

Paycheck Protection Program (PPP) EZ Loan Forgiveness Application

Many PPP recipients can apply for loan forgiveness at their lender using the SBA’s short-form “EZ” application form.

IS THE BORROWER ELIGIBLE FOR EZ? To be eligible, the borrower must fit into one of these three categories:

1. **Borrower is self-employed and had no employees at the time of PPP application** (includes self-employed individuals, independent contractors and sole proprietors).
2. **Borrower did not make substantial payroll cuts or reduce headcount after getting PPP.** During the Covered Period or Alternative Payroll Covered Period, borrower (1) did not cut wages by more than 25% from 1Q2020 levels for any employee; *and* (2) did not reduce the number of employees or employee hours between 1/1/2020 and the end of the Covered Period (subject to certain exceptions).
3. **Borrower did not make substantial payroll cuts and was unable to operate at pre-COVID 19 business levels due to federal public health rules.** During the Covered Period or Alternative Payroll Covered Period, borrower (1) did not cut wages by more than 25% from 1Q2020 levels for any employee; *and* (2) was unable to operate at the same level of business activity as before 2/15/2020 due to compliance with COVID-19 public health guidance from certain federal agencies and related state and local orders.

IF YES, FILL OUT THE EZ APPLICATION FORM, AVAILABLE [HERE](#).

STEP 1: Borrower Information and Calculating Forgiveness

- a. **Determine the Covered Period or Alternative Payroll Covered Period.** A PPP loan will be forgiven to the extent it is used for eligible expenses during the Covered Period (the period from loan origination through 24 weeks after disbursement or 12/31/2020, if earlier) or the Alternative Covered Period (if borrower has a biweekly or more frequent payroll schedule, 24 weeks from the first day of the first pay period after disbursement or 12/31/2020, if earlier). *Borrowers that received loans before 6/5/2020 can opt to use an 8-week period instead of the 24-week period.*
- b. **Calculate eligible expenses.**
 - o Payroll Costs. On line 1, calculate payroll costs paid or incurred during the Covered Period or Alternative Payroll Covered Period, including wages, health insurance and retirement contributions for employees, state and local payroll taxes, and compensation to the borrower’s owners (up to the 2.5 month equivalent (or 2 month equivalent, if using an 8-week forgiveness period) of 2019 compensation for business owners).
 - o Nonpayroll Costs. If you are seeking forgiveness for nonpayroll expenses, add up eligible nonpayroll costs, including business mortgage interest, business rent or lease payments and business utilities for obligations that were in place before 2/15/20 and were paid or incurred during the Covered Period using lines 2-4.
- c. **Determine the forgiveness amount.**
 - o On line 5, enter the sum of payroll + nonpayroll expenses (add up lines 1-4).
 - o On line 6, enter the amount of the PPP loan.
 - o On line 7, divide payroll costs from line 1 by 0.6 to ensure that $\geq 60\%$ of the amount forgiven was spent on payroll.
 - o On line 8, enter the smallest of lines 5-7, which will be the amount of the PPP loan that is forgiven.

STEP 2: Certifications

Borrowers must make certain certifications, including that they’ve followed PPP rules, are eligible to use the EZ application, and have completed the forgiveness application accurately and completely. Carefully read and initial each statement if true.

STEP 3: Documentation

Borrowers must submit documents showing how they used PPP proceeds, and must maintain other records for 6 years after the loan is forgiven or repaid in full. Document requirements are listed on page 4 of the application instructions [here](#).

This information is current as of July 25, 2020, and should not be considered comprehensive. This is not a substitute for, and should not be relied upon as, legal or professional advice; we recommend that you consult professional advisors for guidance on your individual circumstances. Nothing contained herein creates an attorney-client relationship with Cleary Gottlieb. This information should not be construed as an endorsement of any specific financial program.