

- **What covered period should I use?**
  - Section 306 of the Economic Aid Act revised the forgiveness process to allow Borrowers to select a covered period between 8 weeks and 24 weeks. The covered period starts on the day your loan is disbursed to you. You should choose a covered period that enables you to maximize your potential forgiveness.
  - Borrowers should note that, per SBA guidance, owner-employee / self-employed compensation may not exceed \$100,000 on an annualized basis as prorated for the covered period (see SBA's full guidance here: [LINK](#)). In practice, this means that compensation for an eight week covered period is capped at eight-weeks' worth (8/52) of compensation or \$15,385 (8/52 of \$100,000) per individual, whichever is less, in total across all businesses. For borrowers that elect to use a ten-week covered period, the cap is ten weeks' worth (10/52) of compensation or \$19,231 per individual, whichever is less, in total across all businesses. For a covered period of, or longer than, 2.5 months, the amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation is capped at 2.5 months' worth (2.5/12) of compensation (up to \$20,833) in total across all businesses.
- **Which Forgiveness Form Should I Use?**
  - There are currently 3 PPP loan forgiveness application forms available from the SBA. Which form you use will depend on your unique circumstances and is a decision that must be made by the Borrower. Form 3508S is the simplest form, but is only for Borrowers with loan amounts of \$150,000 or less and who meet the requirements of the form. Form 3508EZ is a condensed version of the Full PPP Forgiveness Application for Borrowers who received amounts greater than \$150,000 but who meet certain criteria. Form 3508 should be used by any Borrower who cannot use form 3508S or 3508EZ.
- **What is Form 3508S, and how do you qualify?**
  - Form 3508S is the simplest forgiveness application form and is only for borrowers with loan amounts of \$150,000 or less. Borrowers using this form do not need to provide documentation with their application (but the SBA can request documents at any time). To use Form 3508S, Borrowers must also certify that they complied with all SBA rules related to:
    1. Eligible uses of PPP loan proceeds;
    2. The amount of PPP loan proceeds that must be used for payroll costs;
    3. The calculation and documentation of the Borrower's revenue reduction (as described in the forgiveness form); and
    4. The calculation of the Borrower's Requested Loan Forgiveness Amount.

A borrower's decision to use Form 3508S may be audited by the SBA and any fraud may be punished by imprisonment or fines. As such, borrowers should review the Form 3508S instructions and ensure they have documentation supporting their decision that they qualify for the form before completing the application.
- **If I Use Form 3508S Do I Need to Provide Any Documentation?**
  - A Borrower using Form 3508S will not be required to provide documentation with its forgiveness application. The Borrower, however, must maintain documents specified on page 6 of Form 3508S and be able to provide them to the SBA upon request. The Borrower must retain all employment records/payroll documentation in its files for four years and all other documentation for three years after the date the loan forgiveness application is submitted.
- **What is the EZ form, and how do you qualify?**
  - The PPP EZ Forgiveness Application is a condensed version of the Full PPP Forgiveness Application for Borrowers who received amounts greater than \$150,000. The EZ Application can be used by borrowers who meet any one of the following criteria:
    1. Applied for the PPP loan as self-employed, an independent contractor, or a sole proprietor with no employees;
    2. Can certify they did not reduce the number or hours of their employees AND did not reduce the salaries or wages for any of their employees by more than 25%; or
    3. Can certify they experienced a reduction in business activity **during the covered period** as a result of certain directives related to COVID-19 AND did not reduce salaries or wages for any of their employees by more than 25%.

A borrower's decision to use the EZ Application form may be audited by the SBA. As such, borrowers should review the EZ Application instructions and ensure they have documentation supporting their decision that they qualify for the form before completing the EZ Application.
- **Is there a completed sample form that borrowers can review?**
  - There are several sample documents that can be found online. We recommend, however, that borrowers only rely on information and guidance that comes directly from the US Treasury or the SBA.
- **What is the latest list of required documents, and is the IRS Form 941 required?**

- The list of required documents is dependent on the way the PPP borrower used the PPP funds. For example, if a PPP borrower used part of the PPP funds on utilities, borrowers would need to provide a utilities invoice from before Feb 15, 2020 to show the contract was in place before the PPP loan was applied for and subsequent invoices to support the requested forgiveness. To determine what documentation is required for their application, borrowers should review the instructions on the Application Form they are eligible to use. The instructions list the documents borrowers need to provide to support their forgiveness Application, along with the documents borrowers do not need to submit but do need to maintain in their records in case of an SBA audit.
- **What are the deadlines for filing, and how long will it take to know if my loan is forgiven?**
  - The longest a PPP borrower has to use their funds is 24-weeks from the date of disbursement. Current guidelines state that a borrower has up to 10-months after their covered period ends to submit their forgiveness application.
  - Hills Bank has 60 days after a forgiveness application is submitted to make a decision on forgiveness.
  - It may take a further 90 days after our forgiveness decision before the SBA reviews and approves the forgiveness request.
- **What are some tips on how to receive 100% forgiveness?**
  - Submit a complete application.
  - Submit supporting documentation as required.
  - Carefully read all instructions for the application form used.
- **Who can I call if I have questions regarding the application?**
  - PPP borrowers should consult their trusted advisors, such as accountants, tax advisors, or attorneys. This is especially true if those advisors helped the borrower complete their application.
- **How can I get additional capital?**
  - A borrower can ask their local lender about additional capital. Your lender may participate in government guarantee programs such as SBA 7(a) or SBAExpress lending. Traditional or conventional lending may also be an option.

## Common Problems with Loan Forgiveness Applications

1. The business name on the forgiveness application should match the PPP loan application.
2. Incorrect SBA and/or Bank Loan Numbers.
3. Double check that your Tax ID number is correct and is the same as your loan application.
4. The Loan Disbursement Date is the date you received the funds from the bank.
5. The first date of your Covered Period **MUST** be the same as your disbursement date.
6. Schedule C filers are capped by the prorated amount of their “owner compensation replacement” calculated based on 2019 or 2020 net profit (line 31). Schedule C should be provided as part of your supporting documentation to the loan forgiveness application.
7. For Schedule C filers, health insurance and retirement benefits may not be included.
8. For S-Corps, health insurance benefits for owners may not be included.
9. Only State and Local employer-paid taxes can be included such as state unemployment taxes.
10. Employers cannot include 1099 employees as part of payroll costs in the forgiveness calculation.
11. For all nonpayroll costs, you must include documents that verify that the obligation was in existence prior to February 15, 2020. This could include utility invoices, lease documents, bank statements or mortgage statements from before February 15, 2020.



12. If your loan forgiveness is less than 100%, you may be eligible for additional loan forgiveness by extending the chose Covered Period.
13. It is strongly encouraged that Borrowers (using Form 3508EZ or 3508) provide supporting spreadsheets which reconcile all categories of costs. Processing could be delayed if the bank has difficulty finding and comparing amounts in the documentation to the costs submitted in the application.