



AICPA Recommendations PPP Application Documents for Lenders

The American Institute of CPAs, the AICPA-led Coalition, and other key stakeholders - collectively representing 44K CPA firms, 2.5M small businesses and 30M employees - have come together to drive a common understanding and approach around the implementation of the U.S. Treasury and Small Business Administration Paycheck Protection Program (PPP).

Based on these collective discussions and our understanding of the intent of the PPP program, the AICPA is making the following broad recommendations for lender documents as well as providing direction on a few key calculations. These AICPA recommendations are not meant to be comprehensive. This is not intended to be used as a loan calculator. Rather, these recommendations are meant to help minimize confusion and complexity for applicants and to help drive consistency with lenders.

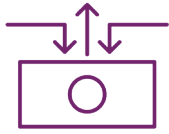
Our overall objective is to help drive an effective PPP application process that quickly directs relief funds into the hands of small business owners and their employees.



I. For Employers:

- 1. Federal payroll tax reports:** 2019 IRS Forms 941 and annual Forms W-3 or 944. If your organization contracts with a payroll provider or Professional Employer Organization (PEO) you can supply other documents, such as reports reflecting employment tax returns filed.
- 2. Compensation:** In general, payroll reports for calendar year 2019 or the previous 12 months, which will include the following:
 - Gross wages for each employee, i.e. from Forms W-2 and/or W-3, Box 5.
 - State and local employer taxes assessed on an employee's compensation (i.e. SUTA).
 - For seasonal businesses, use average monthly payroll beginning February 15, 2019 or March 1, 2019 through June 30, 2019.
 - For organizations that were not in business during the period February 15, 2019 through June 30, 2019, use January 1, 2020 to February 29, 2020.
- 3. Group health care benefits:** Documentation showing total costs paid for all health care benefits, including insurance premiums paid by the organization under a group health plan.
 - Include all employees and company owners.
 - Do not include employee withholdings for their portion of contributions to the plan.
 - Reporting period to match the compensation period included in item 2.

- 4. Retirement plan benefits:** Documentation showing the sum of all retirement plan funding costs paid by the organization.
- Include funding for all employees and the company owners.
 - Do not include employee withholdings for their portion of contributions to the plan.
 - Reporting period to match the compensation period included in item 2.



Additional Points For Gathering Employer Documents

PPP-Compliant Payroll Cost Reports: Many national payroll service providers have developed reports specifically to calculate payroll costs in accordance with the CARES Act; e.g., limiting wages to no more than \$100,000 per employee; omitting employees that reside outside the U.S.; including retirement contributions, employer costs of health coverage and state and local employer taxes on such wages. If such reports are available, they should be viewed as substantiation of payroll costs, subject to review and verification by the employer. If employer retirement contributions and employer costs of health coverage are not included in the report, the employer can provide those costs separately.

Master Payroll Report: If a PPP-compliant payroll cost report is not available, a payroll service provider may provide a master payroll report that includes items 1 and 2 on the previous page. Additionally, if the payroll processing company also supports your health care and retirement benefit reporting, items 3 and 4 may also be included in the master payroll report. If employer retirement contributions and employer costs of health coverage are not included in the report, the employer can provide those costs separately.

Independent contractors not included in employer payroll calculation:

Independent contractors should NOT be included in the payroll cost calculation for employers.



II. For Sole Proprietors, Independent Contractors and Self-Employed Individuals:

1. All 1099s received by the independent contractor in 2019 **or** the 2019 individual tax return proving schedule C income.
2. To expedite the process, we recommend having proof of healthcare and retirement benefits costs ready.

Note: Additional Treasury/SBA guidance may be provided soon.



III. Other Application Clarifications

1. Use the gross payroll approach for both loan applications and forgiveness, also employer FICA should not be included.
2. The \$100,000 salary limitation does not include healthcare, retirement benefits, and state and local taxes.
3. Applicants who use payroll service providers or PEOs can provide reports reflecting tax filings since all employment tax returns are electronically filed. Further, PEOs cannot produce individual entity payroll tax documents.
4. Third-party certification is not necessary for the loan application. The borrower is solely responsible for certifying to the statements described in 13 CFR Part 120, issued by the SBA on April 2nd, item 2t (page 17).