

## FOR INDEPENDENT CONTRACTORS AND SOLE PROPRIETORS WITHOUT EMPLOYEES

### Step-by-Step Guidance for the PPP Loan Forgiveness Application

**THIS STEP-BY-STEP GUIDE IS INTENDED FOR INDEPENDENT CONTRACTORS AND SOLE PROPRIETORS *WITHOUT* EMPLOYEES. IF YOU ARE A REAL ESTATE FIRM OR A SOLE PROPRIETOR WITH EMPLOYEES, PLEASE REFER TO OUR [OTHER STEP-BY-STEP GUIDE AVAILABLE HERE](#).**

**DISCLAIMER: This document is not intended to provide legal advice, but rather general information to assist members in completing their loan forgiveness applications with accurate information about their own situations. We are not representing that this guide will be accurate for your situation.**

Further, we will not respond with guidance on how you should fill in entries on the application with information particular to your situation. General questions regarding PPP loans, including the forgiveness process, should be directed to the COVID Relief Hotline at 213-351-8450 or [covidreliefhotline@car.org](mailto:covidreliefhotline@car.org).

### LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS

When you applied for and received a Paycheck Protection Program (PPP) loan, you were informed that you would eventually need to fill out an application to obtain forgiveness for the loan. “Forgiveness” means that you will not need to repay the loan; i.e., the loan will become a grant. However, forgiveness of a PPP loan is not automatic. To obtain loan forgiveness, the SBA requires you to fill out a loan forgiveness application and return it to your lender.

On June 17, the SBA posted a revised, borrower-friendly Paycheck Protection Program (PPP) loan forgiveness application implementing the PPP Flexibility Act. In addition to revising the full forgiveness application, SBA also published a new [“EZ” version](#) of the forgiveness application that can be used by borrowers who are self-employed and have no employees. **All independent contractors and sole proprietors without employees should use the “EZ” version of the forgiveness application.**

To apply for forgiveness of your PPP loan, you must complete the application and submit it to your lender. Check with your lender to determine if you will be required to submit a paper version of the application or if the lender will be offering an electronic application.

**PPP LOAN FORGIVENESS EZ APPLICATION FORM**



**Paycheck Protection Program  
PPP Loan Forgiveness Application Form 3508EZ**

OMB Control No. 3245-0407  
Expiration date: 10/31/2020

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
		( ) -	
		Primary Contact	E-mail Address

SBA PPP Loan Number: \_\_\_\_\_ Lender PPP Loan Number: \_\_\_\_\_

PPP Loan Amount: \_\_\_\_\_ PPP Loan Disbursement Date: \_\_\_\_\_

Employees at Time of Loan Application: \_\_\_\_\_ Employees at Time of Forgiveness Application: \_\_\_\_\_

EIDL Advance Amount: \_\_\_\_\_ EIDL Application Number: \_\_\_\_\_

Payroll Schedule: The frequency with which payroll is paid to employees is:

Weekly     Biweekly (every other week)     Twice a month     Monthly     Other \_\_\_\_\_

Covered Period: \_\_\_\_\_ to \_\_\_\_\_

Alternative Payroll Covered Period, if applicable: \_\_\_\_\_ to \_\_\_\_\_

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here:

First, make sure you are using the correct "EZ" version of the loan forgiveness application form. The "EZ" version of the form is only 3 pages long and is labelled "Form 3508EZ."

There are several items for you to fill out on the PPP Loan Forgiveness EZ Application Form before you reach the calculation section. We will now go through each of these items one by one.

- **Business Legal Name ("Borrower"):** Independent contractors and sole proprietors should put their own name in this box. This should match the name entered on your PPP Loan Application.
- **DBA or Tradename, if applicable:** Most independent contractors and sole proprietors will leave this blank.
- **Business TIN (EIN, SSN):** Independent contractors and sole proprietors will enter their Social Security Number in this box. This should match the information you entered on your PPP Loan Application.
- **Business Address, Business Phone, Primary Contact, and Email Address:** All of these items should match the information submitted on the PPP Loan Application, unless you have had a change in address or contact information.
- **SBA PPP Loan Number:** Enter the loan number assigned by SBA at the time of loan approval. If you do not already have this information in your records, contact your lender to obtain the number.
- **Lender PPP Loan Number:** Enter the loan number assigned to the PPP loan by your lender. If you do not already have this information in your records, contact your lender to obtain the number.
- **PPP Loan Amount:** Enter the disbursed principal amount of the PPP loan. This should be the total loan amount that you received from the lender.

- **PPP Loan Disbursement Date:** Enter the date that you received the PPP loan proceeds from the lender. This should be the date loan funds were placed in your bank account and available for you to spend – *not* the date that your PPP loan was approved.
- **Employees at Time of Loan Application:** Independent contractors and sole proprietors without employees should enter “0”.
- **Employees at Time of Forgiveness Application:** Independent contractors and sole proprietors without employees should enter “0”.
- **EIDL Advance Amount:** If you received an Economic Injury Disaster Loan (EIDL) advance, enter the amount. For independent contractors and sole proprietors, your EIDL advance was capped at \$1,000.
- **EIDL Application Number:** If you applied for an EIDL, enter your EIDL Application Number. Contact the SBA if you do not have this application number in your records.
- **Payroll Schedule:** Since you do not have employees, this question is not applicable. C.A.R. recommends checking the “Other” box and writing “N/A” in the blank.
- **Covered Period:** Enter the **24-week** covered period of your PPP loan. The first day of the covered period **must be the same day as your PPP loan disbursement date**. Use a calendar to make sure you are entering a first date and a last date for the Covered Period that are exactly 24 weeks apart.
  - NOTE: Technically, borrowers who took out PPP loans prior to June 5 can elect for a Covered Period that is 8 weeks long instead of 24 weeks long. However, given the regulations SBA has published relating to PPP loan forgiveness, there is no practical reason why a borrower without employees would choose the 8-week period. **All borrowers without employees should elect for a 24-week Covered Period.**
- **Alternative Payroll Covered Period:** This section only applies for borrowers with a payroll schedule. It will not be applicable for sole proprietors and independent contractors without employees, so leave it blank.
- **If Borrower Received PPP Loans in Excess of \$2 Million:** Since it is not possible for an independent contractor or sole proprietor without employees to receive a PPP loan of this size, **do not** check this box.

## **FORGIVENESS AMOUNT CALCULATION**

For Line 1 of the **Forgiveness Amount Calculation** section, you will see the following:

**Forgiveness Amount Calculation:**

Payroll and Nonpayroll Costs

Line 1. Payroll Costs:

As a borrower without employees, you may think that you don’t have “payroll costs.” However, pursuant to the CARES Act and SBA regulations, “payroll costs” include “owner income replacement” for self-employed borrowers. If you remember filling out your PPP loan application, you will recall that this amount is based on your net profit as calculated on your 2019 IRS Form 1040 Schedule C.

To calculate this amount:

- Find your 2019 IRS Form 1040 Schedule C line 31 net profit amount. If this amount is over \$100,000, reduce it to \$100,000.
- Divide this amount by 12 in order to calculate your average monthly net profit for 2019.
- Then, multiply your average monthly net profit by 2.5. The resulting number will be the number that should be entered on Line 1.

Pursuant to the PPP Flexibility Act, borrowers who choose a 24-week Covered Period can attribute 2.5 times their 2019 average monthly net profit as “owner income replacement.” Since this amount is equivalent to the maximum PPP loan size for borrowers without employees, you will now be able to attribute 100% of your PPP loan proceeds as forgivable “payroll costs.” **Thus, the amount entered on Line 1 should match the full amount of your PPP loan.**

Line 2. Business Mortgage Interest Payments:	<input type="text"/>
Line 3. Business Rent or Lease Payments:	<input type="text"/>
Line 4. Business Utility Payments:	<input type="text"/>

Lines 2 through 4 will list the non-payroll costs that are eligible for forgiveness. Since all loan proceeds for borrowers without employees can now be attributed to “payroll costs,” there is no longer a reason to attribute *any* of your loan proceeds to the non-payroll costs category. Thus, “0” should be entered on Lines 2 through 4 of the application.

<u>Potential Forgiveness Amounts</u>	
Line 5. Add the amounts on lines 1, 2, 3, and 4:	<input type="text"/>
Line 6. PPP Loan Amount:	<input type="text"/>
Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60):	<input type="text"/>

On Line 5, add the amounts on Lines 1, 2, 3, and 4. Since Lines 2 through 4 each have “0” entered, the amount on Line 5 should match the amount on Line 1.

On Line 6, enter your PPP Loan Amount. This should be the same number that you entered in the top section of the application form, and it should match the amount entered on Lines 1 and 5.

On Line 7, divide Line 1 by 0.60. This number is not relevant for borrowers without employees, but you should still fill it in so that you have a completed application form.

<u>Forgiveness Amount</u>	
Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7):	<input type="text"/>

On Line 8, you will enter the “Forgiveness Amount,” which the instructions state is the “smallest of Lines 5, 6, and 7.” This should match the full amount of your loan. **Because of the PPP Flexibility Act, borrowers without employees are able to obtain full loan forgiveness by classifying all loan proceeds as forgivable “owner income replacement” payroll costs.**

## CERTIFICATIONS ON BEHALF OF THE BORROWER

At this point, you are almost done filling out the PPP loan forgiveness application. The final step is to initial each paragraph on **Page 2** of the application to make the required certifications under the law.



### Paycheck Protection Program PPP Loan Forgiveness Application Form 3508EZ

**By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:**

The Authorized Representative of the Borrower certifies to all of the below by **initialing** next to each one.

- The dollar amount for which forgiveness is requested:
- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
  - includes payroll costs equal to at least 60% of the forgiveness amount;
  - if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and
  - if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

For the first item, you are certifying that the dollar amount for which forgiveness was requested: (1) was used solely to pay costs eligible for forgiveness; (2) includes payroll costs equal to at least 60% of the forgiveness amount; (3) if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and (4) if the borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for an owner-employee or self-employed individual, capped at \$15,385 per individual. **REMINDER: All borrowers without employees should use a 24-week Covered Period to obtain full loan forgiveness.** As long as you completed the application according to the instructions in this guide, you can honestly initial this item.

- I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.
- The Borrower did not reduce salaries or hourly wages by more than 25 percent for any employee during the Covered Period or Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020. For purposes of this certification, the term "employee" includes only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000.
- The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.

Initial item #2 to indicate you understand that the federal government may pursue recovery of the loan amount and/or civil or criminal fraud charges if it is discovered you used the funds for unauthorized purposes. Initial item #3 to indicate that you did not reduce salaries or hourly wages by more than 25% for any employee during the Covered Period or Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020. Since you do not have any employees, it will be true that you did not reduce any employee salaries. Initial item #4 to indicate that you have accurately verified all costs for which you are requesting forgiveness.

- I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.
- The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.
- I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

Initial item #5 to indicate you have submitted to the lender all required documentation. **Please refer to the next section of this guide for a discussion of what documentation you are required to submit along with the loan forgiveness application.** Initial item #6 to indicate that all information provided in supporting documents and forms is true and correct. Initial item #7 to indicate that the tax documents submitted to the lender are consistent with those the borrower has submitted and/or will submit to the IRS and/or state tax or workforce agency. Initial item #8 to indicate that you understand the SBA may request additional information for the purposes of evaluating eligibility for the PPP loan and for loan forgiveness.

In addition, the Authorized Representative of the Borrower must certify by **initialing at least ONE** of the following two items:

- The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period (other than any reductions that arose from an inability to rehire individuals who were employees on February 15, 2020, if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020, and reductions in an employee's hours that a borrower offered to restore and were refused).
- The Borrower was unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

For this section, you are required to initial **at least ONE** of the following two items. The statements in each item will be true for most borrowers without employees, so you can choose to initial both items:

- The borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period. Since you don't have any employees, this statement will be true for you.
- The borrower was unable to operate between February 15, 2020 and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with COVID-19 related health requirements. Due to the state and local orders that have adversely affected the real estate industry, this statement will also be true for most borrowers.



The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

\_\_\_\_\_  
Signature of Authorized Representative of Borrower

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name  
SBA Form 3508EZ (06/20)  
Page 2

\_\_\_\_\_  
Title

Sign and print your name at the bottom of Page 2. You are now done filling out the application.

### **SUPPORTING DOCUMENTATION**

For an independent contractor's or sole proprietor's "owner income replacement," the 2019 IRS Form 1040 Schedule C that was provided by the applicant at the time of the PPP loan application must be used to determine the amount of net profit allocated to the borrower for the Covered Period. Since you already provided the form at the time the PPP application was submitted, no additional supporting documentation will need to be submitted by an independent contractor or sole proprietor without employees to obtain full loan forgiveness.

Additionally, there is no requirement that a borrower must pay themselves in equal weekly installments to obtain loan forgiveness. There is nothing preventing a borrower from spending all PPP loan proceeds immediately upon receipt.

The SBA asks that each borrower maintain for their own records documentation supporting the certification, if applicable, that the borrower was unable to operate between February 15, 2020 and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19. This documentation must include copies of the applicable requirements for each borrower location and relevant borrower financial records. **You are not required to submit this documentation with the loan forgiveness application – just maintain it in your files and be prepared to provide it in case of the unlikely event of an SBA audit.**

The SBA guidelines state that **all records relating to your PPP loan**, including documentation submitted with your loan application, **should be retained in your file for six years after the date the loan is forgiven or repaid in full.**

### **PPP BORROWER DEMOGRAPHIC INFORMATION FORM**

Page 3 of the PPP Loan Forgiveness Application consists of an optional borrower demographic form. You are not required to complete this form. However, if you choose to do so, please follow the instructions on the form. According to the SBA, **disclosure is voluntary and will have no bearing on the loan forgiveness decision.**

## **CONCLUSION**

The completed application should be submitted to your lender, **not** to the SBA. Check with your lender to determine when they will start accepting PPP loan forgiveness applications. Your lender may have additional instructions for submitting the PPP loan forgiveness application or may require you to submit additional documentation. Check with your lender to see if they have any further guidance related to obtaining PPP loan forgiveness.