

PPP Forgiveness Checklist

Paycheck Protection Program loan forgiveness has two main pillars:

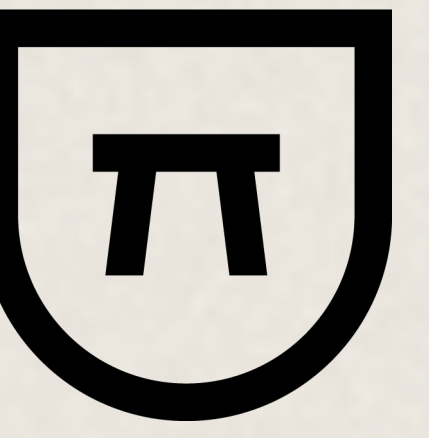
- 1 Spending your PPP funds on the right things
- 2 Tracking and proving your spending

Here is a simple checklist to make sure you've got your bases covered, so you get your loan 100% forgiven.

Pillar one: Spending PPP funds on the right things

- | | |
|--|---|
| <input type="checkbox"/> Spend at least 60% of the funds on payroll costs | <input type="checkbox"/> Spend the remaining 40% of the funds on approved expenses |
| <input type="checkbox"/> Salaries | <input type="checkbox"/> Mortgage interest |
| <input type="checkbox"/> Wages | <input type="checkbox"/> Rent |
| <input type="checkbox"/> Vacation pay | <input type="checkbox"/> Utilities |
| <input type="checkbox"/> Parental and family leave | |
| <input type="checkbox"/> Employer medical or other group benefits | |
| <input type="checkbox"/> Sick leave | |
| <input type="checkbox"/> Employer retirement benefits | |
| <input type="checkbox"/> Bonuses, commissions or hazard pay | |

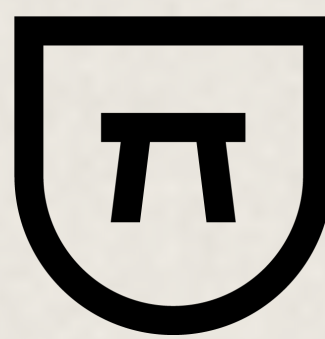
★ Note: In order for the mortgage interest, rent, and utilities expenses to be forgivable, the mortgage/rent/utilities expenses can't be brand new—they had to be in effect prior to February 15, 2020.



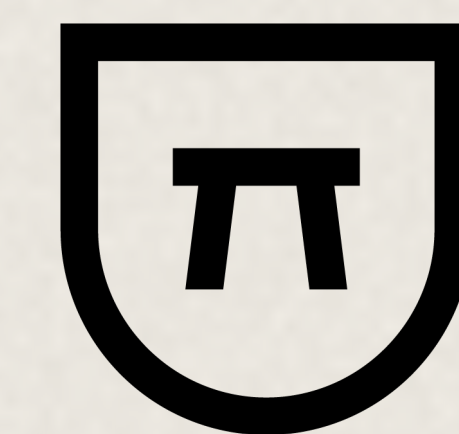
Pillar two: Tracking your expenses

In order to prove your PPP expenses and qualify for forgiveness, we recommend the following six steps.

- ☐ Record the PPP deposit as a loan on your books
- ☐ Over the next 24 weeks, complete bookkeeping on all financial transactions
 - ☐ Record the expense amount
 - ☐ Record the vendor/payee
 - ☐ Record the “category” of the expense (Utilities, Rent, Payroll, etc.)
 - ☐ Record the date of the transaction
 - ☐ Record the purpose of the transaction
 - ☐ Store the receipt or official record (such as payroll records)
- ☐ At the end of 24 weeks, add up the total amount spent on forgivable categories
- ☐ Apply for forgiveness through your lender using the [Forgiveness Application form](#)
- ☐ Once the amount of forgiveness has been confirmed by your lender, adjust that amount out of the “Loan” section of your ledger, into a “**Non-Taxable Gains**” ledger
- ☐ If you didn’t get full forgiveness of the loan, any remaining amounts will stay in the “Loan” category on your books



You applied to the PPP as:	What will be forgiven?	Supporting Documents	Requirements
A Contractor or Sole Prop without payroll.	<ul style="list-style-type: none">• If your loan was received prior to June 5th, 8 weeks of 'owner compensation replacement', determined by your 2019 tax return. If your loan was received after June 5th or you've opted to use a 24 week period, 2.5 months of 'owner compensation replacement' determined by your 2019 tax return.• Rent, Utilities, and Mortgage Interest if they are eligible to be deducted on a business tax return	<ul style="list-style-type: none">• 2019 1099-MISC forms OR Schedule C, to verify your owner compensation replacement• Your rental/lease agreement or mortgage statements• Utilities statements	<ul style="list-style-type: none">• At least 60% of your loan must be used for owner compensation replacement in order to be eligible for full forgiveness.• Rent/Utilities must have had contracts in place prior to Feb 15, 2020 in order to be eligible• You cannot exceed your owner compensation replacement, meaning you cannot give yourself an additional bonus or raise
A Contractor or Sole Prop with payroll.	<ul style="list-style-type: none">• If your loan was received prior to June 5th, 8 weeks of 'owner compensation replacement', determined by your 2019 tax return. If your loan was received after June 5th or you've opted to use a 24 week period, 2.5 months of 'owner compensation replacement' determined by your 2019 tax return.• Payroll expenses<ul style="list-style-type: none">-includes tips and commission, vacation or sick pay, employer health insurance/retirement benefits, and state and local employer taxes• Rent, Utilities, and Mortgage Interest if they are eligible to be deducted on a business tax return	<ul style="list-style-type: none">• 2019 1099-MISC forms OR Schedule C, to verify your owner compensation replacement• Payroll reports relating to the 24 weeks of payroll• Any additional documentation verifying retirement contributions or health insurance• Your rental/lease agreement or mortgage statements• Utilities statements	<ul style="list-style-type: none">• At least 60% of your loan must be used for payroll expenses and owner compensation replacement in order to be eligible for forgiveness• Rent/Utilities must have had contracts in place prior to Feb 15, 2020 in order to be eligible• You need to maintain a Full-Time Employee Equivalent headcount consistent to your headcount before COVID-19• You need to maintain employee compensation, or decrease it by no more than 25%
A Partnership	<ul style="list-style-type: none">• 2019 net earnings from self-employment, minus claimed section 179 expense deduction, unreimbursed partnership expenses, and depletion from oil and gas properties, all multiplied by 0.9235• Rent, Utilities, and Mortgage Interest if they are eligible to be deducted on a business tax return• If applicable, payroll expenses incurred or paid over 24 weeks<ul style="list-style-type: none">- includes tips and commission, vacation or sick pay, employer health insurance/retirement benefits, bonuses, hazard pay, and state and local employer taxes	<ul style="list-style-type: none">• 2019 Schedule K-1, to verify your self-employment net earnings• Your rental/lease agreement or mortgage statements• Utilities statements• Payroll reports relating to the 24 weeks of payroll, if applicable	<ul style="list-style-type: none">• At least 60% of the amount you have forgiven must go towards payroll expenses• Rent/Utilities must have had contracts in place prior to Feb 15, 2020 in order to be eligible• You need to maintain a Full-Time Employee Equivalent headcount consistent to your headcount before COVID-19• You need to maintain employee compensation, or decrease it by no more than 25%
A Corporation or Not-for-Proft with payroll.	<ul style="list-style-type: none">• Payroll expenses incurred or paid over 24 weeks<ul style="list-style-type: none">- includes tips and commission, vacation or sick pay, health insurance, retirement benefits, bonuses, hazard pay, and state and local employer taxes• Rent, Utilities, and Mortgage Interest if they are eligible to be deducted on a business tax return	<ul style="list-style-type: none">• Payroll reports relating to the 24 weeks of payroll• Any additional documentation verifying retirement contributions or health insurance• Your rental/lease agreement or mortgage statements• Utilities statements	<ul style="list-style-type: none">• At least 60% of the amount you have forgiven must go towards payroll expenses• Rent/Utilities must have had contracts in place prior to Feb 15, 2020 in order to be eligible• You need to maintain a Full-Time Employee Equivalent headcount consistent to your headcount before COVID-19• You need to maintain employee compensation, or decrease it by no more than 25%



The rules for self-employment

If you're self-employed, you can still qualify for PPP forgiveness, even if you don't have employees. The distinction is that you're given a PPP loan based on 2019 net profit, not 2019 payroll records. So you don't need to spend 60% of the loan on payroll. Instead, eight weeks' worth of your 2019 net profit can automatically be forgiven **if your loan was received prior to June 5, 2020. If your loan was received after June 5 or you've contacted your lender to opt to use a 24 week period, 2.5 months of your 2019 net profit will be automatically forgiven which will be your full loan amount.**

Get expert bookkeeping support

If you need help with bookkeeping during the eight weeks of the PPP loan, Bench can help. We'll do your bookkeeping—all online—for as low as \$139/month.

[Learn More](#)