

LAKELAND BANK BORROWER TIPS

Completing the SBA PPP Forgiveness Application

The SBA has provided very specific rules with respect to the documentation required in the PPP loan forgiveness application process. Please note that **over 80%** of all loan forgiveness applications are returned to borrowers as the required documentation has not been provided. As a service to our clients, we have put together the tips below to help you with this process (and reduce the gathering and submission of unnecessary information). With the election to select a 24-week, vs 8-week, covered period, we have found that **the vast majority of borrowers can obtain 100% loan forgiveness by solely reporting payroll documentation noted in items 3, 4 and 5 below.** Please feel free to reach out to your professional advisor, who can assist you with streamlining this process.

1. **Forms 3508EZ or 3508S** – Please determine if you are eligible to file one of these forms (vs. the standard Form 3508), which will simplify the PPP loan forgiveness process.
2. **8-week or 24-week covered period** – Selecting a 24-week payroll period will increase the likelihood of obtaining 100% loan forgiveness.
3. **Payroll Reports Required** - Federal 941 and state payroll tax returns for the quarters represented in the covered period must be provided.
4. **Eligible Compensation Schedule** - A schedule must be provided to directly support the amount of cash compensation reported on the application for the covered period. Most 3rd party payroll providers can generate this report, which should be used whenever possible. ADP and Paychex definitely provide such reports (with manual adjustments needed relating to owner-compensation for S and C corporations).
 - a. In the event a 3rd party service provider is not being used:
 - i. Submit a schedule which is consistent with the PPP Schedule A Worksheet (Form 3508) that supports the amount of eligible payroll costs for the covered period.
 - ii. Provide copies of bank statements in order to document the amount of cash compensation paid to employees during the covered period. In addition to copies of the applicable bank statements, please provide a reconciliation schedule which summarizes all of the amounts on the bank statements that relate to payroll expenses (i.e. payroll tax impounds and net payroll checks) with a grand total for the covered period.
 - b. Schedule C Filers – provide a copy of your 2019 Schedule C (if claiming compensation for the owner)
 - c. Form 1065 Filers – provide a copy of your 2019 Form 1065 and Schedules K-1 (if claiming compensation for the partners)
5. **EZ Application with ONLY Checklist question #2 answered “YES”** – Support for the FTEs on January 1, 2020 and on the last day of YOUR covered period is required. If you are eligible to answer “Yes” to EZ checklist question #3, you do NOT need to submit any FTE supporting information.
6. **Rent** - If you claimed rental payments on the application, a copy of your lease executed prior to February 15, 2020 is required. Copies of proof of payment (i.e. cancelled checks) are required for the payments made during the covered period.
7. **Utilities** - If you claimed utility payments on the application, a copy of your February 2020 bill supporting that this service was in existence prior to 2/15/2020 required. Copies of proof of payment (i.e. cancelled checks) are required for the payments made during the covered period.
- Note: we did not include any information about mortgage interest as only a very small percentage of the population will need to report such expense.

