Loan Number:  Lender PPP Loan Number:

PPP Loan Amount:  PPP Loan Disbursement Date:

Employees at Time of Loan Application:  Employees at Time of Forgiveness Application:

EIDL Advance Amount:  EIDL Application Number:

Payroll Schedule: The frequency with which payroll is paid to employees is:

Weekly     Biweekly (every other week)     Twice a month     Monthly     Other

Covered Period:  to

Alternative Payroll Covered Period, if applicable:  to

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:





# CLOSING COMMENTS

- Covered Period Options:
  - Borrowers can elect either an 8-week or 24-week covered period. PPP loan forgiveness applications can be submitted at any time during the 24-week covered period if the borrower has utilized the full amount of the loan proceeds funded.
  - Clients are encouraged to prepare a PPP loan forgiveness based on the 8-week covered period. If the calculation results in full forgiveness, the Borrower can go ahead and submit the application.
  - If the full amount of the loan proceeds have not been utilized at the end of the 8-week covered period, the Borrower can continue operating and complete the PPP loan application following the most recent payroll in which the eligible payroll costs, when combined with any eligible non-payroll costs, equal or exceed the amount of loan proceeds received.
  - If the borrower has experienced a reduction in FTE or average salary or wages during either the 8 or 24-week covered period, they will not be eligible to complete the PPP Loan Forgiveness Application EZ Form.
- As each lender has their own process, we recommend that clients reach out to their lender to determine the lender's specific process for completing the PPP loan forgiveness application.
- If the Borrower does **not** meet the qualifications for the EZ Form, please proceed to Questco's guidance on completing the long form version of the PPP Loan Forgiveness Application.

APPENDIX



# DEFINITIONS

- **Covered Period:** The Covered Period start date is the same as the PPP Loan Disbursement Date. The Borrower can elect a Covered Period of 8-weeks or as an alternative, the **earlier of** 1) 24 weeks after date of disbursement or 2) December 31, 2020.
  - **Example** - The Borrower received notification their loan was approved on April 15, 2020, and the funds were received by the Borrower on April 23, 2020. The first day of the Covered Period is April 23<sup>rd</sup>, and the last day of the Covered Period is June 17<sup>th</sup> assuming the Borrower selected an 8-week Covered Period.
- **Alternative Covered Period:** Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate their eligible payroll costs using the 8-week covered period that begins on the first day of their first pay period following the PPP Loan Disbursement Date.
  - **Example** - If loan proceeds were received by the Borrower on April 23<sup>rd</sup>, and the first day of their first pay period following its PPP loan disbursement is Sunday April 26<sup>th</sup>, the first day of the Alternative Payroll Covered Period is April 26<sup>th</sup>, and the last day of the Alternative Covered Period is Saturday, June 20<sup>th</sup>.
- **PPP Loan Disbursement Date:** The date the PPP loan proceeds are received from the Lender.
- **Limitation on Forgiveness:** Payroll costs allowed to be forgiven is limited to 60% of the total amount forgiven
- **FTE:** Full Time Equivalent employee who works 40 hours or more, on average, each week.
- **Eligible Payroll Costs:** Payroll costs paid and incurred during the Covered (or Alternative Payroll Covered) Period. Eligible payroll costs include gross wages (salary, wages, commissions, PTO, severance, cash tips, or similar wages), not to exceed an annual salary of \$100,000 and employer paid group health coverage, retirement, and state and local taxes assessed on compensation. Only employees whose principal place of residence is the United States can be included in the computation of payroll costs. ***Paid leave covered by the FFCRA must be excluded from eligible payroll costs.***
- **Eligible Nonpayroll Costs:** The following categories are eligible nonpayroll costs:
  - A) Covered Mortgage Obligations ("Business Mortgage Interest Payments"):** payments of interest on any business mortgage obligation on real or personal property incurred before February 15, 2020.
  - B) Covered Rent Obligations ("Business Rent or Lease Payments"):** business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020.
  - C) Covered Utility Payments ("Business Utility Payments"):** payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.

# DETERMINING OWNER COMPENSATION FOR LOAN FORGIVENESS

Owner compensation for purposes of loan forgiveness is dependent on the type of business entity and the Covered Period selected (8-week or 24-week).

- **C Corporations**

- **Eligible for loan forgiveness:**

- Up to the amount of 8/52 of their 2019 employee cash compensation for an 8-week Covered Period or 2.5/12 of their 2019 employee cash compensation for a 24-week Covered Period - Included in Line 9 of Schedule A
    - Payments for employer state and local taxes paid by the borrowers - Included in Line 8 of Schedule A
    - Employer contributions for employee health insurance - Included in Line 6 of Schedule A
    - Employer retirement contributions to employee retirement plans capped at the amount of 2.5/12 of the 2019 employer retirement contribution - Included in Line 7 of Schedule A
    - Payments in Line 6 - 8 above do not count toward the \$15,385 compensation cap per individual for an 8-week Covered Period or \$20,833 compensation cap per individual for a 24-week Covered Period

- **S Corporations**

- **Eligible for loan forgiveness:**

- Up to the amount of 8/52 of their 2019 employee cash compensation for an 8-week Covered Period or 2.5/12 of their 2019 employee cash compensation for a 24-week Covered Period - Included in Line 9 of Schedule A
    - Employer state and local taxes paid by the borrowers - Included in Line 8 of Schedule A
    - Employer retirement contributions to employee retirement plans capped at the amount of 2.5/12 of the 2019 employer retirement contributions - Included in Line 7 of Schedule A
    - Payments in Line 7 and 8 above do not count toward the \$15,385 compensation cap per individual for an 8-week Covered Period or \$20,833 compensation cap per individual for a 24-week Covered Period

- **Ineligible for loan forgiveness:**

- Employer contributions for health insurance for employees with at least 2% stake in the business

# DETERMINING OWNER COMPENSATION FOR LOAN FORGIVENESS (cont.)

- **General Partners**

- **Eligible for loan forgiveness:**

- Up to the amount of 8/52 of their 2019 net earnings from self-employment that is subject to self-employment tax (computed from 2019 IRS Form 1065 Schedule K-1 box 14a) for an 8-week Covered Period or up to the amount of 2.5/12 of their 2019 net earnings from self-employment that is subject to self-employment tax (computed from 2019 IRS Form 1065 Schedule K-1 box 14a) for a 24-week Covered Period - Included in Line 9 of Schedule A
    - The above earnings are reduced by Box 12 Section 179 expense deductions, unreimbursed partnership expenses deducted on their IRS Form 1040 Schedule SE, and depletion

- **Self-employed Schedule C (or Schedule F) filers:**

- **Eligible for loan forgiveness:**

- 8/52 of their 2019 net profit as reported on the IRS Form 1040 Schedule C line 31 for an 8-week Covered Period or up to the amount of 2.5/12 of their 2019 net profit as reported on the IRS Form 1040 Schedule C line 31 for a 24-week Covered Period - Included in Line 9 of Schedule A

- **Ineligible for loan forgiveness:**

- Payments for employer state and local taxes paid
    - Payments for health insurance
    - Payments for retirement contributions