

## SBA Issues Additional Guidance on Forgiveness of Paycheck Protection Program Loans of \$50,000 and Less

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A new interim final rule (IFR) issued October 8, 2020 by the US Treasury and SBA has provided guidance on the loan forgiveness process related to borrows whose loans are \$50,000 or less. The loan application has been simplified and certain computations related to measuring full time equivalent head counts and salary have been exempted.

Applications for the forgiveness of the Paycheck Protection Program (PPP) loans of \$50,000 or under can now be submitted with your lending institution (assuming they are now accepting those filings) on SBA Form 3508, 3508EZ or 3508S. Form 3508S is the new application for loan balances of \$50,000 or less and simplifies the application process related to loan forgiveness.

As with the loan forgiveness process, traditional loan forgiveness computations require that the borrower review their payroll records for 1) reductions in wages paid and 2) reduction in head count during the covered period (the 8 or 24 week period after the loan proceeds had been received). The new IFR allows borrowers whose aggregate loan is at or below \$50,000, to ignore the computation of the wage reductions and also ignore the headcount reductions. The forgiveness would qualify solely on the allowable expenditures (primarily wage and wage benefits, certain rent and lease payments, certain mortgage interest expense and utilities) during the covered period. Please keep in mind the percentage of allowed expenditures for qualifying costs outside of payroll must not exceed 40% of total forgiveness amount.

The IFR also provides guidance for the lending institution in terms of their due diligence requirements. The lender is required to review the documents submitted by the borrower and ensure that they qualify under the terms and conditions of the law – for the PPP loan forgiveness. It is important to provide documentation – particularly related to the payroll costs “paid or accrued” during the covered period. Many payroll companies have simplified the process by providing summary reports for the covered period as part of their services offered. The lender will also sometimes have their own applications and each PPP borrower should get in touch with their lender to determine specifically what forms they are looking for and how to submit them.

It was noted in the IFR that there was no requirement to review the excessive expenditures incurred and/or paid during the covered period that exceeded the loan balance. So, if you have satisfied the loan forgiveness amount solely with payroll and payroll costs, then you would not be required to provide additional data to the bank that would exceed the loan provided by the PPP.

Obviously, the loan forgiveness process isn't simple, particularly if you have a loan balance greater than \$50,000. We recommend consulting with your SKP accountants to assist you with this matter. Our concern is for you and your business, in navigating these difficult times. We are always a phone call away and here to help.

The SBA Form 3508S can be found here at <https://home.treasury.gov/system/files/136/PPP-Loan-Forgiveness-Application-Form-3508S.pdf>.