

Dear Client,

If you received a PPP Loan, it is very important that you read this email.

The PPP Loan you received is a 2-year loan @ 1% APR in which payments start within 6 months from the funding date. Borrowers should request the loan forgiveness, from the lender you used, within that first 6-month period to avoid making any payments to the loan.

For the forgiveness process, you might need to use the standard SBA form 3508, in which you can download with all instructions here:

<https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>

It is possible that Treasury or the SBA will change the application process in the near future, so be sure to keep checking the SBA website for updates; additionally, your lender might also have their own platform or portal to process the forgiveness application.

Here are the general guidelines (There is an 8 week (56 day) period to spend the loan):

- **You must use at least 75% of the proceeds for payroll cost**, but you can use up to 100% of the loan proceeds for payroll and get 100% forgiveness this way. For the purpose of PPP, “payroll costs” include gross payroll paid to employees, employer paid “employee” portion of pension/retirement benefits, and employer paid “employee” portion of health insurance; federal payroll taxes or payroll processing fees will not be included in the calculation.
- If you don’t use 100% of the proceeds for payroll costs, you may use up to 25% for Rent, Utilities (not including cellphones), and Mortgage Interest of commercial property for the business, not for your home or “home office”
- You must keep the same headcount (you will need to calculate the avg. number of full-time employees in 2019 compared to 2020 - this is a very convoluted calculation, see the instructions for more details). You are allowed to rehire employees previously laid-off and/or replace with new ones.
- **You cannot include increases to the salary or additional bonus of owners above the average 2019 weekly compensation. If your 2019 salary was \$0, you cannot take a salary.**
- You are allowed to increase the compensation of any employee, but you cannot reduce any one employee’s salary by more than 25% (unless they are not being used as part of the calculation). Keep in mind that there is a cap of \$100,000 salary cost per employee on all calculations (\$15,384 for this 8 week (56 day) period).
- Self-employed individuals and partners that used their net income from schedule C or distributable K-1 Income for purposes of Payroll cost will receive an automatic 73.84% forgiveness for those amounts and have up to 25% that can be used for commercial Rent/Utilities/Mortgage; **So all self-employed and K-1 partners will need to pay back at least a portion of the loan.** NOTE: this is a very particular use case, ignore if not applicable.

Failure to comply with these guidelines will result in a reduction (partially or completely) of your overall forgiveness amount. Also, keep in mind that if you received an EIDL Advance (between \$1,000 and \$10,000) it will also reduce the forgiveness amount as well.

Now, the covered period for mortgage Interest, rent and utilities is exactly 8-weeks (56 days) following the funding date. But for payroll, you can use either the funding date or the date of the following payroll check to start the 8 weeks. This is most beneficial to taxpayers that were closed for a portion of the 8-week period. To achieve maximum forgiveness, you must take action and make these payments during that period. We recommend that you are monitoring your payroll

costs, rent, utilities, and mortgage interest during this 8-week period to make sure it adheres to the guidelines. You can HIRE us for this service, **but only if you explicitly request it**; but we will not, under any circumstance, proactively monitor these expenses for you regardless of the engagement that we have established.

Finally, for the actual forgiveness process, you have the capacity to prepare the application on your own and submit to your bank. If you need us to help you prepare the application, we will charge \$400/hour (Minimum of 3 hours, as recommended by the SBA). For our clients that we service monthly, we will be providing this valued service at a significant reduction in fees.

We cannot offer any guarantees of 100% forgiveness in any of our services, but we will work within the available guidelines to try to maximize your loan forgiveness in the same way we look for legal avenues to reduce tax liabilities when we prepare your tax returns, but there are no implicit or explicit guarantees.