



COVID-19 UPDATE | AUGUST 25, 2020

SBA RELEASES NEW FAQs ADDRESSING PPP LOAN FORGIVENESS

If you received a PPP loan, forgiveness is likely the foremost topic on your mind. On August 3, the Small Business Administration (SBA) released 23 new [FAQs](#) relating to its Paycheck Protection Program (PPP) loan forgiveness process. The updated guidance is timely, as many borrowers who received PPP funding are now starting the loan forgiveness application process.

While these new FAQs clarify many unanswered questions, it may still be worth delaying the forgiveness application process, seeing what the next round of stimulus may bring. For example, applying for forgiveness may become easier than expected. Though lawmakers can't agree on the best approach, some of the ideas being considered include simplifying the PPP loan forgiveness process and creating a new round of PPP loans.

It is understandable that many businesses may want to put this forgiveness behind them, but there remain many unanswered questions – and perhaps, opportunities. The only important deadline in the forgiveness process doesn't come until ten months after the end of the loan's covered period, at which time the forgiveness forms must be submitted to prevent the funds from officially becoming a loan.

The FAQs are organized into four categories, addressing: general loan forgiveness, loan forgiveness payroll costs, loan forgiveness non-payroll costs, and loan forgiveness reductions.

Below is an overview of the topics covered under each section:

General loan forgiveness

- Sole proprietors, independent contractors, and self-employed individuals who had no employees at the time of their PPP loan application and did not include any employee salaries when calculating their average monthly payroll automatically qualify for, and should use, the EZ Loan Forgiveness Application.
- PPP lenders may accept scanned copies of documents, e-signatures, or e-consents for loan forgiveness applications and documentation.
- As long as a borrower submits its loan forgiveness application within ten months of the completion of the Covered Period, the borrower is not required to make any payments until the forgiveness amount is remitted to the lender by the SBA. If the loan is fully forgiven, the borrower is not responsible for any payments. If only a portion of the loan is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid by the borrower on or before the loan maturity date.

Loan Forgiveness Payroll Costs

- Payroll costs that are paid on or before the next regular payroll date after the Covered Period are eligible for loan forgiveness.
- Payroll costs that were incurred before the Covered Period but paid during the Covered Period are eligible for loan forgiveness.

- If a borrower pays its employees twice a month or less frequently, the borrower will need to calculate payroll costs for partial pay periods.
- When calculating cash compensation, the gross amount paid to employees should be used.
- Eligible payroll costs include all forms of cash compensation paid to employees, including tips, commissions, bonuses, and hazard pay.
- Employer expenses for employee group healthcare benefits that are paid or incurred by the borrower during the Covered Period are considered payroll costs and are eligible for loan forgiveness. Eligible payroll costs do not include expenses for group healthcare benefits paid by employees.
- Employer contributions for employee retirement benefits that are paid or incurred by the borrower during the Covered Period are considered payroll costs and are eligible for loan forgiveness. Eligible payroll costs do not include retirement contributions deducted from employees' pay or otherwise paid for by employees.
- The FAQs clarify how to calculate the amount of owner compensation that is eligible for forgiveness based on business type.

Loan Forgiveness Non-Payroll Costs

- Non-payroll costs incurred prior to the covered period, but paid during the covered period, are eligible for loan forgiveness.
- The Alternative Payroll Covered Period applies only to payroll costs, not to non-payroll costs.
- Interest on unsecured credit is not eligible for loan forgiveness.
- Payments made on recently renewed leases or interest payments on refinanced mortgage loans are eligible for loan forgiveness if the original lease or mortgage existed prior to February 15, 2020.
- Payment of transportation fees assessed by state and local governments by the borrower is eligible for loan forgiveness.
- Electricity bill payments in their entirety are eligible for loan forgiveness (even if charges are invoiced separately), including supply charges, distribution charges, and other charges such as gross receipts tax.

Loan Forgiveness Reductions

- The FAQs clarify how to calculate a reduction in loan forgiveness amount due to a reduction in FTE employees who declined a rehire offer.
- A seasonal employer that elects to use a 12-week period between May 1, 2019 and September 15, 2019 to calculate its maximum PPP loan amount must use the same 12-week period as the reference period for calculation of any reduction in the amount of loan forgiveness.
- The FTE Reduction Exceptions apply to all employees, not just those who would be listed in Table 1 of the Loan Forgiveness Application.
- The FAQs clarify how to calculate the reduction in loan forgiveness arising from reductions in employee salary or hourly wages.

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.