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# **PAYCHECK PROTECTION PROGRAM (PPP) LOAN FORGIVENESS CHECKLIST**

..... • **PREPARED BY** .....

**ZINNER & CO. RECOVERY SPECIALISTS**



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## Paycheck Protection Program (PPP) Loan Forgiveness Checklist

For most businesses, the most appealing aspect of the PPP is it offers the ability for up to 100 percent loan forgiveness based on compliance with certain loan requirements. Below is a checklist to assist you in following the rules of the program in order to obtain full loan forgiveness.

The four main keys for loan forgiveness are the following:

1. You have eight weeks from the time you receive your loan proceeds to use the funds (the covered period) (see Note 1)
2. Use 75 percent or more of your loan proceeds for payroll costs (see Note 2)
3. Use the balance of the proceeds for allowable non-payroll costs (see Note 3)
4. Restore staffing to full capacity by June 30, 2020 (see Note 4)

The following is a checklist of items to ensure you confirm with PPP requirements in order to obtain full loan forgiveness:

- Pay the qualified costs incurred during the covered period
- Keep detailed records of the qualified expenses, both payroll and non-payroll
- Keep detailed records of your full-time equivalent employee count for the covered period, as well as the pre-covered period (employer election (1) the period beginning on Feb. 15, 2019 and ending on June 30, 2019, or (2) the period beginning on Jan. 1, 2020 and ending on Feb. 29, 2020)
- If you laid off or furloughed any employees and are planning to rehire them by June 30, 2020, keep track of these records and details
- Ensure you are keeping your full-time equivalent employee wages at least at 75 percent of their rate during the last full quarter prior to the covered period
- Keep detailed records of compensation to ensure you do not fall below the 75 percent rate
- Track your full-time equivalent employee for wages that annualize to more than \$100,000 and only considering the pro-rated portion that is within \$100,000 in determining payroll costs (only \$15,384.62 will be allowable)
- Keep all your records together, organized and accessible, so they are ready when you need to provide supporting documentation with your loan forgiveness application and provide supporting documentation

The SBA released the application for loan forgiveness on May 15. Here is the link to the application and instructions:

<https://www.sba.gov/sites/default/files/2020-05/3245-0407%20SBA%20Form%203508%20PPP%20Forgiveness%20Application.pdf>

### **Note 1 – Covered Period or Alternative Covered Period**

- The covered period is the eight-week period (56 days) of your PPP loan, which begins on the day you receive your PPP funds
- If you have employees on payroll, you may select an alternative payroll covered period, which begins on the first day of the first payroll period following the date you receive your PPP funds
- Eligible payroll costs are those incurred during the eight-week covered period. Payroll costs incurred but not paid during the last pay period of the covered period are still eligible for forgiveness, if paid on or before the next regular payroll date.

### **Note 2 – Items included in payroll costs:**

- Up to the \$100,000 of an employee's annualized compensation prorated for the covered period
- Vacation, parental, family, medical or sick leave (excluding leave for which the employer receives credits under the Families First Coronavirus Relief Act)
- Health care benefits, including insurance premiums
- Retirement benefits

### **Note 3 – Allowable non-payroll costs:**

- Lease or rent payments in force prior to Feb. 15, 2020
- Utility payments (electricity, gas, water, transportation, telephone or internet access) in force prior to Feb. 15, 2020
- Mortgage interest payments in force prior to Feb. 15, 2020
- For self-employed individuals, you must have claimed or be entitled to claim a deduction for the included expenses on 2019 Form 1040 Schedule C (personal expenses are not includable)

### **Note 4 – What if employees refuse to come back to work?**

- If your employees are receiving unemployment and you call them back to work and they refuse to come back, you will need to fill out a form. The Ohio Department of Jobs and Family Services (ODJFS) created a form for employers to use in order to report employees, who quit or refuse to work due to COVID-19, while work is available: <https://secure.jfs.ohio.gov/covid-19-fraud/>. This is a good way to substantiate the employer made a good faith effort to bring the employee back.
- The SBA and Treasury Department released additional FAQs, one of which indicates the non-returning employee(s) will not affect loan forgiveness (see FAQ number 40 <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>)

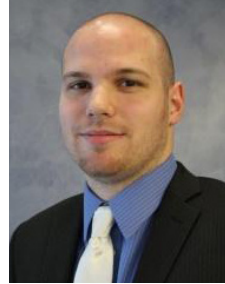
If you received a PPP loan and are not able to be in compliance to receive 100 percent loan forgiveness, you will most likely qualify for a pro-rated reduction of the forgivable amount of the loan. Any non-forgivable amount still comes with very desirable loan terms at a 1 percent interest rate with a payment term of two-months and a six-month deferral of the first principal repayment.

## CONTACT US

Zinner & Co. LLP, is here to help. If you have any questions or would like to talk to someone about ways you and/or your business can take advantage of these government support programs, please reach out to one of our Recovery Specialists:



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## ABOUT ZINNER

In 1938, Harry Zinner had a vision for long term success. He founded a Cleveland-based bookkeeping firm that focused on integrity, commitment and a pledge to help individuals, not-for-profit organizations and closely-held companies grow and prosper, not just for today, but for decades to follow.

Today, Zinner & Co. provides tax, accounting and management advisory services to guide businesses from startup to succession planning and help individuals create a solid financial foundation.

Our Beachwood, Ohio office is home to a dedicated team of CPAs and management advisors that provide a full slate of services beyond traditional tax and accounting. Contact us to discover how we can help you achieve your greatest financial potential.

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