

PPP Forgiveness Q&A

Information is correct per SBA guidelines as of 8/15/2020

- 1. Q: If I am a sole proprietor do really have to fill out that 5 page forgiveness application?**
 - a. No. You are eligible to use the EZ application form.

- 2. Q: I'm afraid to go into the bank and increase my exposure. May I send over electronic forms and signatures or the forgiveness forms?**
 - a. Short answer: Maybe. The SBA will accept electronic copies of forms and signatures from PPP borrowers, but the bank may have other regulators with different rules. Speak with your banker.

- 3. Q: When do I need to submit my application for PPP forgiveness? When will I know if I'm forgiven?**
 - a. Short answer: Probably by April 2022.

The latest your covered period will end is December 31, 2020. You have 10 months from the end of your covered period to apply for forgiveness. The bank has 60 days to remit everything to the SBA and the SBA has 3 months to get you an answer. That brings you to the end of March 2022.

You then have the option to appeal which could actually go past April 2022.

- 4. Q: Will I have to pay interest on my PPP loan?**
 - a. If you file for forgiveness, your interest is deferred but not forgiven until the bank and SBA decide if your loan is forgiven. If you achieve forgiveness you will not owe interest.

- 5. Q: If I am a sole proprietor, may I count state and local taxes in the calculation for PPP forgiveness?**
 - a. No. Separate payments for health insurance, retirement, or state or local taxes are not eligible for additional loan forgiveness; health insurance and retirement expenses are paid out of their net self-employment income.

- 6. Q: I am a partner in a business. What can I include in my PPP loan forgiveness amount?**
- a. The compensation of general partners that is eligible for loan forgiveness is limited to 2.5/12 of their 2019 net earnings from self-employment that is subject to self-employment tax, which is computed from the 2019 K-1 box 14a multiplied by 0.9235. Only payments made during the covered period (or the alternate payroll covered period) may be included.
- 7. Q: I have an LLC. How do I apply for PPP forgiveness?**
- a. LLC owners must follow the instructions that apply to how their business was organized for tax filing purposes for tax year 2019, or if a new business, the expected tax filing situation for 2020.
- 8. Q: May I include non-payroll expenses that were incurred prior to the covered period but paid in the covered period in my loan forgiveness amount?**
- a. Yes. Eligible business mortgage interest costs, eligible business rent or lease costs, and eligible business utility costs incurred prior to the Covered Period and paid during the Covered Period are eligible for loan forgiveness.
- 9. Q: Are nonpayroll costs incurred during the Covered Period, but paid after the Covered Period, eligible for loan forgiveness?**
- a. According to the recently published Q&A, Nonpayroll costs are eligible for loan forgiveness if they were incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period.
- 10. Q: If a borrower elects to use the Alternative Payroll Covered Period for payroll costs, does the Alternative Payroll Covered Period apply to nonpayroll costs?**
- a. No. According to the recently released Q&A, the Alternative Payroll Covered Period applies only to payroll costs, not to nonpayroll costs. The Covered Period always starts on the date the lender makes a disbursement of the PPP loan. Nonpayroll costs must be paid or incurred during the Covered Period to be eligible for loan forgiveness. For payroll costs only, the borrower may elect to use the Alternative Payroll Covered Period to align with its biweekly or more frequent payroll schedule.

11. Q: Is interest on an unsecured line of credit eligible for loan forgiveness?

- a. No. Although interest on unsecured loans is an eligible use of PPP funds (incurred prior to Feb 15, 2020), that interest is NOT eligible for PPP loan forgiveness. Payments of interest on business mortgages on real or personal property (such as an auto loan) are eligible for loan forgiveness.

12. Q: I had a lease that expired on March 1st and I renewed it. Are lease payments eligible for PPP forgiveness?

- a. Yes. If a lease that existed prior to February 15, 2020 expires on or after February 15, 2020 and is renewed, the lease payments made pursuant to the renewed lease during the Covered Period are eligible for loan forgiveness. Similarly, if a mortgage loan on real or personal property that existed prior to February 15, 2020 is refinanced on or after February 15, 2020, the interest payments on the refinanced mortgage loan during the Covered Period are eligible for loan forgiveness.

13. Q: I had a mortgage that was refinanced on March 1st and I renewed it. Are interest payments eligible for PPP forgiveness?

- a. Yes. If a mortgage loan on real or personal property that existed prior to February 15, 2020 is refinanced on or after February 15, 2020, the interest payments on the refinanced mortgage loan during the Covered Period are eligible for loan forgiveness.

14. Q: Covered utility payments, which are eligible for forgiveness, include a “payment for a service for the distribution of . . . transportation” under the CARES Act. What expenses does this category include?

- a. A service for the distribution of transportation refers to transportation utility fees assessed by state and local governments. Payment of these fees by the borrower is eligible for loan forgiveness. For more information on transportation utility fees, see https://www.fhwa.dot.gov/ipd/value_capture/defined/transportation_utility_fees.aspx

15. Q: I have electricity supply charges and electricity distribution charges. What can I include in my PPP loan application?

- a. The short answer: Both. The entire electricity bill payment is eligible for loan forgiveness (even if charges are invoiced separately), including supply charges, distribution charges, and other charges such as gross receipts taxes.

16. Q: I laid off some employees during the PPP covered period is there any way for me to avoid a reduction penalty?

- a. If you were unable to rehire the individual ***and*** unable to find a similarly qualified employee you may exclude any reduction related to those employees. You are required to inform the applicable state unemployment insurance office of any employee's rejected rehire offer within 30 days of the employee's rejection of the offer.

17. Q: What documentation do I need to show to demonstrate that I attempted to rehire an employee or to find a replacement in order to avoid the PPP forgiveness employee reduction penalty?

- a. You must maintain documents that show
 - i. a written offer to rehire,
 - ii. a written record of the offer's rejection and
 - iii. a written record of efforts to hire another similarly qualified employee.

18. Q: If a seasonal employer elects to use a 12-week period between May 1, 2019 and September 15, 2019 to calculate its maximum PPP loan amount, what period in 2019 should be used as the reference period for calculating any reductions in the loan forgiveness amount?

- a. According to the recently released Q&A, a seasonal employer that uses 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.

19. Q: If I reduced the benefits of an employee, will that cause a salary reduction penalty when I apply for my PPP loan forgiveness?

- a. As long as you did not reduce any salary by more than 25%, you will not be subject to a salary reduction penalty. For purposes of this penalty, do not take reductions in benefits into account.

20. Q: I know I can include health care benefits, including insurance premiums, in my PPP forgiveness amount. Does this include money spent on vision and dental benefits?

- a. Yes.



21. Q: How should a lender handle any remaining balance due on a PPP loan after SBA remits the forgiveness amount to the lender?

- a. If a PPP loan is not forgiven in full (including if there has been a reduction in the forgiveness amount for an EIDL advance), any remaining balance due on the PPP loan must be repaid by the borrower. The borrower must repay the remaining loan balance by the maturity date of the PPP loan (either two or five years).