



First Look at PPP Loan Forgiveness Application

by Kyle Westaway Contributor - Forbes

On May 15, the Small Business Administration (SBA) released the long-awaited Payroll Protection Program Forgiveness Application. Under the Payroll Protection Program (PPP) entrepreneurs may apply to have up to 100 percent of their loan forgiven. However, the SBA has failed to give clear guidance on the details of loan forgiveness, and this has caused entrepreneurs to question what they need to do to prepare for PPP loan forgiveness.

The new application provides clarity on a few points.

Time Period for Forgiveness

You must spend the money on authorized expenses in a specific period of time in order to be eligible for forgiveness. There has been a slight update to the time period in question. Historically the window was eight weeks from the day the loan hit your bank account. However, if you didn't receive your money the day before your regularly scheduled payroll period, you may have trouble deploying the full amount of payroll within the eight-week period. So, the new guidance allows you to choose the eight-week period that begins on your first payroll date following the loan disbursement.

On May 18, restaurant owners met with President Trump and requested the SBA to extend the eight-week period to 24 weeks. This is especially important for restaurateurs since most of their restaurants are currently closed by government order. Trump seems to be considering it, noting that,

"That should be easy," he said. "That's like one of the easiest requests I've ever heard."

\$2M

You must certify whether or not the total loan amount of your business, and/or your affiliated businesses, is \$2M or above. The SBA has previously notified small businesses that loans of \$2M or above will likely be audited, and the application shows how they will be flagging those companies.

Payroll Reduction Exemption

In general, you are required to maintain the average number of employees, and any reduction in headcount will result in a reduction in the forgivable amount. However, the new guidance makes it clear that your forgiveness amount will not be reduced for employee reductions related to:

- Individuals to whom the borrower has made a written offer in good faith to rehire but the employee declined (see FAQ 40);
- Employees whose employment was terminated for cause; or
- Employees who voluntarily resigned.

Owner's Cap

Many entrepreneurs have been struggling to calculate payroll costs because they pay themselves through owner's draws, not a traditional payroll. SBA clarifies that any owner-employee or self-employed individual/general partner may calculate payroll costs as eight weeks of 2019 compensation. However, the total forgivable amount is capped at \$15,385 per individual.

75/25 Rule

The 75/25 Rule states that at least 75 percent of your total forgivable amount must be comprised of payroll costs, and only 25 percent can be authorized non-payroll costs. Though many small business groups and the SBA Inspector General are recommending removing this rule, the SBA has made no change at this time.

More Clarity Needed

"It's clear the application form and instructions provided yesterday are not enough," said Erik Asgeirsson (president and CEO of CPA.com, and the American Institute of CPA's business and technology arm) in a recent news

release. "Some of the most pressing issues are not addressed. And in other areas, it appears new questions have arisen."