



SBA Issues New Paycheck Protection Program Loan Forgiveness Application

On Friday, May 15, 2020, the Small Business Administration (SBA) released the application borrowers of a Paycheck Protection Program (PPP) loan must use to determine the amount of the loan that may be forgiven by a lender.

For a more detailed analysis of the SBA's wording, we highly recommend reading the Journal of Accountancy article below:

<https://www.journalofaccountancy.com/news/2020/may/ppp-loan-forgiveness-guidance-issued-as-congress-mulls-changes.html>

While the application included instructions, the SBA didn't address two items that would have greatly helped a borrower:

- Guidance to help eliminate the confusion in regards to definitions, from what items are included in payroll costs (to the treatment of guaranteed payments or self-rental payments).
- Creating a defined definition to help millions of business owners construct a look back timeline.
- The form and instructions include several measures to reduce compliance burdens and simplify the process for borrowers.

Key Points:

- Options for borrowers to calculate payroll costs using an “alternative payroll covered period” that aligns with borrowers’ regular payroll cycles.
- Flexibility to include eligible payroll and non-payroll expenses paid or incurred during the eight-week period after receiving their PPP loan.
- Step-by-step instructions on how to perform the calculations required by the CARES Act to confirm eligibility for loan forgiveness.

- Borrower-friendly implementation of statutory exemptions from loan forgiveness reduction based on rehiring by June 30.
- Addition of a new exemption from the loan forgiveness reduction for borrowers who have made a good-faith, written offer to rehire workers that was declined.
- Limitations on forgiveness for owner-employee, self-employed individual/general partner compensation to not exceed 8 weeks' worth of 2019 compensation, capped at \$15,385 per individual
- Clarification on average Full Time Equivalent to be based on a 40 hours work week and not 30 hour

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We expect the Treasury and SBA to continue to issue more guidance through their continued updates of their Interim Final Rules. For the Interim Final Rule on Loan Forgiveness click here <https://home.treasury.gov/system/files/136/PPP-IFR-Loan-Forgiveness.pdf> And through updates of the Frequently Asked Questions click here <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>

There are also several proposals in Congress that would change the program rules such as extending the 8 week period the PPP funds must be spent to qualify for loan forgiveness to 16 weeks and eliminate the rule requiring the use of 75% of PPP funds for payroll.

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