



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.

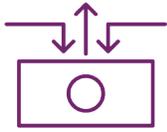
Our overall objective is to help drive an effective PPP application process that quickly directs relief funds into the hands of small business owners and their employees.



I. For Employers:

- 1. Federal payroll tax reports:** 2019 IRS quarterly reports on Form 941 and annual Forms 940 or 944. If your organization uses a Professional Employer Organization (PEO) you can supply other supporting documents.
- 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, including officer(s) if paid W-2 wages.
 - Paid time off, vacation pay and family medical leave pay for each employee if not included in gross wages.
 - State and local taxes assessed on an employee's compensation (i.e. SUTA).
 - For seasonal businesses, use a 12 week period beginning February 15, 2019 or March 1, 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

Master Payroll Report: Many small businesses use payroll processing companies that can 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.

Independent contractors not included in employer payroll calculation: Some lenders originally requested that data include 1099s for independent contractors. However, 13 CFR Part 120, Issued by the SBA on April 2nd states in item 2h (page 11) for a loan application that independent contractors should NOT be included in the payroll calculation for employers as any independent contractor should be submitting their own loan application.



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 Professional Employer Organizations (PEOs) can provide payroll reports since they 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).