



CITRINCOOPERMAN®

Accountants and Advisors

CITRIN COOPERMAN'S
**PAYCHECK
PROTECTION
LOANS
DOCUMENTATION**

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Paycheck Protection Loans Documentation Checklist

While the details of the application for the paycheck protection loan program are still being determined, we urge our clients and friends to be ready to apply for these loans once the SBA has instructed eligible lending institutions on how the program will be administered. Additionally, some of the information included in this documentation is subject to change based on ongoing interpretation of the ACT and issuance of guidance by the SBA and other government agencies.

To that end, we have determined that in order to be best prepared to apply as quickly as possible for a loan, the following steps, documents, and preliminary calculations should be run:



Step 1: Determine Employer Eligibility Based Upon Number of Employees and SBA Industry Size Standards

1. Does your business (including affiliates as defined in 121.103) employ fewer than 500 employees (defined as individuals employed on a full-time, part-time, or other basis)? If yes, skip remaining questions and move step 2.

1(a) Does your business fall under higher employee industry guidelines by the SBA and do you employ fewer than the maximum employees per the guidelines? See §121.201 What size standards has SBA identified by North American Industry Classification System codes? If yes, skip remaining questions and move to step 2.

1(b) Are you a business with more than 500 employees but not more than 500 employees at one physical location and your NAICS code begins with 72? If yes, skip remaining questions and move to step 2.

1(c) Are you operating under a NAICS code beginning with 72, a business concern assigned a franchise identifier code, or a business concern that receives financial assistance from a company licensed under section 301 of the Small Business Investment Act of 1958? If so, are your total employees including affiliates greater than 500? You may be eligible for a waiver of affiliates for employee calculation purposes. If so, move to step 2.

1(d) Do you have affiliated companies that need to be considered for the calculation of employees under the SBA's affiliation rules? [See §121.103 How does SBA determine affiliation?](#)

1(e) Does your NAICS code under the SBA standards allow for eligibility for the number of employees greater than 500 and do you have fewer than the maximum number of employees in accordance to the size standards? If so, move to step 2.

These preliminary steps are not all inclusive but provide a quick roadmap for determining basic eligibility for the program.



Step 2: Gather Documentation for Calculation of Eligible Payroll as Defined for Maximum Loan Calculation

While we don't know the specifics as to the documentation requirements needed to apply for this loan yet, we do know that the maximum calculation of loan is based upon payroll and other costs that the CARES Act determines to be payroll. These costs include the following:



CARES ACT PAYROLL	DOCUMENTS TO GATHER	TIMEFRAME	NOTES
Salary, wage, commission or similar compensation— Most businesses	Payroll records by employee, canceled checks, bank records, payroll tax filings, state income, payroll, and unemployment tax filings	1 Year period before date of loan or 2019	Need detail to exclude compensation > \$100,000. Also need to reduce for FIT, FICA, and FUTA
Salary, wage, commission or similar compensation— Seasonal businesses	See above	Payroll from 2/15/19 forward 12 weeks or 3/1/19-6/30/19	Need detail to exclude compensation > \$100,000. Also need to reduce for FIT, FICA, and FUTA
Salary, wage, commission or similar compensation— New business	See above	1/1/20-2/29/20	Need detail to exclude compensation > \$100,000. Also need to reduce for FIT, FICA, and FUTA
Payment of cash tip or equivalent	See above	See timeline above by type of business	
Payment for various leave	See above	See timeline above by type of business	Cannot include COVID-19 leave payments
Allowance for dismissal or separation	See above	See timeline above by type of business	
Payment required for group health care	Canceled checks, invoices for health insurance payments	See timeline above by type of business	Self-insured may need additional information
Payment of retirement benefit	Canceled checks, bank statements, invoices, notices	See timeline above by type of business	
Payment of state or local tax assessed	Payroll records, bank records, payroll tax filings, state income, payroll, and unemployment tax filings	See timeline above by type of business	Payroll tax reports may satisfy
Payments to independent contractors, sole proprietors	1099s, canceled checks, bank records, invoices	See timeline above by type of business	Cannot be more than \$100,000

While the list of documentation will be determined by the individual lending institutions, we suggest gathering the above documents in advance.



Step 3: Determine Applicable Uses for a Preliminary Calculation of Loan Forgiveness and Devise a Documentation Plan

It will be important to determine the impact on your business in terms of cash flow and repayment on these potential loans which includes a preliminary calculation on forgiveness. In order to determine the potential forgiveness of the loan begin by projecting the following:

CALCULATION ITEMS	DOCUMENTATION SOURCE	TIMELINE OF DOCUMENTATION	NOTES
Payroll costs	Payroll records as listed above for maximum loan calculation	Covered period (8 weeks following loan origination)	Covered costs must be at least 75% payroll
Group health benefit payments and insurance premiums	Invoices, canceled checks, bank records	Covered period (8 weeks following loan origination)	
Employee salaries, commissions, or similar compensations	Payroll records as listed above for maximum loan calculation	Covered period (8 weeks following loan origination)	
Payment of interest on mortgage obligations	Mortgage statements, bank records, canceled checks	Covered period (8 weeks following loan origination)	Principal payments are not included, mortgage must have been incurred before 2/15/20
Rent (including rent under a lease agreement)	Invoices, canceled checks, bank records	Covered period (8 weeks following loan origination)	Note—covered rent includes leasing agreements in force before 2/15/20
Utilities	Invoices, canceled checks, bank records	Covered period (8 weeks following loan origination)	Covered utilities defined as electricity, gas, water, transportation, telephone, or internet access services before 2/15/20
Interest on any other debt obligations that were incurred before the covered period	Invoices, canceled checks, bank records	Covered period (8 weeks following loan origination)	
Payroll costs	Payroll records as listed above for maximum loan calculation	Covered period (8 weeks following loan origination)	Note—this is not well defined in the act, but we interpret it to mean administrative costs of payroll
Group health benefit payments and insurance premiums	Invoices, canceled checks, bank records	Covered period (8 weeks following loan origination)	
Employee salaries, commissions, or similar compensations	Payroll records as listed above for maximum loan calculation	Covered period (8 weeks following loan origination)	



Step 4—Determine Reduction in Workforce for Potential Reduction in Loan Forgiveness

A reduction in loan forgiveness is incurred based upon the reduction in workforce. The applicant should consider the following with regard to the calculation of a reduction in forgiveness:



CALCULATION ITEMS	DOCUMENTATION SOURCE	TIMELINE OF DOCUMENTATION	NOTES
Average number of full-time equivalent employees per month	Payroll records with hours, payroll tax filings, state income, payroll, and unemployment tax filings	Covered Period (8 weeks following loan origination)	Silent as to independent contractors
Average number of full-time equivalent employees per month	Payroll records with hours, payroll tax filings, state income, payroll, and unemployment tax filings	Choice: 2/15/19-6/30/19 OR 1/1/20-2/29/20	Calculated as the average number of FTEs for each pay period within a month
Average number of full-time equivalent employees per month—Seasonal employers	Payroll records with hours, payroll tax filings, state income, payroll, and unemployment tax filings	2/15/19-6/30/19	Calculated as the average number of FTEs for each pay period within a month
Payroll reduction > 25%	Payroll records by individual and above documents	Most recent full quarter when employee was employed before the covered period	Excludes any employees with wages or salary >\$100,000
Tipped workers	Payroll records and above documents	Not specific—assumed to be covered period	Forgiveness available for additional wages paid to tipped workers under FLSA 1938 Act
Rehire provisions	Payroll records with hours, and above documents	2/15/20- 4/26/20 and 6/30/20	If FTEs are restored during this time period, forgiveness is not reduced
Average number of full-time equivalent employees per month	Payroll records with hours, payroll tax filings, state income, payroll, and unemployment tax filings	Covered Period (8 weeks following loan origination)	Silent as to independent contractors
Average number of full-time equivalent employees per month	Payroll records with hours, payroll tax filings, state income, payroll, and unemployment tax filings	Choice: 2/15/19-6/30/19 OR 1/1/20-2/29/20	Calculated as the average number of FTEs for each pay period within a month
Average number of full-time equivalent employees per month—Seasonal employers	Payroll records with hours, payroll tax filings, state income, payroll, and unemployment tax filings	2/15/19-6/30/19	Calculated as the average number of FTEs for each pay period within a month
Payroll reduction > 25%	Payroll records by individual and above documents	Most recent full quarter when employee was employed before the covered period	Excludes any employees with wages or salary >\$100,000



Step 5—Determine the Impact of the Loan on Your Business



While in many cases a majority of the loans under this program may be forgiven, you may find that the impact of the loan based upon your ability to retain workers may result in incurring additional debt under this program. Repayments of any non-forgiven debt are required to be deferred by the lender for at least 6 months, but no longer than 12 months with interest on these loans calculated at .5%. While we hope that many of these will be forgiven, improper documentation, or other sudden business changes may change your circumstances. You need to be prepared to absorb the impact of this loan into your longer-term cash forecast. Non-forgiven loans will be due in two years.

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