

# PAYCHECK PROTECTION PROGRAM FORGIVENESS READINESS GUIDE & DOCUMENT CHECKLIST FOR FORMS 3508 AND 3508EZ

This readiness guide will help you prepare to request loan forgiveness through First Hawaiian Bank. If you have spent all of the funds for which you will request forgiveness and are comfortable with the information below, you should feel ready to apply. Please visit [fhb.com/ppp](https://fhb.com/ppp) for more information.

## IMPORTANT

- You are responsible, as the borrower, for understanding the Small Business Administration's ("SBA") rules as they apply to PPP loan forgiveness. For more information click [here](#).

Before you request PPP loan forgiveness, please follow the steps below to help ensure you are ready to apply and have all of the information needed to process your request:

### 1. ENSURE YOU HAVE SPENT ALL OF YOUR PPP FUNDS ON ELIGIBLE COSTS

You may only request forgiveness for PPP funds that you've already spent.

### 2. CHOOSE THE RIGHT SBA FORM TO APPLY FOR FORGIVENESS 3508EZ | 3508

| 3508EZ<br>You can use Form 3508EZ as long as at least one of the following scenarios applies to you:   |  | REGULAR<br>3508  |
|--|--|--|
| <p><b>1</b> You did not reduce annual salary or hourly wages of any employee by more than 25% during your Covered Period compared to the most recent full quarter before the Covered Period.<sup>1</sup></p> | <p><b>AND</b></p>  | <p>If none at left apply, you must complete the regular 3508 form.</p> |
| <p><b>2</b> You did not reduce annual salary or hourly wages of any employee by more than 25% during your Covered Period compared to the most recent full quarter before the Covered Period.<sup>1</sup></p> | <p><b>AND</b></p> <p>You did not reduce the number of employees or the average paid hours of those employees from Jan. 1, 2020 to the end of your Covered Period.<sup>2,3</sup></p> <p>You were unable to operate during the Covered Period at the same level of business activity as before Feb. 15, 2020 due to the compliance with government requirements or orders related to COVID-19.<sup>4</sup></p> |  |

### 3. REVIEW THE INSTRUCTIONS FOR YOUR SELECTED SBA FORM

- Form 3508EZ instructions
- Form 3508 instructions

### 4. KNOW YOUR EMPLOYEE COUNT

Review your payroll records to determine the number of employees:

- At the time of PPP loan application
- At the time of forgiveness application

### 5. CHOOSE YOUR COVERED PERIOD

The Covered Period is the time frame for you to pay or in certain cases incur costs that you want to have forgiven. For more information, please refer to our Covered Period and Deferment Period calculator [here](#).

*Note: If you have a first draw and second draw PPP loan, the Covered Period you choose for each forgiveness request cannot overlap.*

## 6. READY YOUR DOCUMENTATION

As part of your request to have some or all of your PPP loan forgiven, you will need to provide documentation that verifies how your loan was used. The checklist below is broken into loan use categories and offers guidance on what documents you may need to provide. There are other documents not listed below that you might need for your calculations and that you need to keep in case the SBA requests them.

### PAYROLL COST

#### EMPLOYEE CASH COMPENSATION

- Payroll tax filings that have been or will be reported to the IRS, such as IRS Form 941 OR equivalent third-party payroll provider report; AND
- Bank account statements documenting the amount of cash compensation paid to employees OR equivalent third-party payroll provider report.

**NOTE:** Payroll costs documented above must be:

- Paid during the Covered Period OR
- Incurred during the Covered Period and paid on or before the next regular payroll date.

#### BORROWERS WHO FILE IRS FORM 1040 SCHEDULE C, SCHEDULE F, OR SCHEDULE K-1 MUST PROVIDE FILED COPIES OF THE FOLLOWING:

##### If you received your PPP Loan in 2020:

- Partnerships: 2019 Form 1065 Schedule K-1
- Self-employed, sole proprietors, independent contractors, and some single member LLCs: 2019 Form 1040 Schedule C
- Self-Employed Farmer: 2019 Form 1040 Schedule F

##### If you received your PPP Loan in 2021:

- Partnerships: 2019 or 2020 Form 1065 Schedule K-1
- Self-employed, sole proprietors, independent contractors, and some single member LLCs: 2019 or 2020 Form 1040 Schedule C
- Self-Employed Farmer: 2019 or 2020 Form 1040 Schedule F

#### EMPLOYER CONTRIBUTIONS TO EMPLOYEE GROUP HEALTH, LIFE, DISABILITY, VISION, OR DENTAL INSURANCE AND EMPLOYEE RETIREMENT PLAN

- Payment receipts; OR
- Cancelled checks; OR
- Account statements verifying employer contribution

#### EMPLOYER STATE AND LOCAL TAXES ASSESSED ON EMPLOYEE COMPENSATION

- State quarterly wage reporting & unemployment insurance tax filings reported (or that will be reported) to the state; OR
- Equivalent third-party payroll provider report

### NON-PAYROLL COST

#### BUSINESS MORTGAGE INTEREST PAYMENTS

- Lender account statements from Feb. 2020 and from the Covered Period through one month after the end of the Covered Period; OR
- Lender receipts or cancelled checks verifying payments from the Covered Period; AND copy of lender amortization schedule

**NOTE:** Mortgage must have been in place before Feb. 15, 2020.

#### BUSINESS RENT OR LEASE PAYMENTS

- Copy of current lease agreement and receipts or cancelled checks verifying payments from the Covered Period; OR
- Lessor account statements from Feb. 2020 and from the Covered Period through one month after the end of the Covered Period

**NOTE:** Lease agreement must have been in place before Feb. 15, 2020.

#### BUSINESS UTILITY PAYMENTS

- Copy of invoices from Feb. 2020 and those paid during the Covered Period; AND
- Receipts, cancelled checks, or account statements verifying eligible payments

**NOTE:** Utility service must have been in place before Feb. 15, 2020.

*(continued on next page)*

### COVERED OPERATIONS EXPENDITURES

- Copy of invoices, orders, or purchase orders paid during the Covered Period; AND
- Receipts, cancelled checks, or account statements verifying eligible payments

### COVERED PROPERTY DAMAGE COSTS

- Copy of invoices, orders, or purchase orders paid during the Covered Period; AND
- Receipts, cancelled checks, or account statements verifying eligible payments; AND
- Documentation that the costs were related to property damage and vandalism or looting due to public disturbances that occurred during 2020 and such costs were not covered by insurance or other compensation

### COVERED SUPPLIER COSTS

- Copy of contracts, orders, or purchase orders in effect at any time before the Covered Period (except for perishable goods, in which case the contracts, orders, or purchase orders can be in effect before or at any time during the Covered Period); AND
- Copy of invoices, orders, or purchase orders paid during the Covered Period; AND
- Receipts, cancelled checks, or account statements verifying eligible payments

### COVERED WORKER PROTECTION EXPENDITURES

- Copy of invoices, orders, or purchase orders paid during the Covered Period; AND
- Receipts, cancelled checks, or account statements verifying eligible payments; AND
- Documentation that the expenditures were used to comply with applicable COVID-19 guidance during the Covered Period

## FULL-TIME EQUIVALENCY (FTE)

### IF YOU USE FORM 3508EZ:

If you 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, you must submit FTE supporting documents for the two requirements below:

- Documents verifying average number of FTE at the end of your Covered Period
- Documents verifying average number of FTE on Jan. 1, 2020

If you were unable to operate during the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with COVID-19-related health and safety requirements, you don't need to submit FTE supporting documents.

### IF YOU USE THE FULL FORM 3508:

You must submit FTE supporting documents that meet the requirement below:

- Documents verifying average number of FTE at the end of your chosen Reference Period<sup>5</sup>. Examples of acceptable documents include IRS payroll tax filings (typically, IRS Form 941) and state quarterly wage reporting & unemployment insurance tax filings.

### OTHER HELPFUL TIPS

1. Forgiveness applications will only be accepted through our FHB online forgiveness portal.
2. Save your documents in PDF, JPG, XLSX or PNG formats. There is a 5MB max size per file, and file names must be less than 40 characters with no special characters.
3. You may want to consult with your accountant or other trusted advisor before you submit your request.
4. Review the FHB forgiveness FAQs for additional information.



<sup>1</sup> Reduction in hourly wage or salary is allowed for employees who earned an annualized income of \$100,000 or more during any pay period in 2019.

<sup>2</sup> If you have any reductions in number of employees or average paid hours due to an inability to rehire individuals or fill vacant positions, you will need to maintain documentation that you made a good-faith, written offer to restore any reduction in hours, at the same salary or wages.

<sup>3</sup> If you think you qualify for FTE Reduction Safe Harbor 2 (click [HERE](#) to view the FTE Reduction Safe Harbors on the bottom of page 6 of the instructions for Form 3508) because you reduced employees during the Covered Period but re-hired them by December 31, 2020, you must use Form 3508.

<sup>4</sup> If this scenario applies, you will need to maintain copies of applicable COVID-19 related restrictions and financial records that demonstrate the impact of these restrictions.

<sup>5</sup> The selected time period must be the same time period selected for purposes of completing PPP Schedule A, Line 11 on page 3 of Form 3508.