

# PPP Loan Forgiveness Checklist

This checklist outlines the documentation required to support your application for forgiveness of your PPP loan

Revised March 19, 2021



# DOCUMENTATION REQUIRED TO SUPPORT YOUR PPP LOAN FORGIVENESS APPLICATION<sup>1,2,3</sup>

## USE THIS CHECK-LIST

Revised March 19, 2021

### FOR PPP LOANS OF \$150,000 OR LESS

If you are applying for forgiveness of a PPP loan of \$150,000 or less, you will use Form 3508S and supporting documents are no longer required. Complete the single page SBA Form 3508S provided on the Union Bank<sup>®</sup> PPP Forgiveness Portal, make the certifications, and click submit. If approved, we will forward your application to the SBA.

**IMPORTANT NOTE: IF YOU HAVE A SECOND DRAW LOAN AND YOU DID NOT SUBMIT DOCUMENTS THAT SUPPORTED YOUR CLAIM THAT YOUR GROSS RECEIPTS WERE REDUCED, YOU MUST SUBMIT THESE DOCUMENTS WHEN APPLYING FOR LOAN FORGIVENESS.**

Please remember that even if your loan is forgiven, your loan file, including all representations made and supporting documents is subject to audit by the Small Business Administration (SBA). You must maintain (for a period of at least six years) and make available upon request, supporting documentation verifying all aspect of your PPP loan, including the use of the PPP funds and other program compliance requirements. Failure to do so will jeopardize the final determination of whether your loan is forgiven.

Please carefully review the application form and the instructions. If you have questions about the status of your compliance with PPP rules, please consult with your legal or accounting advisors.<sup>3</sup> Union Bank will rely on your statements on the application and we will make no review or confirmation of the statements in your forgiveness application or the documents you submit in support of your forgiveness application.

### FOR PPP LOANS GREATER THAN \$150,000

**You will use Form 3508 or 3508EZ. Form 3508EZ is shorter and easier to fill out than Form 3508.** You must use Form 3508 if both of the following conditions are met:

- When you originally applied for a PPP loan, you were not a self-employed borrower, an independent contractor, or a sole proprietor with no employees
- You reduced the salaries or wages of employees earning less than \$100,000/year by more than 25%

If, you are not self-employed/an independent contractor/a sole proprietor with no employees, and you did not reduce the pay of employees earning less than \$100K/year by more than 25%, you'll still have to use Form 3508 if both of the following are true:

- You reduced your number of FTE (full-time equivalent) employees
- You were still able to operate at the same level of business activity as before February 15th, 2020

**Please note that if your loan covered any of the categories below, you must submit the documents that evidence those expenditures. For example, if you are claiming expenses related to Owner Compensation, you must submit the documents listed on the right-hand column next to "Owner Compensation".**

## PAYROLL

### Owner Compensation

Any amounts the Borrower paid to owners (owner-employees (with an ownership stake of 5% or more), a self-employed individual, or general partners). For each individual owner in total across all businesses, this amount is capped at (a) \$20,833 (the 2.5-month equivalent of \$100,000 per year), or (b) the 2.5-month equivalent of the individual's applicable compensation in the year that was used to calculate the loan amount (2019 or 2020), whichever is lower. **If you are self-employed (e.g. sole proprietors, independent**

**contractors) and took owner compensation replacement, you can have your entire loan forgiven to cover your lost earnings:**

- a. A 2019 or 2020 Schedule C for sole proprietors **-OR-**
- b. 2019 or 2020 1099-MISC forms for independent contractors **-OR-**
- c. A 2019 or 2020 Schedule K-1 for partnerships **-OR-**
- d. 2019 or 2020 Check images, **-OR-** annotated bank statement

<input type="checkbox"/> <b>Cash Compensation</b>	<ul style="list-style-type: none"> <li>a. Third-party payroll service provider reports documenting the amount of cash compensation paid to employees; <b>-OR-</b></li> <li>b. Bank Account Statements <b>-AND-</b> Payroll tax filings (Form 941) <b>-AND-</b> State quarterly business and individual employee wage reporting <b>-AND-</b> unemployment insurance tax filings <b>-AND-</b></li> <li>c. Payroll journal/register</li> </ul> <p><b>Bank Statements</b> – Must provide full bank statement plus screenshot/print screen/highlight of applicable payroll debits within statement.</p>
<input type="checkbox"/> <b>Non-Cash Compensation</b>	<ul style="list-style-type: none"> <li>a. State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state documenting the employee paid state and local taxes that the Borrower included in the forgiveness amount.</li> <li>b. Payroll account statements (preferred) <b>-OR-</b> Cancelled checks <b>-OR-</b> Payment receipts documenting the amount of any employer contributions to employee group health, life, disability, vision or dental insurance and retirement plans that the Borrower included in the forgiveness amount (PPP Schedule A, lines (6) and (7))</li> </ul>
<input type="checkbox"/> <b>Full-time Equivalency (FTE) Reduction</b>	<p>Documentation showing (at the election of the Borrower):</p> <ul style="list-style-type: none"> <li>a. The average number of FTE employees on payroll per week employed by the Borrower between February 15, 2019 and June 30, 2019; <b>-OR-</b></li> <li>b. The average number of FTE employees on payroll per week employed by the Borrower between January 1, 2020 and February 29, 2020 (<b>Borrowers using Form 3508EZ automatically fall within this category</b>) <b>-OR-</b></li> <li>c. In the case of a seasonal employer, the average number of FTE employees on payroll per week employed by the Borrower between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or any consecutive 12-week period between February 15, 2019 and February 15, 2020             <ul style="list-style-type: none"> <li>1. Payroll tax filings (Form 941) <b>-OR-</b></li> <li>2. State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported,</li> </ul> </li> </ul>

	<p>or that will be reported, to the relevant state –OR–</p> <p>3. Payroll account statements (preferred) –OR– Cancelled checks –OR–</p> <p>4. Payment receipts</p>
<b>MORTGAGE INTEREST</b>	
<input type="checkbox"/> <b>Proof of Obligation</b>	<p>Mortgage Note</p> <p>–OR–</p> <p>Mortgage Statement prior to February 15, 2020</p>
<input type="checkbox"/> <b>Proof of Payment</b>	<p>A copy of the Mortgage Statements during the covered period –AND–</p> <p>In addition to statements covering the covered period, borrowers must also provide a copy of the statement for the month following the covered period (or portion of the covered period elected by the borrower to be calculated) to demonstrate payment of expense. For example, if the covered period ends on July 31, 2020, then you would need to include a copy of your August Mortgage Statement.</p>
<b>RENT/LEASE</b>	
<input type="checkbox"/> <b>Proof of Obligation</b>	<p>Lease Agreement prior to February 15, 2020</p>
<input type="checkbox"/> <b>Proof of Payment</b>	<p>Copy of Cancelled Checks</p> <p>–OR–</p> <p>Copy of Rent Receipts</p> <p>–OR–</p> <p>Copy of Money Order</p>
<b>UTILITY</b>	
<input type="checkbox"/> <b>Proof of Obligation</b>	<p>Utility Invoices prior to February 15, 2020</p>
<input type="checkbox"/> <b>Proof of Payment</b>	<p>Copy of Account Statements (preferred)</p> <p>In addition to statements covering the covered period, borrowers must also provide a copy of the statement for the month following the covered period (or portion of the covered period elected by the borrower to be calculated) to demonstrate payment of expense. For example, if the covered period ends on July 31, 2020, then you would need to include copy of your August Statement.</p> <p>–OR–</p> <p>Copy of Cancelled Checks</p> <p>–OR–</p> <p>Copy of Payment Receipts</p> <p>–OR–</p> <p>Copy of Screenshots of online payment portal</p> <p>Please note, copy of cancelled checks/payment receipts/screenshots – should include the following key items: utility provider information, service period, borrower information (name/address), payment and payment date.</p>

## OPERATION EXPENDITURES

Payments for business software or cloud computing service that organizes business operations. Some examples include your payroll provider, an inventory software, or an accounting or bookkeeping solution

### Proof of Payment

- a. Copy of invoices, orders, or purchase orders paid during the Covered Period
- b. Copy of receipts, cancelled checks, **-OR-** account statements verifying those eligible payments

## PROPERTY DAMAGE

If your business faced any property damage or looting due to public disturbances occurring in 2020, you can use your PPP funds to cover these costs and have your loan forgiven. This will only apply to costs that were not covered by insurance or other compensation prior to February 15, 2020.

### Proof of Payment

- a. Copy of invoices, orders, or purchase orders paid
- b. Copy of receipts, cancelled checks, or account statements
- c. Documentation that the costs were related to property damage and vandalism or looting due to public disturbances that occurred during 2020 and were not covered by insurance. For example, copy of correspondence with your insurance provider denying a claim should suffice.

## SUPPLIER COSTS

- a. The purchase is essential to the operations of the borrower at the time at which the expenditure is made; **-AND-**
- b. The purchase is made pursuant to a contract, order, or purchase order:
  - i. In effect at any time before the covered period; **-OR-**
  - ii. With respect to perishable goods, in effect before or at any time during the covered period with respect to the applicable covered loan

### Proof of Payment

- a. Copy of contracts, orders, or purchase orders in effect at any time before the loan cover period (except for perishable goods)
- b. Copy of invoices, orders, or purchase orders and receipts, cancelled checks, or account statements during the covered period.

## WORKER PROTECTION EXPENDITURES

If your business needed to purchase protective equipment or improve your business to remain COVID compliant, you can use your PPP loan to cover these costs. These purchases must be made to comply with requirements established by the Department of Health and Human Services or any requirements established by a State or local government, during the period beginning on March 1, 2020 and ending the date the national emergency (related to COVID-19) expires.

<input type="checkbox"/> <b>Proof of Obligation</b>	<ul style="list-style-type: none"><li>a. Copy of invoices, orders, or purchase orders</li><li>b. Copy of receipts, cancelled checks, or account statements verifying those eligible payments</li><li>c. Documentation that the expenditures were used by the Borrower to comply with applicable COVID-19 guidance during the Covered Period</li></ul>
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<sup>1</sup>Union Bank is an SBA lender facilitating the PPP program on behalf of the SBA. As a borrower, it is your obligation to understand and comply with the eligibility requirements for the specified program. For the most recent details, visit [SBA.gov](https://www.sba.gov) and [Treasury.gov](https://www.treasury.gov).

<sup>2</sup>Paycheck Protection Program loan forgiveness is not guaranteed and is subject to authorization by the SBA. As a borrower, it is your obligation to understand and comply with the eligibility requirements for the specified program.

<sup>3</sup>Union Bank does not provide tax, legal or accounting advice. The material presented is for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.