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Forgiveness for PPP Loans  
of \$50,000 or Less

In October of 2020, the SBA and Treasury released an Interim Final Rule that makes it significantly easier for businesses with Paycheck Protection Program loans of \$50,000 or less to receive forgiveness. Of the 5.2 million PPP loans approved by the SBA, about 3.57 million, or 68.6%, were for \$50,000 or less. So the changes in the rule will affect most PPP loan recipients.

Businesses with loans of \$50,000 or less can now use the Form 3508S to apply for forgiveness. However, businesses with affiliates that received PPP loans totaling \$2 million or more cannot use this form, even if its own loan is \$50,000 or less. Any businesses that are not eligible to use the simplified Form 3508S must use the SBA Form 3508 or 3508EZ.

Paycheck Protection Program PPP Loan Forgiveness Application Form 3508S		OMB Control No. 3245-0407 Expiration date: 10/31/2020
<p><b>A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$50,000 OR LESS.</b>  <b>A Borrower that, together with its affiliates, received PPP loans totaling \$2 million or greater cannot use this form.</b></p>		
Business Legal Name ("Borrower")		DBA or Tradename, if applicable
Business Address		Business TIN (EIN, SSN)
		Business Phone
		( ) -
		E-mail Address
Primary Contact		
<p>SBA PPP Loan Number: _____ Lender PPP Loan Number: _____</p> <p>PPP Loan Amount: _____ PPP Loan Disbursement Date: _____</p> <p>Employees at Time of Loan Application: _____ Employees at Time of Forgiveness Application: _____</p> <p>EIDL Advance Amount: _____ EIDL Application Number: _____</p> <p>Forgiveness Amount: _____</p>		
<p><b>By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:</b></p> <p>The Authorized Representative of the Borrower certifies to all of the below by <b>initialing</b> next to each one.</p>		
<p>_____ The dollar amount for which forgiveness is requested does not exceed the principal amount of the PPP loan and:</p> <ul style="list-style-type: none"> <li>• 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);</li> <li>• includes payroll costs equal to at least 60% of the forgiveness amount;</li> <li>• if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and</li> <li>• if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.</li> </ul>		
<p>_____ 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.</p>		
<p>_____ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness, and has accurately calculated the forgiveness amount requested.</p>		
<p>_____ I have submitted to the Lender 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.</p>		
<p>_____ 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.</p>		
<p>_____ The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender 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.</p>		
<p>_____ 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.</p>		
<p>The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.</p>		
Signature of Authorized Representative of Borrower		Date
Print Name		Title
SBA Form 3508S (10/20)		



The Paycheck Protection Program stipulates that the forgivable amount of a loan will be reduced if a borrower reduced full-time equivalent employees as compared to a prior base period or if a borrower reduced the salaries or wages for certain employees as compared to the first quarter of 2020. This used to apply to all borrowers. However, with the new Interim Final Rule, borrowers who use the form 3508S are exempt from reductions in loan forgiveness amounts based on cuts in full-time equivalent employees or salaries and wages. So, if you're using the Form 3508S and had reduced employee headcount or employee compensation, you will not be penalized with a reduction in the loan forgiveness amount.

The SBA Form 3508S also requires fewer calculations and less documentation for eligible borrowers. It does not require borrowers to show the calculations used to determine their loan forgiveness amount. However, the SBA may request information and documents to review those calculations as part of its loan review process. Even though you don't have to provide the detail in the application, it's smart to retain those calculations in case you receive a request for review.

To calculate your loan forgiveness amount, you'll first need to calculate the sum of eligible payroll costs paid and payroll costs incurred during the 24-week or 8-week Covered Period or Alternative Payroll Covered Period. Eligible payroll costs include Cash Compensation, Employee Benefits, and Owner Compensation, as defined in the Form 3508S instructions.

Next, you'll need to calculate eligible non-payroll costs. Non-payroll costs eligible for forgiveness consist of:

- (a) Payments of mortgage interest on any business mortgage obligation on real or personal property incurred before February 15, 2020
- (b) Business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020
- (c) Business payments for electricity, gas, water, telephone, transportation, or internet access for which service began before February 15, 2020



An eligible non-payroll cost must be paid during the Covered Period or incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period. Eligible non-payroll costs cannot exceed 40% of the total forgiveness amount.

The “forgiveness amount” you report on the Form 3508S will be the lesser of:

1. The sum of eligible forgivable costs,
2. The principal of the loan, or
3. The payroll costs divided by 60%.

Once you have calculated the “forgiveness amount”, the application becomes much easier than the Form 3508. There is no schedule A, no worksheet for schedule A or calculations for Full-Time Equivalency and Salary and Hourly Wage Reductions. However, you will need to make several representations and still need to provide certain documentation with your application.

Finally, be sure to save all backup documentation and calculations used for the application for six years after the loan is forgiven or repaid in full.



# Final Thoughts

If you have any questions or need assistance with your PPP Loan Forgiveness Application, please contact our office. We're always happy to help.



## About Condley and Company, LLP

In a world of numbers and bottom line solutions, it's easy to overlook that success in business is really about relationships. At Condley & Company, L.L.P, we're proud to have many long-standing clients. Our founders and partners have instilled in the firm a culture that offers financial services with a personalized approach. With every client we serve, we aim to listen to and truly understand the people behind the numbers, so we can help them reach their goals. That's what Condley & Company is all about.



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