

QUESTCO COMPANIES

PAYCHECK PROTECTION PROGRAM - LOAN FORGIVENESS APPLICATION INSTRUCTIONS - **SIMPLE FORM**

OCTOBER 2020

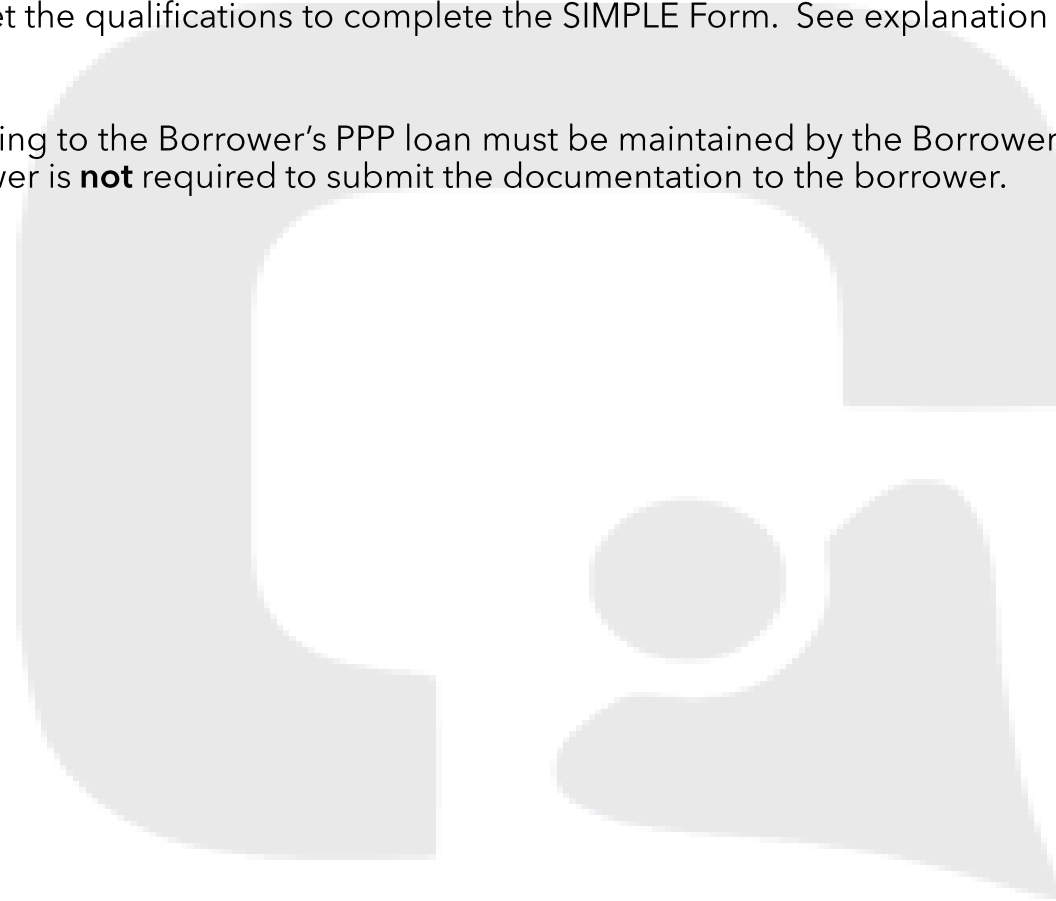
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Information contained herein is intended for information purposes only and does not constitute legal advice or option, nor is it a substitute for the professional judgment of an attorney or accountant.

OVERVIEW OF THE PPP LOAN FORGIVENESS APPLICATION – SIMPLE FORM

- The PPP Loan Forgiveness Application Simple Form (“SIMPLE Form”) is comprised of the PPP Loan Information and Certifications by the Borrower.
- The Borrower must certify that they meet the qualifications to complete the SIMPLE Form. See explanation of qualifications on **Slide 4**.
- 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 **SIMPLE FORM**

In order to apply for forgiveness of a PPP loan using the SIMPLE Form, the borrower must be able to certify that they meet both of the following criteria:

1. The total amount of the PPP loan amount you received from your Lender was \$50,000 or less
2. Together with the borrower's affiliates, you have not received PPP loans totaling \$2 million or greater

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".
- PEO Relationship Letter - explaining the responsibility of Questco to file payroll taxes and administer benefits under the co-employment relationship.

COMPLETING THE SIMPLE FORM

- Complete the informational area based on your specific loan



**Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508S**

OMB Control No. 3245-0407
Expiration date: 10/31/2020

**A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$50,000 OR LESS.
A Borrower that, together with its affiliates, received PPP loans totaling \$2 million or greater cannot use this form.**

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: _____

Forgiveness Amount: _____

COMPLETING THE SIMPLE FORM

- Questco’s **Payroll Cost Report** confirms the eligible payroll costs during the Covered (or Alternative) Period to be retained by the Borrower
 - This is equal to the total gross salary, wages, tips, commissions, paid leave (excluding paid leave under FFCRA), and allowances for dismissal or separation which is paid or incurred during the Covered (or Alternative) Period.
 - The Borrower will certify that the dollar amount for forgiveness requested does not exceed the principal amount of the PPP loan and:
 - Was used to pay costs that are eligible for forgiveness, including the eligible payroll costs in the report below along with business mortgage interest payments, business rent or lease payments, or business utility payments
 - This should not exceed an Annual Salary of \$100,000, as prorated for the period (\$15,385 per employee for the 8-week Covered Period or \$46,154 for the 24-week Covered Period) 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.*** (Owner compensation is capped at \$20,833 if a 24-week Covered Period applies. See [Slides 11-12](#) for eligible owner payroll costs.)

Example Data from Questco-provided Payroll Cost Report

Client Name											
Payroll Costs Report											
Payroll data for pay dates from 05/02/2020 through 07/24/2020											
		Table Type 1 Subtotal		2.1	\$ 19,950.00	\$ 19,950.00	\$ 400.00	\$ -	\$ 25.00	\$ 15.00	\$ 20,390.00
		Table Type 2 Subtotal		1.0	\$ 25,135.00	\$ 15,385.00	\$ 100.00	\$ -	\$ 75.00	\$ -	\$ 15,560.00
		Table O Subtotal		-	\$ 74,500.00	\$ 15,385.00	\$ -	\$ -	\$ -	\$ -	\$ 15,385.00
		Grand Totals		3.1	\$ 119,585.00	\$ 50,720.00	\$ 500.00	\$ -	\$ 100.00	\$ 15.00	\$ 51,335.00
Employee No	Employee Name	Employee Identifier	Estimated Table Type	Full Time Equivalency	Total Cash Compensation	Allowable Cash Compensation	Health Care Expense	Health Care Credits	Retirement Contributions	Employer State and Local Taxes	Total Payroll Costs
Y12407	Sam Smith	1567	1	0.7	\$ 7,250.00	\$ 7,250.00	\$ 100.00	\$ -	\$ 25.00	\$ 15.00	\$ 7,390.00
A30673	Joy Fox	4321	1	1	\$ 8,500.00	\$ 8,500.00	\$ 100.00	\$ -	\$ -	\$ -	\$ 8,600.00
A12433	Apple Tart	9725	1	0.4	\$ 4,200.00	\$ 4,200.00	\$ 200.00	\$ -	\$ -	\$ -	\$ 4,400.00
			1 Total	2.1	\$ 19,950.00	\$ 19,950.00	\$ 400.00	\$ -	\$ 25.00	\$ 15.00	\$ 20,390.00
L12420	Cody Time	4713	2	1	\$ 25,135.00	\$ 15,385.00	\$ 100.00	\$ -	\$ 75.00	\$ -	\$ 15,560.00
			2 Total	1	\$ 25,135.00	\$ 15,385.00	\$ 100.00	\$ -	\$ 75.00	\$ -	\$ 15,560.00
F14293	John Owner	8124	O	0	\$ 74,500.00	\$ 15,385.00	\$ -	\$ -	\$ -	\$ -	\$ 15,385.00
			O Total	0	\$ 74,500.00	\$ 15,385.00	\$ -	\$ -	\$ -	\$ -	\$ 15,385.00
			Grand Total	3.1	\$ 119,585.00	\$ 50,720.00	\$ 500.00	\$ -	\$ 100.00	\$ 15.00	\$ 51,335.00
										Total Eligible Payroll Costs	

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.
- 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 SIMPLE Form, please proceed to Questco's guidance on completing the EZ Form or 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 23rd, and the last day of the Covered Period is June 17th 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 23rd, and the first day of their first pay period following its PPP loan disbursement is Sunday April 26th, the first day of the Alternative Payroll Covered Period is April 26th, and the last day of the Alternative Covered Period is Saturday, June 20th.
- **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