

August 31, 2020

Reasons to Hold Off Submitting Your PPP Loan Forgiveness Application

Borrowers who received Paycheck Protection Program (PPP) loans under the Coronavirus Aid, Relief, and Economic Security (CARES) Act are asking when to apply for the PPP loan forgiveness. With the uncertainty over some of the program details, as well as the changing rules and requirements, here are five factors affecting your forgiveness application process and why you should wait to apply for forgiveness:

Reason 1

Most Lenders are not ready to process forgiveness applications

- There are many lenders that are developing tools such as portals for a more efficient process
- Borrowers that are accepting applications are testing their systems

Reason 2

Payroll agencies and providers are developing custom reports for PPP borrowers that comply with the application for documentation since payroll costs are a significant component of PPP forgiveness

Reason 3

Borrowers are not required to make any loan payments before they apply for forgiveness or until 10 months after their covered period ends

- Since payment is not due yet, there is no urgency to apply for forgiveness

Reason 4

Organizations have 24 weeks to use their PPP funds

- This allows borrowers the ability to take the steps that will help them qualify for full loan forgiveness
- Borrowers who receive their loans before June 5, 2020, can choose either eight weeks or 24 weeks for their covered period

Reason 5

Applying for forgiveness may be easier than clients expect. Borrowers can use a simplified process through SBA Form 3508EZ if they meet at least one of these requirements:

- They are self-employed individuals, independent contractors or sole proprietors who had no employees when they applied for their PPP loan and who didn't include any employee salaries in calculating their average payroll amount in their application.
- They didn't reduce salaries or hourly wages for certain employees by more than 25% during the loan period and — except for specified exceptions — didn't reduce the number of employees or the average paid hours for employees between Jan. 1, 2020, and the end of their covered loan period.

- They didn't reduce salaries or hourly wages for certain employees by more than 25% during the loan period and were unable to operate at the same business activity level during the loan period because of federal safety requirements or guidance related to the pandemic. CPAs expect SBA guidance to help determine how broadly this safe harbor can be used.

Legislatures **may** pass an automatic forgiveness for any loan under \$150,000; significantly reducing the effort of completing the forgiveness application.

The SBA, Treasury and Legislatures continue to provide clarity and guidance, such as:

- How FTE reductions will work if applying for forgiveness before the end of the covered period?
- Impact of expense deductibility once the loan is forgiven.

It is recommended to understand the requirements for forgiveness. Tools such as the AICPA's PPP Forgiveness Tool www.PPPForgivenessTool.com will provide insight into the forgiveness calculations.

The team at EHTC realizes that these are uncertain times and there are many questions surrounding the PPP Loan Forgiveness and strive to keep you informed on updated guidance from the Small Business Association and the Federal Government. Please do not hesitate to contact your EHTC Tax Advisor with any questions you may have as we are here to assist you and your business, including assisting you with the PPP Loan Forgiveness application when it is time to submit.

More information regarding COVID-19 for businesses and individuals can be found [here](#). If you have further questions or need additional guidance, please leave a message at (616) 575-3482 or email info@ehtc.com. Thank you for choosing EHTC as your strategic partner.