

PPP LOAN FORGIVENESS

What we know from SBA as of **April 27** regarding forgiveness:

Question: The amount of forgiveness of a PPP loan depends on the borrower's payroll costs over an eight-week period; when does that eight-week period begin?

Answer: The eight-week period begins on the date the lender makes the first disbursement of the PPP loan to the borrower. The lender must make the first disbursement of the loan no later than ten calendar days from the date of loan approval.

(Source: Treasury FAQ #20)

Question: What costs are eligible for loan forgiveness?

Answer: The actual amount of loan forgiveness is based on costs incurred and payments made during the covered 8-week period. Qualifying costs may include:

- ▶ Payroll costs (salaries and wages, subject to \$100k cap per employee, employer provided fringe benefits such as vacation, health and retirement benefits, and state unemployment tax payments)
- ▶ Interest payments on a mortgage incurred in the ordinary course of business on real or personal property and that was in existence on Feb. 15, 2020
- ▶ Rent payments under leasing agreements in existence on Feb. 15, 2020
- ▶ Utility payments for which service was in existence on Feb. 15, 2020. SBA guidance did include fuel in a business vehicle as a qualified cost.

Question: Are there limitations on loan forgiveness?

Answer: Yes, loan forgiveness is limited in the following circumstances:

- ▶ Not more than 25 percent of the loan forgiveness amount can be attributable to non-payroll costs (i.e., mortgage interest, rent and utilities)
- ▶ Proceeds from any advance up to \$10,000 on an Economic Injury Disaster Loan (EIDL) will be deducted from the loan forgiveness amount
- ▶ A reduction in the number of full-time equivalent employees
- ▶ A reduction of individual employee wages by more than 25%

Question: What terms apply to any loan amount that is not forgiven?

Answer: The principal amount of the PPP loan will continue on its original terms, including:

- 2 year term
- 1% interest rate
- No payments required during the first six months
- No prepayment penalty

Question: What documentation must be submitted with an application for loan forgiveness?

Answer: We still await clear guidance from SBA on loan forgiveness. At the very least, we expect you will be required to submit:

- Documentation verifying the number of FTE employees and individual wages to prove forgiveness is not limited due to these factors
- Payroll reports and other tax filings, such as W-3 or Form 941
- Tax Return Documents, such as Sch C, F, if applying as a self-employed person or Form 1065, Form 1120 or 1120S for partnerships and corporations
- Documentation, including invoices and cancelled checks for the non-payroll qualifying costs (mortgage interest, rent expense, utilities expense)
- A certification that the information provided is true and correct

Because guidance is not currently clear, we encourage detailed record-keeping particularly during the 8-week period. It is always wise to save all invoices related to your business, but extremely important at this time. Also be sure to make qualifying cost payments out of business checking accounts, where applicable.