

# PPP Borrower Source Reference Guide

WECU

WE  
CU

## Employee (Non-Owner) Payroll Cost

### YOUR REQUIREMENTS

- ☐ Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation to each employee
- ☐ 941 (or equivalent\* third-party payroll service provider reports) tax form for first quarter of 2020
- ☐ 941 (or equivalent) tax form overlapping\*\* the Covered Period
- ☐ If using the 24-week Covered Period but applying early, the final period 941 may be in draft form and covering only the period that you are applying for forgiveness
- ☐ State/Municipal business and individual employee wage reporting and unemployment insurance tax filings
- ☐ Payment receipts, cancelled checks or account statements documenting the amount of any employer contributions to the employee health insurance and retirement plans

If the form 3508 (not form 3508EZ) is used, review the FTE Documentation Requirements section.



### WECU MUST VERIFY

- ☐ All required supporting documentation above has been provided
- ☐ Amount of employee payroll cost claimed is supported by the documents provided
- ☐ Amount claimed is only for amounts paid or incurred during the Covered Period or Alternative Covered Period. The same period is used for Cash Compensation and for Non-Cash Compensation Payroll Costs.
- ☐ Amount claimed for each employee's Cash Compensation does not exceed an annual salary of \$100,000, as prorated for the Covered Period:
  - ☐ Eight-week Covered Period –  $8 / 52 \times \$100,000$  or \$15,385
  - ☐ 24-week Covered Period –  $24 / 52 \times \$100,000$  or \$46,154
- ☐ If you apply for forgiveness using payroll expenses from other than eight or 24 weeks – the limit is prorated based on the number of weeks or days. For example (using weeks):  $\# \text{ of weeks} / 52 \times \$100,000$

\* "Equivalent" means an electronic version or summary showing the same information as a 941.

\*\* "Overlapping" means the 941s provided include all of the dates in the Covered Period. For example, an application for a Covered Period that ends on July 1, 2020, would require a 941 form from third quarter.

## FTE Documentation Requirements

### YOUR REQUIREMENTS

- ☐ Only for borrowers who submit the long form 3508 forgiveness application



## FTE Documentation Requirements Cont.

Your choice of documentation showing any one of the following:

- ☐ The average number of FTE employees on payroll per week employed between February 15, 2019, and June 30, 2019;
- ☐ The average number of FTE employees on payroll per week employed between January 1, 2020, and February 29, 2020;
- ☐ If a seasonal employer, the average number of FTE employees on payroll per week employed for either of the above date ranges or for any consecutive 12-week period between May 1, 2019, and September 15, 2019. If you elect to use the 12-week period in May through September to calculate the PPP loan amount, you must also use the same 12-week period as the reference period for calculation of any reductions in the forgiveness amount.
- ☐ The time period you select must be the same time period selected for purposes of completing PPP Schedule A, Line 11 (FTE during chosen Reference Period). Documents may include payroll tax filings reported, or that will be reported to the IRS (typically form 941), and state quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported. Documents you submit may cover periods longer than the specific time period.

### WECU MAY VERIFY

- ☐ Documents provided generally support the FTE claimed, but WECU does not have responsibility to verify this figure

## Sole Proprietor (Schedule C or F Filer) Owner Compensation Replacement

### YOUR REQUIREMENTS

- ☐ For Schedule C and F filers owner compensation replacement, forgiveness is based on 2019 net profit on line 31 of Schedule C and line 34 of Schedule F

Note: This is for your self-employment income only. For employee wages (non-owner) and for non-payroll expenses (interest, rent, utilities), review these topics within this document.

### WECU MUST VERIFY

- ☐ Filed Schedule C or F for 2019
- ☐ Verification that you were in business on February 15, 2020
- ☐ For an eight-week Covered Period, the amount claimed is equal to the lesser of 8 / 52 of 2019 net profit or \$15,385
- ☐ For a 24-week Covered Period, the amount claimed is equal to the lesser of 2.5 / 12 of 2019 net profit or \$20,833



## Sole Proprietor Owner Compensation Replacement Cont.

- ☐ If you choose to apply using a Covered Period other than the eight or 24 weeks of expenses, the forgiveness amount would be prorated based on the number of weeks or days of expenses used. For example (using weeks):  $\# \text{ of weeks} / 52 \times 2019 \text{ net profit} = \text{owner compensation eligible for forgiveness}$ . No employer paid medical or retirement contributions for the owners may be included.



## Partner (Form 1065) Owner Compensation

### YOUR REQUIREMENTS

- ☐ The amount of your forgivable compensation is based on amounts paid during the Covered Period but limited to  $2.5 / 12$  of 2019 self-employment income reported on the K-1, box 14a multiplied by .9235

Note: This is for partners' self-employment income only. For employee (non-owner) wages and for non-payroll expenses (interest, rent, utilities), review these topics within this document.

### WECU MUST VERIFY

- ☐ 2019 K-1, box 14a (other locations on K-1 not eligible)
- ☐ Amount in 14a is reduced by claimed section 179 expense deductions, unreimbursed partnership expenses, depletion from oil and gas properties
- ☐ Result is multiplied by 0.9235 and called Adjusted Partnership Income (API)
- ☐ For an eight-week Covered Period, the amount eligible for forgiveness is the lesser of: (1) the amount paid to the partner during the Covered Period or Alternative Covered Period, (2)  $8 / 52$  of 2019 API earnings, or (3) \$15,385
- ☐ For a 24-week Covered Period, the amount eligible for forgiveness is equal to the lesser of: (1) the amount paid to the partner during the Covered Period or Alternative Covered Period, (2)  $2.5 / 12$  of 2019 API, or (3) \$20,833
- ☐ If you choose to apply using a Covered Period other than the eight or 24 weeks of expenses, the amount eligible for forgiveness is equal to the lesser of: (1) the amount paid to the partner during the timeframe used, (2)  $\# \text{ of weeks} / 52$  of 2019 API, or (3)  $\# \text{ of weeks} / 52 \times \$100,000$ . The Covered Period will always remain either eight or 24 weeks and must be reflected that way on the application.
- ☐ No employer paid medical or retirement contributions for the owners may be included

## S-Corp (1120-s) & C-Corp (1120) Owner Compensation

### YOUR REQUIREMENTS

- ☐ Owner compensation\* is documented in a similar manner to employee compensation (payroll records). The owners' eligible payroll costs are paid in the same manner as eligible employee payroll costs. Review the Employee Payroll Cost section.

Note: This is for the owners'\*\*\* wages only. For employee (non-owner) wages and for non-payroll expenses (interest, rent, utilities), review these topics within this document.

## S-Corp (1120-s) & C-Corp (1120) Owner Compensation Cont.

### WECU MUST VERIFY

- ☐ W-2 or third-party payroll summary showing each owner-employees' 2019 total compensation
- ☐ 2020 payroll information showing the amount of eligible compensation paid to each owner-employee during the Covered Period
- ☐ Review the employee (non-owner) payroll section. The same information is required for each owner-employee during the Covered Period
- ☐ For an eight-week Covered Period, the amount\* eligible for forgiveness is equal to the lesser of: (1) the amount paid to the owner during the Covered Period or Alternative Covered Period, (2) 8 / 52 of 2019 W-2 (or similar documentation) wages, or (3) \$15,385
- ☐ For a 24-week Covered Period, the amount\* eligible for forgiveness is equal to the lesser of: (1) the amount paid to the owner during the Covered Period or Alternative Covered Period, (2) 2.5 / 12 of 2019 W-2 (or similar documentation) wages, or (3) \$20,833
- ☐ If you choose to apply using a Covered Period other than the eight or 24 weeks of expenses, the amount eligible for forgiveness is equal to the lesser of: (1) the amount paid to the owner during the timeframe used, (2) # of weeks / 52 of 2019 W-2 (or similar documentation) wages, or (3) # of weeks / 52 x \$100,000. The Covered Period will always remain either eight or 24 weeks and must be reflected that way on the application.
- ☐ For a C-Corp owner-employee: Both employer paid medical and retirement may be included
- ☐ For an S-Corp owner-employee: Employer paid medical is excluded, employer paid retirement is allowed

\* Amount claimed for S-Corp/C-Corp owner-employees must be based on 2020 Covered Period wages paid that are subject to payroll/withholding taxes. Draws, distributions, net profit, etc. are not eligible payroll costs for forgiveness purposes.

\*\* Owner employees with less than 5% ownership are not subject to the above eight- and 24-week caps and are treated as non-owner employees.

## Employee-Owner Compensation Calculations, Caps & Eligible Non-Cash Payroll

	Source For Income (2019 Cap)	Source For Income (2020)	Multiplier	Alternate Cap - 24 Weeks	Alternate Cap - Eight Weeks	Medical	Retirement
C-Corporation	W-2	Salary detail	N/A	\$20,833	\$15,385	Yes	Yes
S-Corporation	W-2	Salary detail	N/A	\$20,833	\$15,385	No	Yes
Partnership	1065 K1, Box 14a	Bank records/ financial statements/ payroll summaries	0.9235	\$20,833	\$15,385	No	No
Sole Proprietorship	Schedule C, Line 31	2019 Schedule C, Line 31	N/A	\$20,833	\$15,385	No	No
Farmer	Schedule F, Line 34	2019 Schedule F, Line 34	N/A	\$20,833	\$15,385	No	No

Review the Partner Owner Compensation section for comments on partner compensation.  
An LLC is what it files for tax purposes and can be Schedule C or F, 1065, S-Corp or C-Corp.



## Business Mortgage Interest Payments

### YOUR REQUIREMENTS

If claimed as an eligible expense, provide:

- ☐ A copy of the promissory note dated February 15, 2020, before or a lender prepared amortization schedule (including February 2020) and receipts or cancelled checks verifying eligible payments during the Covered Period\*; or
- ☐ Lender account statements from February 2020 and during the Covered Period through one month after the Covered Period verifying eligible interest payments.



### WECU MUST VERIFY

- ☐ The loan was in place on February 15, 2020
- ☐ Interest was for real or personal property term loans, not interest on lines of credit
- ☐ Interest was paid or incurred during the Covered Period (can be incurred prior and paid during the Covered Period)
- ☐ Interest was actually due (not-prepaid)
- ☐ Interest is not paid to a related party

\* Alternative Covered Period cannot be used for this expense.

## Business Rent or Lease Payments

### YOUR REQUIREMENTS

If claimed as an eligible expense, provide:

- ☐ A copy of the current lease agreement and receipts or cancelled checks verifying eligible payments for the Covered Period\* verifying eligible payments both due and subsequently paid; or
- ☐ Lessor account statements from February 2020 and during the Covered Period through one month after the end of the Covered Period verifying eligible payments.

## Business Rent or Lease Payments

### WECU MUST VERIFY

- ☐ The lease/rent agreement was in place on February 15, 2020 WECU will require a copy of the lease.
- ☐ Rent/lease was for real or personal property only

## Business Rent or Lease Payments Cont.

- ☐ Rent/lease was paid or incurred during Covered Period (can be incurred prior and paid during Covered Period)
- ☐ Rent/lease payments were actually due (not-prepaid)

Note: The amount of loan forgiveness requested may not include any amount attributable to the business operation of a tenant or sub-tenant of the PPP borrower or for home based businesses or household expenses. (For example: \$10,000 total rent, sub-lease of \$2,500 to separate entity, then only \$7,500 would be eligible for forgiveness.) For rent payments to related parties (real estate with common ownership but in separate entity), the amount of loan forgiveness requested for rent or lease expense cannot exceed the amount of mortgage interest owed on the property during the Covered Period attributable to space rented by the PPP borrower.

\* Alternative Covered Period cannot be used for this expense.

## Business Utility Payments

### YOUR REQUIREMENTS

If claimed as an eligible expense, provide:

- ☐ Invoices from February 2020 and those paid during the Covered Period\*; and
- ☐ Receipts, canceled checks or account statements verifying those eligible payments were made.

### WECU MUST VERIFY

- ☐ The utility agreement was in place on February 15, 2020 (your February bill)
- ☐ The utility bill was paid or incurred during the Covered Period\* (can be incurred prior and paid during the Covered Period)
- ☐ The utility bill was actually due and not pre-paid for future periods
- ☐ For bills incurred during the Covered Period and paid by the next billing date after the Covered Period, the amount claimed should be prorated based on number of days in the billing cycle to allow only the portion attributable to the Covered Period in the forgiveness calculation

\* Alternative Covered Period cannot be used for this expense.

