



## Schedule A Instructions – Simplified | Kevin Kilpatrick, Peoples Bank of Alabama

### Introduction

The CARES Act is intended to help employees continue receiving payroll and benefits from employers who are/were negatively impacted by the containment efforts of COVID-19. The PPP loan amount was calculated (in part) based on the business's average monthly payroll costs prior to COVID-19 and the number of employees you had at the time of application. Loan forgiveness is the goal of all PPP borrowers. Even if you complied with the SBA's guidelines of how the loan proceeds were to be spent, the SBA will not provide full forgiveness if the employer has a reduction in employee headcount or average pay (with some exclusions that are detailed later). The SBA created a calculator tool called "Schedule A" to help you determine if changes in your headcount or average pay would lower the amount of forgiveness.

### SBA 3508EZ Form Eligibility

Not all borrowers are required to complete the Schedule A. The SBA has created a "3508EZ" application form that skips this step. According to the SBA, you qualify for the "EZ" application if you meet one of the following three criteria *{I have added some explanation comments in italics}*:

1. The Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483). *{So, "no employees" means you qualify for the EZ form. You can stop here.}*
2. The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, "employees" means 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); *{This means if you lowered ANY employee's salary or hourly pay rate by less than 25%, you qualify. Example: Pre-Covid employee is paid \$15.00/hour – During Covid employee is paid \$11.50/hour. That is a reduction of 23% and means you would still qualify.}*

### **AND**

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. (Ignore 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. Also ignore reductions in an employee's hours that the Borrower offered to restore and the employee refused. See 85 FR 33004, 33007 (June 1, 2020) for more details. **{IGNORE REDUCTIONS}**, means you don't have to count an employee who was let go/laid-off and later refused to accept your offer to return or you were unable to hire a "similarly qualified" employee. You WILL have to provide written documentation (i.e. a letter, email, etc.) documenting you offered the employee to return but the employee refused the return offer.

3. The Borrower did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, "employees" means 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); *{This is the same wording as #2 above.}*

## AND

The Borrower was unable to operate during 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. *{Again, don't penalize yourself for reducing payroll over headcount BECAUSE you closed your business to comply with government mandates due to health concerns.}*

### Schedule A Excel Spreadsheet Summary

If you cannot meet one of the 3 conditions above to qualify for the EZ application, then you must submit the Schedule A with your package. Peoples Bank of Alabama engaged a software company called Abrigo who has provided an Excel version of Schedule A to help you complete and calculate how changes in headcount or payroll may impact your forgiveness. To be honest, the Schedule A is complicated and confusing to follow. The purpose of this memorandum is to try and explain in more direct, simple terms what goes in each column of the Schedule A and we've provided a sample Schedule A to use as a "go-by" when completing your own form.

Once in the software and it is determined you are NOT eligible for the EZ form, you will start inputting information and eventually will get to the heading "Schedule A" which has two blue buttons to click: "Download Blank Worksheet" and "Upload Completed Worksheet". Click the "Download Blank Worksheet" which will save the Excel spreadsheet to your computer. *{NOTE: If you started working on an older version of the Excel worksheet and have returned to the software, please download a NEW version of the blank worksheet and copy and paste your information from the old one. Abrigo updates this spreadsheet frequently and you need to be sure you are working in the most up-to-date version.}*

You will see the spreadsheet has 7 tabs at the bottom. Please read the "Instructions" tab FIRST. It tells you that there are 4 steps to complete the worksheet. You must complete the tabs labeled "Step 1. Review Reference Period" and "Step 2. Input Payroll." The 4 green highlighted tabs auto-populate based on your entries to Step 1 and 2.

#### 1. **Tab "Step 1. Review Reference Period"** comments:

- The Covered Period or Alternative Payroll Covered Period is explained in the software and this cell auto-populates based on what you input on the software before downloading the spreadsheet.
- If you select the 24 week period but intend to submit your forgiveness application BEFORE the covered period date ends (i.e. the 24 week period ends 10-1-2020 but you want to submit your report on 9-15-2020), then select "Yes" and the date you intend to submit the application.

2. **Tab "Step 2. Input Payroll"** comments: THIS IS THE HARDEST PART. Most of these columns have "Hover for Tips" in red that will open up a comment to guide you and give specific numbers to input if you have salaried employees. Some of these tips need further explanation, so a list by column is provided below to offer some additional insight into what you need to input.

- Column A – blank

- **Columns B – D** request individual employee information. Only list the employees that 1) Have their principal place of residence in the United States; 2) Worked for you at any point during the Covered Period dates; and 3) Worked for you at any time LAST YEAR during either 2-15-2019 to 6-30-2019, or THIS YEAR from 1-1-2020 to 2-29-2020. Otherwise, don't include that employee's information here.
  - Column B – employee's first name
  - Column C – employee's last name
  - Column D – last 4 digits of the employee's social security number
- **Columns E – H** are drop-down boxes with "Yes" or "No" answers:
  - Column E – input "Yes" if that individual employee qualified to be exempt as a Full Time Employee (FTE). Refer to the reasons listed in the "Hover for Tips." If none of the reasons are applicable, input "No." You may have some yes and no answers here, depending on the individual's situation.
  - Column F – did this employee work for you at any time in 2019? You may have some yes and no answers here, depending on the individual's situation.
  - Column G – did you pay this employee at an annualized rate of MORE than \$100,000 in 2019? This question is important because it limits the amount of money that person can be paid as an eligible expense to be included in the loan calculation.
  - Column H – "Yes" if this person gets paid the same each pay cycle regardless of the number of hours worked. "No" if this person is paid based on the number of hours worked.
- **Columns I and J** are asking questions about that employee's hours and compensation specifically during the covered period only.
  - Column I – how many hours did this employee work during the covered period? It is just a total number of hours. Example: if the employee worked 30 hours each week for 28 weeks, the input would be 840 (30 x 28), or if they worked 35 hours each week for 8 weeks, the input would be 280 (35 x 8). If the employee didn't work at all for you during the covered period, you would put 0.
  - Column J – asks how much cash compensation (i.e. payroll checks) you paid that employee during the covered period. Input this information as a dollar amount.
- **Columns K and L** are asking how many hours this employee worked and what they were paid between 1-1-2020 and 3-31-2020. This is to create a base line of hours worked and payroll received before COVID hit.
  - Column K – the total number of hours that employee worked. Note that if this employee is paid hourly, input the actual number of hours worked. If the employee is a salaried employee, input 520 (40 hours per week x the 13 weeks of 1-1-2020 to 3-31-2020).
  - Column L – how much did that person get paid during that time. Again, if they didn't work for you during that time, the input is \$0.
- **Columns M – O** start applying one of 3 calculation methods of what qualifies as an FTE using the SBA's definition. This is important because each method will produce a different result and the spreadsheet will upload the method that's most beneficial to you. Note that this timeframe is different than the dates asked for in Columns K and L.
  - Column M – on 2-15-2020, what were you paying this employee per hour or what was their annual salary as of that date? Example: If the hourly employee made \$15.00 per hour on 2-15-2020, input \$15.00. If the salaried employee's annual salary was \$40,000 as of 2-15-2020, then input \$40,000.
  - Column N – how many hours did this employee work from 2-15-2020 until the first date of your covered period (the date you got the PPP loan money)? If the employee is salaried, the "Hover for Tips" tells you to input 411.43.
  - Column O – this is how much money this employee was paid between 2-15-2020 and the start of the covered period. NOTE: The "Hover for Tips" tells you to include what the employee was paid for hours worked prior to February 15 AND for hours worked but not yet paid for through the start of the covered period. Example: Payroll is weekly. On 2-15-2020, the borrower got paid for working the week prior to 2-15-2020 so you include that amount. Also, the employee worked the period up to the start date of the

covered period but didn't get paid that check until a week later, so you include what the employee earned but was not paid in this amount as well. That makes no sense, but that's what they are asking.

- **Column P** – This is to determine the “average annual salary” or “hourly wage” this employee earned as of 12-31-2020 or the date this application is submitted (if you are in 2021 and completing this form). Example: the employee made \$15.00 per hour as of 2-15-2020 but is making \$10.50 per hour as of 9-15-2020 (the date you submit the application package to the bank). You would input \$10.50 per hour here. But, if you are filing in 2021 and as of 12-31-2020 this employee's hourly wage returned to \$15.00 per hour, then you input \$15.00.
- **Columns Q – R** are to compare the number of hours this employee worked this year vs. last year.
  - **Column Q** – how many hours did the hourly employee work for you last year between 2-15-2019 and 6-30-2019. If this was a salaried employee, the total is calculated for you at 744.14 in the “Hover for Tips.” If this employee didn't work for you in 2019, enter 0.
  - **Column R** – how many hours did the hourly employee work for you from 1-1-2020 to 2-29-2020. If salaried, enter 342.86.
- **Column S** – blank
- **Columns T – W** are to calculate the number of hours per pay period the employee worked.
  - **Column T** – for the pay period that includes the date of 2-15-2020 (meaning the start date of the pay period is on or before 2-15-2020 and the end date is on or after 2-15-2020), how many hours did that employee work during that pay period?
  - **Column U** – how many days are in each pay period during the timeframe that included 2-15-2020? If you pay weekly, then input 7. If you pay bi-weekly, input 14, etc.
  - **Column V** – how many hours did the employee get paid for during the timeframe that included the earlier of 12-31-2020 (if you are filing this sometime in 2021) or as of the date you submit your forgiveness package (if filing now)? Example: if you pay every 14 days and the employee worked 62 hours during the pay cycle as of now or 12-31-2020, whichever is earlier, put 62. If the employee is salaried, input 80 (40 hours/week x 2 weeks).
  - **Column W** – number of calendar days during the pay cycle days referenced in Column V. 7 if paid weekly, 14 if paid bi-weekly, etc.

### That's it!

The software will input information in the green highlighted tabs and then chooses which number to input in the software. You will save the Excel file on your computer and then go back to the software and click “Upload Completed Worksheet” and drag this file in the box there. The software will automatically update and complete the input for you.

## Schedule A Sample

Attached is a sample Schedule A spreadsheet that may help you see how to input information in to certain columns given the different type of employee scenarios you may have. Each employee name listed in Column B and C is a different situation so the inputs are unique. Below is a key for what is going on for each employee in the sample:

- Row 6: John Smith 1 – Hourly employee who worked for you between 2-15-2019 and 6-30-2019 but does NOT work for you as of 1-1-2020.
- Row 7: John Smith 2 – Salaried employee who worked for you between 2-15-2019 and 6-30-2019 but does NOT work for you as of 1-1-2020.
- Row 8: John Smith 3 – Salaried employee who worked for you between 2-15-2019 and 6-30-2019 but does NOT work for you as of 1-1-2020 but was paid more than \$100,000 annualized for any pay period during 2019.
- Row 9: John Smith 4 – Hourly employee who did NOT work for you in 2019 but started working for you an average of 30 hours per week beginning 1-1-2020 and remained employed during the entire covered period at an hourly rate of \$13.00. Assume you pay weekly.
- Row 10: John Smith 5 – Salaried employee who did NOT work for you in 2019 but started working for you an average of 40 hours per week beginning 1-1-2020 and remained employed during the entire covered period at an annual salary of \$50,000. Assume you pay weekly.
- Row 11: John Smith 6 – Salaried employee who has worked for you fulltime for 5 years and made an annual salary of \$65,000 today.
- Row 12: John Smith 7 – Hourly employee who did NOT work for you in 2019 but started working for you an average of 30 hours per week beginning 1-1-2020. His pay rate remained the same at \$13.00 per hour but during the covered period his average number of hours fell by 30% to 21 hours per week. Assume you pay weekly.
- Row 13: John Smith 8 – Hourly employee who did NOT work for you in 2019 but started working for you an average of 30 hours per week beginning 1-1-2020. His number of hours worked per week remained at 30 hours but his pay per hour during the covered period fell by 30% from \$13.00 per hour to \$9.10. Assume you pay weekly.
- Row 14: John Smith 9 – Hourly employee who did NOT work for you in 2019 but worked 30 hours per week at \$13.00 per hour from 1-1-2020 to 5-1-2020 when he was laid off due to slow work demands. He was offered his job back on 6-1-2020 but he declined the offer because he had accepted another job elsewhere. You were unable to fill his position with a similar qualified candidate so the position remained unfilled.
- Row 15: John Smith 10 – Salaried employee who has worked for you fulltime for 5 years and made an annual salary of \$120,000 in 2020 but was fired on 5-1-2020 for a justified cause. He was not offered his job back. You have not filled that position.

Please feel free to call us if you have questions or unique situations that are not discussed above. We are all doing our best to meet the SBA demands for qualifying for full forgiveness and want to see you end this process successfully.

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**INSTRUCTIONS:** Hover over the column labels for additional instructions and guidance.  
Please start entering in your employees in row 6. All columns / fields must be completed in order to generate accurate calculations.

**Only List Employees (1) whose principal place of residence is in the United States (2) were employed by the Borrower at any point 4/13/2020 to 9/27/2020 (3) and include all employees that were employed by the Borrower at any point during all of the following reference periods: 2/15/2019 to 6/30/2019, 1/1/2020 to 2/29/2020. Providing employee information for more than one reference period gives you the best chance for maximum forgiveness as we'll use the period with the lowest FTE for comparison.**

Column									Compensation in Covered or Alternative Payroll Covered Period		For Salary / Hourly Wage Reduction Calculation	
									4/13/2020 to 9/20/2020		1/1/2020 to 3/31/2020	
	B	C	D	E	F	G	H	I	J	K	L	
Employee First Name	Employee Last Name	Employee Identifier (Last 4 digits of their Social Security Number) <small>Hover For Tips</small>	Select "yes" for any FTE Reduction Exceptions: <small>Hover For Tips</small>	Was this Employee employed by the Borrower at any point in 2019? (Yes/No)	Did this Employee receive compensation from the Borrower at an annualized rate of more than \$100,000 for any pay period in 2019? (Yes/No)	Is this employee paid an annual salary? (Yes/No) <small>Hover For Tips</small>	Total hours paid from 4/13/2020 to 9/20/2020	Total cash compensation from 4/13/2020 to 9/20/2020	Total hours worked from 1/1/2020 to 3/31/2020 <small>Hover For Tips</small>	Total cash compensation from 1/1/2020 to 3/31/2020 <small>Hover For Tips</small>		
John	Smith 1	1111	No	Yes	No	No	0.00	\$ -	0.00	\$ -		
John	Smith 2	1112	No	Yes	No	Yes	0.00	\$ -	0.00	\$ -		
John	Smith 3	1113	No	Yes	Yes	Yes	0.00	\$ -	0.00	\$ -		
John	Smith 4	1114	No	No	No	No	720.00	\$ 9,360.00	390.00	\$ 5,070.00		
John	Smith 5	1115	No	No	No	Yes	960.00	\$ 23,076.92	520.00	\$ 13,461.54		
John	Smith 6	1116	No	Yes	No	Yes	960.00	\$ 30,000.00	520.00	\$ 17,500.00		
John	Smith 7	1117	No	No	No	No	504.00	\$ 655.20	390.00	\$ 5,070.00		
John	Smith 8	1118	No	No	No	No	720.00	\$ 6,552.00	390.00	\$ 5,070.00		
John	Smith 9	1119	Yes	No	No	No	80.00	\$ 1,040.00	390.00	\$ 5,070.00		
John	Smith 10	1120	Yes	Yes	Yes	Yes	80.00	\$ 4,615.38	520.00	\$ 30,000.00		

Column	Step 2a of Reduction Safe Harbor	Step 2b of Reduction Safe Harbor and Step 1 of FTE Reduction Safe Harbor	Step 2b of Reduction Safe Harbor	Step 2c of Reduction Safe Harbor	For Line 11 of Schedule A: FTEs for selected reference period		For FTE Reduction Safe Harbor			
	2/15/2020 to 4/26/2020				2/15/2019 to 6/30/2019	1/1/2020 to 2/29/2020				
	M	N	O	P	Q	R	T	U	V	W
Annual salary or hourly wage as of 2/15/2020	Total hours paid from 2/15/2020 to 4/26/2020. <small>Hover For Tips</small>	Total cash compensation from 2/15/2020 to 4/26/2020 <small>Hover For Tips</small>	Average annual salary or hourly wage as of the earlier of 12/31/2020 and the date this application is submitted	Total hours paid from 2/15/2019 to 6/30/2019 <small>Hover For Tips</small>	Total hours paid from 1/1/2020 to 2/29/2020 <small>Hover For Tips</small>	Number of hours paid in the Borrower's pay period inclusive of 2/15/2020	Number of calendar days in the Borrower's pay period inclusive of 2/15/2020	Number of hours paid in the Borrower's pay period inclusive of the earlier of December 31, 2020 and the date this application is submitted	Number of calendar days in the Borrower's pay period inclusive of the earlier of December 31, 2020 and the date this application is submitted	
\$ -	-	\$ -	\$ -	740.00	0.00	0.00	0.00	0.00	0.00	0.00
\$ -	-	\$ -	\$ -	740.00	0.00	0.00	0.00	0.00	0.00	0.00
\$ -	-	\$ -	\$ -	740.00	0.00	0.00	0.00	0.00	0.00	0.00
\$ 13.00	308.70	\$ 4,403.10	\$ 13.00	0.00	257.10	30.00	7.00	40.00	7.00	7.00
\$ 50,000.00	411.43	\$ 10,855.77	\$ 50,000.00	0.00	342.86	40.00	7.00	40.00	7.00	7.00
\$ 65,000.00	411.43	\$ 14,287.50	\$ 65,000.00	744.14	342.86	40.00	7.00	40.00	7.00	7.00
\$ 13.00	308.70	\$ 4,403.10	\$ 13.00	0.00	257.10	30.00	7.00	21.00	7.00	7.00
\$ 13.00	308.70	\$ 4,403.10	\$ 9.10	0.00	257.10	30.00	7.00	40.00	7.00	7.00
\$ 13.00	308.70	\$ 4,403.10	\$ -	0.00	257.10	30.00	7.00	0.00	7.00	7.00
\$ 120,000.00	411.43	\$ 20,833.00	\$ 120,000.00	744.14	342.86	40.00	7.00	0.00	7.00	7.00