

Estimate and apply for Paycheck Protection Program loan forgiveness

To accurately estimate your forgiveness

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Step 1: Use the PPP Loan Forgiveness Estimator to understand how much of your loan may be forgiven

1. Go to the **Dashboard** in the Menu.
2. Under COVID-19 Resources, select **Estimate loan forgiveness amount**.
3. Enter information about your loan and costs. If you have questions, you can access articles to learn more along the way.
Need more than one company? Near the top left, select the ones you want.
4. Once everything looks right, click **Save**.

Need to update any numbers? Go back to the Dashboard and select **Estimate loan forgiveness amount** again.

Step 2: Determine if you're eligible for safe harbors

1. Review "Salary/Hourly Wage Reduction Safe Harbor" and "FTE Reduction Safe Harbors" in this document.
2. If you qualify, go back to the Estimator and check the appropriate box.
Not quite sure? Talk to your financial or legal advisor.

Remember to keep a copy of documentation as proof.

Step 3: Download the data to understand how the estimate was calculated

1. Go to **Analytics & Reports** in the Menu.
2. Under Quick Reports, click **View All Reports**.
3. Click the **PPP Forgiveness Data report**.
4. Click **Create Report** and make selections.
Need to include more than one company? Use the Company(s) drop-down menu.
5. Look at the Estimator to determine your date range. Use the dates displayed in the Total column under Payroll costs.
Double-check you have the right dates. They change when you enter Last day for eligible costs.
6. Click **Run Report**.
7. Select the report, then click **Download**.

Step 4: Download the FTE report

1. Go to **Analytics & Reports** in the Menu.
2. Under Quick Reports, click **View All Reports**.
3. Click the **PPP Forgiveness FTE Data report**.
4. Click **Create Report** and make selections.
Need to include more than one company? Use the Company(s) drop-down menu.
5. For Date Range, use either comparison period displayed in the Forgiveness Estimator.
Are you a seasonal employer? You have more options. See "Average FTE Estimation – Comparison Period" in this document.
6. Click **Run Report**.
7. Select the report, then click **Download**.

Step 5: Validate your numbers

In the next few pages, we've highlighted adjustments you must make based on information not available to Paychex Flex®.

Please keep in mind: You are responsible for reviewing all assumptions in this document and verifying the accuracy of your data before applying for loan forgiveness.

Validate your numbers

Owner-employees, self-employed individuals, or general partners

At a high level, there are four things you must do if you are including any compensation to an owner: (1) apply a cap on their cash compensation, (2) remove their payroll costs from the general employee pools and record under owner's compensation instead, (3) adjust FTEs, and (4) adjust wage reductions.

Cap on compensation. There is a cap on how much an owner-employee or a self-employed individual can pay themselves and have forgiven. For a 24-week covered period, this is capped at 2.5 months' worth of their 2019 compensation or \$20,833 per person (whichever is less) across all businesses owned. For an 8-week covered period, this is capped at 8 weeks' worth of their 2019 compensation or \$15,385 per person (whichever is less) across all businesses owned.

Wonder what counts and how to calculate your 2019 compensation? This differs depending on your business entity type and which tax forms you file. For details, see the Small Business Administration (SBA) [PPP Loan Forgiveness FAQs](#). Look for Loan Forgiveness Payroll Costs FAQ #8.

Adjust owner's compensation. Paychex Flex doesn't track owners. Therefore, you will need to make the appropriate adjustments for each owner-employee, self-employed individual, or general partner.

Best practice: Keep a list of the adjustments you make. This will come in handy if your loan is audited.

- Determine their maximum cash compensation based on their 2019 pay.
 - For a 24-week covered period, it's whichever is lower: $(2019 \text{ pay} \div 12 \times 2.5)$ or \$20,833
 - Applying for forgiveness early? You don't need to adjust this for a shorter timeframe. Use the full amount.
 - For an 8-week covered period, it's whichever is lower: $(2019 \text{ pay} \div 52 \times 8)$ or \$15,385
- In the Estimator, turn application mode on.
Don't see it? Application mode is to the right of Enter your loan details.
- In the PPP Forgiveness Data report, look at the Cash Compensation column.
 - First, subtract the amount shown in the report from the appropriate Cash compensation line in the Estimator. Not sure which row to adjust? The report has a column titled Over 100K for any 2019 Pay Period. If this is No, subtract from Cash compensation for employees earning up to \$100,000. If Yes, it's the other one.
 - Next, add the amount shown in the report to the owner's compensation line in the Estimator. If this is more than their maximum cash compensation based on 2019 pay, use the lower number.
 - Does this company have multiple owners? Maximum cash compensation is per person. There's no per company limit for what you can put under owner's compensation.
- In the PPP Forgiveness Data report, look at the Employer State/Local Taxes Assessed column.
 - Subtract the amount shown in the report from Employer-assessed state and local taxes in the Estimator.
- In the PPP Forgiveness Data report, look at the Employer Health Benefit Costs column.
 - Subtract the amount shown in the report from Employer-paid health and benefits costs in the Estimator.
- In the PPP Forgiveness Data report, look at the Employer Retirement Benefit Costs column.
 - Subtract the amount shown in the report from Employer-paid retirement in the Estimator.
- If you have benefits costs tracked outside of Paychex Flex, make sure you've removed the employee's impact in those calculations, as well.
- Depending on your business entity type and which tax forms you file, you may be able to include some taxes or benefits under owner's compensation. Talk to your financial or legal advisor for more information.

Adjust FTEs. Owner-employees are not considered to be FTEs. Remove the impact of any owners from your FTE count. Do this for both covered and comparison periods.

Adjust wage reductions. Remove the impact of any wage reductions for owners. They don't need to be included.

Seasonal employers

If you used a 12-week period between May 1, 2019 and September 15, 2019 to calculate your PPP loan amount, this will be your comparison period for wage reductions and FTE reductions.

FTE reductions. Follow Step 4 on the first page of this document to download the FTE report. To determine FTEs for your comparison period, use the start and end dates of the 12-week period in 2019.

Input this number into the Estimator. Keep track of what you've changed.

Wage reductions. You'll need to recalculate wage reductions comparing your covered period to the 12-week time period from 2019. Ask your financial advisor for guidance.

Wage reductions

There are two common situations when you will need to validate wage reductions: (1) if you began processing payroll with Paychex after January 1, 2019, or (2) if an employee with a pay type of salary or other had their workload or hours reduced.

2019 per-pay-period wages not loaded. If you have processed payroll with another provider for any part of 2019 and these historical wages were not loaded into our system by pay period, then review whether any employee received wages of more than \$100,000 (annualized) in any pay period in 2019. Even if that only happened during one pay period, that employee's wage reduction can be excluded.

Wage reduction fully attributable to a reduction in hours. For employees with a pay type of Salary or Other whose pay decreases by more than 25%, a wage reduction is included – regardless of any changes to their FTE status. Determine if the sole cause of the wage reduction is the decrease in the employee's hours. If so, you may adjust or remove the wage reduction for that employee in the report and the Estimator.

Not ready to apply for forgiveness? Keep track of what you've changed. These updates may be overwritten with fresh data from Paychex Flex when you return.

For a full description of how wage reductions are calculated, see "Salary/Hourly Wage Reduction" in this document. If you reinstated wages, review "Salary/Hourly Wage Reduction Safe Harbor" to find out if you're eligible for safe harbor.

Full-time equivalents

Validate FTE calculation. Because hours may not be available for every employee with a pay type of salary or other, the Estimator makes assumptions to determine the average hours worked. You need to ensure these numbers are accurate.

Even if you're eligible for an FTE safe harbor (or if you intend to file the simplified form or the EZ form), you should still run, review, and retain FTE reports for your records.

Here's what you need to do:

- In the PPP Forgiveness Data report and the PPP Forgiveness FTE Data report, review the Avg. FTEs Simplified Method column. For the time period the report was run, it should display 1.0 for each employee who worked an average of 40 or more hours per week. It should display 0.5 for each employee who worked an average of less than 40 hours.
 - Modify this as necessary. Pay special attention to employees designated as salary or other.

- Adjust the Total to reflect the appropriate number.
- Update the Estimator with the new numbers.
Not ready to apply for forgiveness? Keep track of what you've changed. These updates may be overwritten with fresh data from Paychex Flex when you return.

For a full description of how FTEs are calculated in the Estimator and reports, see “Average FTE Estimation – Covered Period” and “Average FTE Estimation – Comparison Period” in this document.

FTE reduction exceptions. You may be eligible to include certain employees in your Average FTEs for your covered period if you qualify for an FTE Reduction Exception. Because the information required to determine an FTE Reduction Exception is not in our payroll system, you need to manually add each FTE that qualifies. The SBA requires documentation for each FTE Reduction Exception you take.

These are the scenarios where you can include an FTE in your Average FTEs during your covered period as if they were employed at that time, and the position remained unfilled.

- An employee (who was employed on February 15, 2020 and then later let go) rejected a good-faith, written offer of rehire, and you informed your state unemployment insurance office within 30 days. Additionally, you were unable to hire a similarly qualified replacement by December 31, 2020.
- During your covered period, an employee (whose hours had been reduced) rejected a good-faith, written offer to restore any reduction in hours, at the same salary or wages.
- During your covered period, an employee:
 - was fired for cause,
 - voluntarily resigned, or
 - voluntarily requested and received a reduction of their hours.

If any of these situations impacted your number of FTEs during the covered period, add each employee's 0.5 or 1.0 count to the number in Estimator and enter it there. Be sure to keep track of what you've changed because your lender may request details.

Payroll costs

Mid-quarter tax rate changes. If you had a state or local tax rate change during a quarter, you may have to adjust your employer-assessed state and local taxes in the Estimator. If additional funds were required to be collected at quarter-end, those were not included in the calculation of your payroll costs. You would need to add them. If funds were over collected, your payroll costs may be overstated. You would need to reduce your employer-assessed state and local taxes in the Estimator. You are responsible for reviewing your Outstanding Tax Liability report and making any necessary adjustments.

Same FEIN shared workers. If your business (a single Federal ID) is broken into multiple payroll accounts and you have a worker that is shared across those accounts (a single worker paid under multiple payroll IDs for the same business), you may need to make adjustments. The Report does not consolidate a shared employee's cash compensation for a single Federal ID using multiple payroll accounts. The payroll costs for that shared employee may be overstated if the employee made more than \$100,000 (annualized) during your covered period across the payroll accounts. Review your report for any shared employees and make necessary adjustments to the cash compensation in the Estimator.

Payroll costs outside of Paychex Flex. The Estimator will use your employer-assessed state and local taxes, employer-paid retirement tracked in Paychex Flex, and employer-paid group health, including insurance premium costs, if Paychex Insurance Agency is your agent of record. You may add any other eligible employer-paid benefit costs not tracked in Paychex Flex.

Not ready to apply for forgiveness?

Keep track of anything you change in the Estimator. These updates may be overwritten with fresh data from Paychex Flex when you come back.

Ineligible employees. The Estimator and reports automatically remove any employee with a non-US address. If you have an employee whose principal address is not in the US or its territories but is listed with a US address, you will need to remove this employee from the report and update the Estimator totals. There are other types of employees that are not allowed to be included, like those doing work-study. For more guidance, ask your financial or legal advisor.

Apply for Forgiveness

Ready to apply? You don't need to wait for the end of your covered period.

Step 1: Switch to application mode

Before you begin, make sure the final payroll you would like included in your covered period has been processed. Then open the Estimator and make a few updates.

1. Under PPP loan information, select **My company will use Form 3508S for loan forgiveness** if applicable.
2. If you're applying for forgiveness before the end of your covered period, adjust the Last day for eligible costs. You'll find this under What covered period do you want to use?
3. Turn application mode on.
4. Don't see it? Application mode is to the right of Enter your loan details, below the line graph indicating your forgiveness amount.

Step 2: Rerun and validate your most recent reports

Repeat steps 3, 4, and 5 from the beginning of this document.

Pro tip: Not all lenders accept spreadsheets. Convert your reports to PDFs before submitting them.

Step 3: Print forgiveness application

1. In the Estimator, click **Print forgiveness application** at the top right.
2. Select your application form. If you've already indicated you plan to use the simplified form, this will be selected for you.
3. Fill in the Borrower information.
4. Fill in the Employee information. (This is different than FTEs. It's the number of employees on payroll.)
5. Click **Save and print**.

Step 4: Gather additional documentation

This varies based on your lender and which application you use. Ask your lender what information and timeframes they'll be looking for, and what file types they accept.

To access commonly requested reports:

1. Go to **Analytics & Reports** in the Menu.
2. Under Quick Reports, click **Sets**.
3. Select **CARES Act**.
4. Check the box next to each quarter you need data for, then click **Download**.
5. Click **Back** to return to Quick Reports.
6. Select the **All Reports** tab.
7. Under CARES Act Top Reports, you can access your **Payroll Journal** and **Cash Requirements**. To run either report for a custom timeframe, click **Create Report**.

Collect any other supporting documents you need, such as:

- Bills for utilities and other non-payroll costs
- Benefits tracked outside of Paychex Flex
- Records to support any FTE exemptions and exceptions

Step 5: Review and send everything to your lender

Review your application, the SBA's instructions for the form you've selected ([standard form](#), [simplified form](#), or [EZ form](#)), and the Treasury's [PPP Forgiveness Factsheet](#). Once you're confident everything looks right, share the form, reports, and supporting documentation with your lender. Keep a copy of all documents for six years after the loan is fully repaid.

PPP Loan Forgiveness Estimator and PPP Forgiveness Report: How to use and review

The Paycheck Protection Program (PPP) Loan Forgiveness Estimator (Estimator), PPP Forgiveness Report (Report), and any loan forgiveness application forms generated from Paychex Flex are included in your payroll services and provided pursuant to your service agreement with us.

The Estimator and Report are intended to help you estimate what portion of your Paycheck Protection Program (PPP) loan may be forgiven and to gather payroll information necessary to complete your loan forgiveness application. The Estimator uses a combination of information you enter and payroll information you provided us to give you an idea of the amount of your loan that may be forgiven. When you're ready to apply for forgiveness, you can validate the number shown in the Estimator and print your completed forgiveness application form.

The Report needs to be generated with the same date range used in the Estimator and will include information your lender may request in conjunction with your loan forgiveness application. To facilitate your loan forgiveness application, you can also authorize us to provide Report data, in whole or in part, to your bank or other authorized entity by providing us or the authorized entity consent to provide your information to them.

To use the Estimator, you will need to enter some basic information.

Loan information. This allows us to present the correct options for your covered period. If you save your information, you will only have to enter the information once. Our Estimator will be based on the loan information you enter.

Covered Period. Your covered period is 24 weeks (168 days), unless the SBA assigned a loan number to your PPP Loan before June 5, 2020 – then you are eligible to choose the original 8-week (56 day) period. The covered period will never go beyond December 31, 2020. You may be able to choose when your covered period starts:

- Standard Covered Period: Begins the day you received the loan.
- Alternative Covered Period. Begins the first day of the pay period after you got the loan. This is only available if you pay your employees bi-weekly or more frequently.

If you've used all your loan money and want to apply for forgiveness before the end of your covered period, select a Last day for eligible costs in the Estimator. Payroll expenses earned after this date will not be included in the Estimator or your forgiveness application. By default, the Last day for eligible costs is the last day of your covered period.

How the Estimator and the Report work.

You are solely responsible to determine if the payroll and non-payroll costs identified in the Estimator and Report are eligible and accurate. We will use information contained in our payroll system and any historical payroll information you provide, subject to the assumptions below. Because you know your data best, you are solely obligated to review the information listed on the Estimator, and Report and any loan forgiveness application forms generated from Paychex Flex and make any necessary changes. We cannot guarantee, nor do the Estimator or Report warrant, that payroll or non-payroll costs were paid.

Employee information. We use your employee and payroll information in our payroll system to calculate your eligible payroll costs, estimate your average Full-Time Equivalent (FTE) employees during your covered and comparison periods, and estimate any reductions in your loan forgiveness due to reductions in FTEs or wages. Only W-2 employees who have a U.S. address as their principal place of residence in our payroll system are listed.

The Report identifies each employee along with the employee identifier (last four of the employees Social Security Number), pay type (salary/hourly/other), status (full- or part-

time), average weekly hours worked during the covered period, and whether the employee made more than \$100,000 (annualized) in any pay period in 2019. If you did not process every payroll in 2019 with us (and your historical information was not loaded into our system by pay period), we estimate whether an employee made more than \$100,000 (annualized) in any pay period in 2019 (based on the historical information you provided). If an employee is defined as hourly but without an hourly rate listed, the employee is treated as salary.

Cash compensation. This includes cash earnings tracked through the system: salary, vacation, leave (sick, parental, family, and medical), severance pay, wages (including overtime), commissions or similar compensation, hazard pay, bonuses or similar payments, and cash tips or the equivalent. Each employee's cash compensation is capped at \$100,000 annualized for your covered period (for 24 weeks, the maximum is \$46,154 per individual; for eight weeks, the maximum is \$15,385 per individual).

The Report includes the cash compensation paid during your chosen covered period, plus any compensation earned during your covered period but paid after. For wages earned at the end of the covered period, we may estimate daily pay if the payroll period does not end at the same time as the covered period. To be eligible for forgiveness, wages paid after the covered period must be paid on or before the next regularly scheduled check date – we assume you are processing check dates as scheduled. Compensation using Families First Coronavirus Response Act pay codes for enhanced sick leave and expanded family and medical leave is not included in the cash compensation.

To mirror the forgiveness standard application, cash compensation is divided into three categories:

- Cash compensation for employees earning up to \$100,000: includes employees who made \$100,000 or less (annualized) in every pay period in 2019.
- Cash compensation for employees earning over \$100,000: includes employees who made over \$100,000 (annualized) in any pay period in 2019.
- Owner's compensation: this is only visible in application mode. Because Paychex Flex doesn't track owners, you will need to follow the instructions on page two to correctly record compensation paid to owner-employees, self-employed individuals, and general partners.

Payroll costs. Your eligible payroll costs are the sum of cash compensation and employer-assessed state and local taxes, and employer-paid group health, including insurance premium costs, and retirement paid or incurred during your covered period. Payments that are made ahead of your normal schedule for benefits after your covered period cannot be included. If you prepaid any of these costs further in advance than you typically do, you may need to adjust your numbers. The Estimator will use your employer-assessed state and local taxes, employer-paid retirement tracked in our payroll system, and employer-paid group health, including insurance premium costs, if Paychex Insurance Agency is your agent of record. You may additionally add any employer-paid benefit costs not tracked in our payroll system.

- If you use a covered period that does not begin on a payroll period start date or end on a payroll period end date, we estimate the wages, employer-paid retirement costs, and employer-assessed state and local taxes for pay periods that are not completely contained inside of the covered period by calculating a daily estimate. The daily estimate is used to calculate payroll for each day during the payroll period that is within your covered period.
- If you did not process every payroll with us in 2019 or 2020 (and your historical information was not loaded into our system by pay period) or if you became a client after you began your covered period, you can still use both the Estimator and the Report. We will estimate when wages were paid/incurred based on the information you provided.
- If you began processing with us during your covered period, we will estimate your pay period start and end date – even if wages are loaded by pay period since pay period dates are not loaded as part of history.
- If you had a rate change for state and local taxes during the quarter, additional funds required to be collected at quarter-end are not included in the calculation of your payroll costs. If funds were over collected, your payroll costs may be overstated. You are responsible for reviewing your Outstanding Tax Liability report and adjusting your payroll costs based on those adjustments prorated for your covered period.

- Employer-paid group health, including insurance premium costs tracked in our payroll system, is estimated based on monthly cost. To determine the number of months included, we subtract your covered period start date from your last day for eligible costs. This is rounded to the nearest whole month.

Non-payroll costs. The Estimator uses any non-payroll costs you enter to estimate the total amount of the loan eligible for forgiveness. You are solely responsible for entering all information relating to your eligible non-payroll costs. Your eligible non-payroll costs are those costs that are paid or incurred during the Standard Covered Period, even if you use the Alternative Covered Period for your payroll costs.

Adjustments to the loan forgiveness amount. The sum of payroll and non-payroll costs represent the total amount of the loan eligible for forgiveness before adjustments for FTE and Salary/Hourly Wage Reductions. The Estimator will compare your FTE and Salary/Wages during the covered period to a defined look-back period to estimate whether you must adjust your loan forgiveness.

If you choose to use the simplified application (3508S), FTE and wage reductions (and related safe harbors) will not apply.

Salary/hourly wage reduction. For each employee who earned \$100,000 or less (annualized) in every pay period in 2019, we compare their wages paid in Quarter 1, 2020 with wages paid during the covered period and calculate whether their wages were reduced by more than 25% during the covered period. For calculating wage reductions, regular wages are used for comparison. Additionally, leave using Families First Coronavirus Response Act pay codes is included.

The Estimator uses the sum of salary/hourly wage reductions to estimate your loan forgiveness amount. If you did not process payroll with us for every pay period in 2019 or 2020, we use the historical payroll information you provided and was loaded to our system to estimate the average weekly wage for each eligible employee.

For hourly employees, the Report includes a wage reduction if the average weekly rate paid to the hourly employee (calculated as total wages divided by hours) is reduced by more than 25% during the covered period when compared to the rate paid in Quarter 1, 2020. For salaried employees or employees with a pay type of other, the Report includes a salary reduction if their average weekly wage during the covered period is reduced by more than 25% from their average weekly wage in Quarter 1, 2020. If an employee changed pay types (salary, hourly or other) in the covered or look-back periods or an hourly employee who was paid has 0 hours tracked, the employee is treated as a salary pay type for purposes of the salary/hourly wage reduction estimation.

For an employee with a pay type of salary or other whose pay decreases by more than 25%, a salary reduction is included regardless of any changes to their FTE status. If the salary reduction is fully attributable to the decrease in the employee's hours worked, you can eliminate the salary reduction for that employee by updating the Estimator.

Wage reductions are calculated based on your full scheduled covered period (even if you're applying for forgiveness before the end of your covered period). On the Report, look at the appropriate column to understand the impact on your loan forgiveness. For an 8-week covered period, this is Wage Reduction – 8 Weeks. For a 24-week covered period, it's Wage Reduction – 24 Weeks. Seasonal employers who chose to use a 12-week period between May 1, 2019 and September 15, 2019 to calculate their original loan amount will need to calculate wage reductions for the custom timeframe.

Salary/hourly wage reduction safe harbor. You're exempt from the salary/hourly wage reduction if you did both of the following:

1. You reduced salary/wages between February 15 and April 26, 2020.
2. You restored salary/wages (to the same level as the pay period that included February 15, 2020) no later than December 31, 2020 (or by the time you apply for loan forgiveness).

If you're eligible for this safe harbor, check the box in the Estimator. (Wondering where this appears? The loan forgiveness application doesn't have a checkbox for this safe harbor, so wage reductions will appear as "0" when you generate your application. You'll still see wage reductions displayed on your PPP Forgiveness Data Report, since it doesn't take the checkbox into account.)

Average FTE estimation – covered period. The Report shows the weekly average number of FTEs we estimate worked during your covered period in the Avg. FTEs Simplified Method column. The Estimator uses the FTEs in this column to estimate the FTE Reduction. The Average FTE is an important part of your loan forgiveness application as reductions in your FTEs can result in a reduction of your loan forgiveness report. Carefully review the average FTE status for each employee listed on the Report, and make any necessary changes.

There are two methods you can use to determine your average FTEs. The first uses the actual average weekly number of hours your employees worked and is shown in the FTEs based on payroll hours INFORMATIONAL column. The second method assigns all employees that worked more than 40 hours on average per week an FTE of 1.0 and all part-time employees who worked less than 40 hours on average per week an FTE of .5. Your Report will show you both estimations. The Estimator uses the average FTEs from the second method. We will use the second method for estimating FTEs in every instance where an Average FTE calculation is required.

Salaries full-time employees who did not work the entire period (e.g., they were furloughed or hired during the period) are assigned .5 FTE. Salaried part-time employees are always assigned .5 FTE. Hourly employees who did not work the entire period are assigned .5 FTE if their average weekly hours are less than 40 (when averaged across the entire period). If their average weekly hours are 40 or more (across the entire period), they are assigned 1.0 FTE.

Because we may not have hours for every employee, the Report makes the following assumptions about the average hours worked per week for employees with a pay type of salary or other to determine the Avg FTEs Simplified Method. We recommend you carefully review the hours assumed for employees designated as salary or other, and modify them as necessary. An employee is defined as other if no pay type is provided or if they are hourly or salary but have a pay rate or salary equal to \$0. If an hourly employee has wages, but no hours tracked in the system they are treated as salary.

- **Salary/Other pay type – full-time or no status.** We assume the employees work 40 or more hours on average per week and use an FTE of 1.0.
- **Salary/Other pay type – part-time.** We assume the employees work less than 40 hours per week on average and use an FTE of .5.

To make your review easier, the Report includes information so that you can easily see how we estimated your average FTEs. The Report lists the Employee Pay Type (Salary, Hourly or Other), Status (full- or part-time), and the average weekly hours worked for each employee you employed during your covered period. Here are the applicable columns in the Report.

- **Avg. Payroll Hours Per Week Entered in Payroll.** Average hours per week for each employee entered in our payroll system.
- **FTEs based on payroll hours INFORMATIONAL.** Average number of hours per week entered in payroll divided by 40, capped at 1.0 FTE.
- **Avg. FTEs Simplified Method.** The Estimator uses the average FTEs shown in this column. You can modify the average FTE in the Estimator.
 - **Hourly pay type.** All hourly employees who average 40 or more hours per week have an FTE of 1.0. All hourly workers who average less than 40 hours per week have an FTE of .5.
 - **Salary/Other pay type.** We use an FTE of 1.0 for all employees designated full-time or no status. An FTE of .5 is used for all employees designated as part-time.

In the Estimator and on the forgiveness application, you'll see FTEs divided into two categories:

- FTEs earning up to \$100,000: includes employees who made \$100,000 or less (annualized) in every pay period in 2019.
- FTEs earning over \$100,000: includes employees who made over \$100,000 (annualized) in any pay period in 2019.

Average FTE estimation – comparison period. The Estimator compares the average FTEs on the Report with the average FTEs employed during both eligible comparison periods (i) February 15, 2019

to June 30, 2019; and (ii) January 1, 2020 to February 29, 2020 and uses the comparison period with fewest FTEs. If you are a seasonal employer and used a consecutive 12-week period between May 1, 2019 and September 15, 2019 to compute your PPP loan amount, you must use the same 12-week period as your comparison period. If you wish to do so, run the PPP Forgiveness FTE Data report for your chosen 12-week period and use the FTE information to modify the comparison period FTEs in the Estimator.

To review the FTEs calculated for your comparison period, run the PPP Forgiveness FTE Data report for the defined comparison periods. This report shows the number of average FTEs we estimate you employed during your comparison period in the Avg. FTEs Simplified Method column. The Estimator will use the comparison period with the fewest FTEs.

Percentage of FTEs still working. The percentage of FTEs still working, or the FTE Reduction Quotient, is calculated by dividing the FTEs in the covered period by the FTEs in the chosen comparison period. The maximum percentage is 100% because increases don't affect loan forgiveness.

FTE Reduction Safe Harbors. There are two FTE Reduction Safe Harbors.

- **FTE Reduction Safe Harbor 1.** You're eligible for safe harbor 1 if requirements or guidance related to COVID-19 prevented you from operating at the same level of business between February 15, 2020 and the end of your covered period – as compared to your business operations before February 15, 2020. You'll need documentation to support this.
- **FTE Reduction Safe Harbor 2.** If your FTEs decreased between February 15, 2020 and April 26, 2020 (in comparison to February 15, 2020), you are eligible for safe harbor 2 if you fully restore those FTEs (to the levels as of February 15, 2020) by the earlier of December 31, 2020 or the date you submit your forgiveness application.

Economic Injury Disaster Loan (EIDL) Advance. The SBA may reduce your Forgiveness by this amount when reviewing your loan application. If you enter the EIDL Advance amount in the Estimator, we calculate the impact on your loan forgiveness for informational purposes. You are solely responsible for entering all information relating to your EIDL Advance.

Loan Necessity Questionnaire. If your loan is \$2 million or more (or if your loan plus the loans of any affiliates totals \$2 million or more), your lender may provide you with a Loan Necessity Questionnaire (SBA Form 3509 or 3510). Return the completed questionnaire (plus any required documentation) to your lender within 10 business days. What's the purpose? When you applied for your loan, you certified that economic uncertainty made the loan request necessary. The questionnaire will help SBA loan reviewers evaluate this necessity.

Loan forgiveness estimation. Your loan forgiveness estimate is based on the information you provide and the assumptions listed in these instructions. All projections in the Estimator are based on prior payrolls processed and the remaining time in your covered period. Your final estimate may change.

Payrolls processed by us. For payrolls we processed, the information is based on the payroll information and employee information provided by you for that payroll. If you processed payroll for any employees with another provider or in-house, the Report does not include that payroll information. We will base any information requiring a pay-period-by-pay-period analysis for payroll processed by us on the actual payroll information processed for that payroll. If you did not process every payroll in 2019 and 2020 with us, we will use the information for you provided. If the information was not provided per pay period, we will estimate as described above.

Legal Disclaimer

The Loan Forgiveness Estimator (Estimator), Loan Forgiveness Report (Report), and any loan forgiveness application forms generated from Paychex Flex are based solely on information you provided. You are solely responsible for reviewing the Estimator, the Report, and their underlying assumptions and making any required changes prior to generating your loan forgiveness application form. We are not responsible for any errors resulting from incorrect information or assumptions. The Estimator and Report are based on the CARES Act, PPP Flexibility Act of 2020, the SBA Interim Final Rules, the loan forgiveness applications, and related guidance as of the date listed below and are subject to change. If further law,

regulation, or guidance requires updating either the Estimator, the Report, or the loan forgiveness application forms, you are solely responsible for obtaining an updated report. We are not responsible for the accuracy of the Estimator, the Report, or any loan application forms generated from Paychex Flex and are not responsible for any errors or omissions contained in the Estimator, the Report, or the loan application forms. You are solely responsible for seeking loan forgiveness and reviewing and certifying the correctness of the information contained in your loan forgiveness application. The Estimator, the Report, and any loan applications generated from Paychex Flex are included in your payroll services and provided subject to the terms and conditions of your service agreement with us. The information in these materials should not be considered legal, accounting, investment, or fiduciary advice. If you require legal or investment advice or need other professional assistance, you should always consult your attorney or other professional advisor to discuss your particular facts and circumstances.

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