



COVID-19 UPDATE | JUNE 22, 2020

PAYCHECK PROTECTION PROGRAM: SBA RELEASES UPDATED GUIDANCE AND NEW LOAN FORGIVENESS APPLICATIONS

On June 15, 2020 and June 16, 2020, the Small Business Administration (SBA) released an interim final rule, an updated loan forgiveness application, and a new EZ application for its Paycheck Protection Program (PPP).

These latest revisions provide updated guidance in calculating loan forgiveness under the new 24-week covered period, specifically as it relates to determining payroll costs and owner compensation. Under the original 8-week covered period, the PPP allows forgiveness for up to \$100,000 annualized per full time equivalent employee (FTEE), or \$15,385 per FTEE during the covered period. The interim final rule has clarified that for borrowers using the 24-week covered period, the maximum wage amount eligible for full loan forgiveness is \$46,154 per FTEE during the covered period.

These revisions also provide an updated calculation for owner-employees or self-employed individuals/general partners. For these owners, owner compensation forgiveness is calculated for the 8-week covered period as $8/52 \times 2019$ net self-employment earnings, up to a maximum of \$15,385; and for the 24-week covered period as 2.5 months' worth ($2.5/12$) of 2019 net self-employment earnings, up to \$20,833.

The interim final rule also updates several points of guidance that were released in the recent Paycheck Protection Flexibility Act:

- For loans made on or after June 5, 2020, the minimum term for PPP loans is raised to 5 years. For loans made before June 5, 2020, the 2-year maturity remains in effect, unless both the borrower and lender agree to extend it to 5 years.
- 60% of loan proceeds must be used on payroll costs to qualify for full forgiveness.
- PPP original loan application deadline remains June 30, 2020.

Updated Loan Forgiveness Application

The SBA also released an updated [Loan Forgiveness Application and Instructions](#), which now includes the following guidance:

- For S Corporations, health insurance costs for owners cannot be included when calculating payroll costs.
- The Paycheck Protection Flexibility Act extended the deadline for safe harbors for employee headcount and wage reductions to December 31, 2020. The updated forgiveness application clarifies that borrowers do not need to wait until December 31, 2020 to apply for forgiveness to use the safe harbors.
- Borrowers that received loans before June 5, 2020 can choose between using the original 8-week covered period or the new 24-week covered period.

New EZ Loan Forgiveness Application

The SBA released a new [EZ Loan Forgiveness Application](#), which requires fewer calculations and less documentation than the full application. The EZ application is available for borrowers that:

- Are self-employed with no employees;
- Have not reduced the salaries or wages of employees by more than 25% and did not reduce the number or hours of their employees; OR
- Have experienced reductions in business activity as a result of health directives related to COVID-19 and did not reduce the salaries or wages of their employees by more than 25%.

As always, CRR is closely following these updates and all PPP guidance being released in order to best support our clients in maximizing loan forgiveness.

Please don't hesitate to contact us at ppp@crrcpa.com with any questions you may have, or visit our COVID-19 Resource Center at www.crrcpa.com/covid19 for the latest updates, alerts and impacts.

We're in this together.