

Paycheck Protection Program

Updates on PPP Loan Forgiveness



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The Latest PPP Updates:

- June 10, 2020 the SBA released PPP – Revision to First Interim Final Rule due to the enactment of the PPP Flexibility Act
- June 16, 2020 the SBA released the updated Paycheck Protection Program (PPP) Loan Forgiveness Application which supersedes the application previously released on May 15, 2020



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The Latest PPP Updates (Continued)

- The SBA released the Loan Forgiveness Application Form EZ on June 16, 2020.
- June 17, 2020 the SBA released the Revisions to the Third and Sixth Interim Final Rules.
- SBA is still accepting the PPP Loan Applications through 8/8/2020 as there is still more than \$100 Billion left.



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Paycheck Protection Program Flexibility Act (H.R. 7010)

- Covered Period changed to the earlier of 24 Weeks date of PPP loan disbursement or December 31, 2020.
 - Note: For borrowers of PPP Loan originated prior to June 5, 2020, an election can be made to use 8 weeks.
- 75/25 rule changed to 60/40.
- Safe Harbor extended to December 31, 2020.

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Paycheck Protection Program Flexibility Act (H.R. 7010)

- Loan re-payment starts at the earlier of 10 months after the last day of the covered period or when the SBA remits the loan forgiveness funds to the lender.
- FICA Tax Deferral can be taken regardless of obtaining a PPP loan.
- Loan Maturity changed from 2 to 5 years for loans made after June 5, 2020. If loan was entered into before June 5, 2020 the maturity can be negotiated with lender.

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Paycheck Protection Program Flexibility Act (H.R. 7010)

- New Safe Harbor:
 - FTE reductions would not reduce forgiveness if the borrower can document in good faith an inability to return to the same level of business activity as such business was operation before 2/15/20 or
 - Due to compliance with requirements established or guidance issued by the Secretary of Health and Human Services, the CDC or the Occupational Safety and Health Administration.

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Revisions to the Third and Sixth Interim Final Rules

- **Maximum Cash Compensation per Employee:**
 - PPP Loan borrowers can obtain forgiveness for cash compensation in the maximum amount of \$46,154 per employee (24-week period) or \$15,385 over the 8-week period.
- **Owners Compensation:**
 - Prior to the latest guidance, owner compensation was limited to 8 weeks' worth (8/52) of 2019 net profit up to \$15,385. PPP loan borrowers using the 24-week covered period can now include 2.5 months' worth (2.5/12) of 2019 net profit up to \$20,833.

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PPP Loan Forgiveness Application Form 3508EZ

- The Form EZ is a simplified version of the loan forgiveness application and is applicable to PPP loan borrowers who are willing to certify they have met one of the following conditions
 - The borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the PPP loan application form.

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PPP Loan Forgiveness Application Form 3508EZ

- The borrower did not reduce annual salary or hourly wages on any employee by more than 25% during the covered period or compared to the period between January 1, 2020 and March 31, 2020, AND did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the covered period.

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PPP Loan Forgiveness Application Form 3508EZ

- The borrower did not reduce annual salary or hourly wages of any employee by more than 25% during the covered period or compared to the period between January 1, 2020 and March 31, 2020, AND was unable to operate during the covered period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the CDC, the Occupational Safety and Health Administration, or standards of sanitation, social distancing, and other work or customer safety requirement related to COVID-19.

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What We Are Hearing

- Banks are not accepting loan forgiveness applications as of now.
 - Not expected to start until final guidance has been provided to lenders on how process will work.
- The Paycheck Protection Small Business Forgiveness Act still sitting in the Senate.
 - Would reduce the process for any PPP loan under \$150,000 to a 1-page attestation form with no calculations.
 - Banks are asking customers to contact Senators (American Bankers Association has a blanket statement that can be used.)

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What We Are Hearing

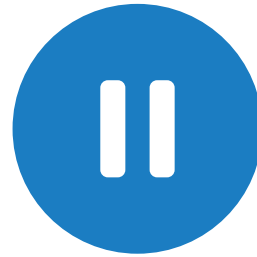
- Banks are starting to recommend waiting until borrowers have spent the full amount of PPP funds on payroll therefore reducing the amount of needed documentation.
- Need to weigh the option of forgiveness in 2020 versus 2021. (Tax implications)

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Let's Hit the Pause Button

- The borrower has 10 months after covered period to file loan forgiveness application.
- Things continue to get more relaxed/easier as time passes, and changes are continually being made.



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- Questions?

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