



## **SBA and the Department of Treasury released the Paycheck Protection Program Loan Forgiveness Application**

*Comments from our CPA partners HM&M*

The Application package consists of two pages to submit to the lender and nine pages of supporting schedules and instructions. Here is the link to the Application:

<https://www.sba.gov/document/sba-form--paycheck-protection-program-loan-forgiveness-application>

*The Application and its instructions generally reflect borrower-friendly interpretations of the PPP Loan Forgiveness provisions in the CARES Act. These favorable interpretations include:*

- *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.*
- *Borrower-friendly implementation of statutory exemptions from loan forgiveness reduction based on rehiring by June 30.*
- *Exemption from the loan forgiveness reduction for borrowers who have made a good-faith written offer to rehire workers that was declined.*

*While the Application answers many questions, still many concerns remain. The SBA press release publishing the Application says that “SBA will also soon issue regulations and guidance to further assist borrowers as they complete their applications, and to provide lenders with guidance on their responsibilities.”*

*There are at least two matters of concern that were not addressed. One is the requirement that 75% of loan proceeds has to be applied to “total payroll costs”. In many cases, some small businesses may not be able to meet that threshold within the eight-weeks following receipt of the loan. And the second matter involves the eight-week measurement period for loan forgiveness. Because many small businesses were forced to close completely or in part during the subject eight-week period, they may not be able to spend the PPP loans on qualified costs during that period.*

*The SBA and Treasury will issue further guidance and will likely consider comments. Congress may pass laws that affect the forgiveness provisions. Different lenders may have their own unique forgiveness requirements for PPP loan borrowers.*

*The process of calculating the PPP loan forgiveness amount after applying various limitations and interpretations will be complicated. HM&M will soon draft calculating tools to help compute and document the forgiveness amounts.*

Please contact your own CPA or legal counsel for assistance as needed and stay tuned for more updates and guidance regarding PPP loan forgiveness.

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