

# PPP FORGIVENESS FORM SELECTION

The SBA released a streamlined application (3508EZ or EZ Form) for PPP forgiveness which only certain borrowers will be able to use. We've outlined three different scenarios in which you are eligible to use the EZ Form. It is recommended that you work closely with your CPA to determine which application you should use.

## 3508EZ

1

**The borrower is a self-employed individual, independent contractor, or sole proprietor**

who had no employees at the time of the PPP Loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483).<sup>1</sup>

2

**The borrower did not reduce annual salary or hourly wages of any employee by more than 25%**

during their Covered Period or Alternative Payroll Covered Period compared to the period of Jan. 1, 2020 and March 31, 2020.<sup>2</sup>

AND

**The borrower did not reduce the number of employees or the average paid hours of those employees**

from Jan. 1, 2020 to the end of their Covered Period.<sup>3,4</sup>

3

**The borrower did not reduce annual salary or hourly wages of any employee by more than 25%**

during their Covered Period or Alternative Payroll Covered Period compared to the period of Jan. 1, 2020 and March 31, 2020.<sup>2</sup>

AND

**The borrower was unable to operate during the Covered Period at the same level of business activity**

as before Feb. 15, 2020, due to compliance with established requirements of or issued guidance regarding to Covid-19.<sup>5</sup>

Note: The terms "Covered Period" and "Alternative Payroll Covered Period" are defined in the Borrower Application Form.

## REGULAR 3508

**If none of the above apply, the borrower must complete the regular 3508 form.**

<sup>1</sup> If you report your taxes on Form 1040 Schedule C or Schedule F or Form 1065 (for example, if you are a sole proprietor, LLC, or partnership) and do not have any employees, you qualify for scenario one and move on to Form 3508EZ.

<sup>2</sup> Keep in mind that reductions in hourly rate or salary are allowed for employees who earned an annualized income of \$100,000 or more during any pay period in 2019.

<sup>3</sup> If there are reductions in number of employees or average paid hours due to an inability to rehire individuals or fill vacant positions, you will need to maintain documentation regarding employee job offers and refusals, refusals to accept restoration or reduction in hours, firings for cause, voluntary resignations, written requests by any employee for reductions in work schedule, and any inability to hire similarly qualified employees.

<sup>4</sup> If you would like to claim the FTE Reduction Safe Harbor 2 because you reduced employees during the Covered Period but re-hired them by December 31, 2020 you must submit your forgiveness application using the full Form 3508.

<sup>5</sup> If you qualify for this scenario you will need to maintain copies of applicable COVID-19 related restrictions for each business location and relevant financial records demonstrating the impact of these restrictions.