

SBA Paycheck Protection Program Forgiveness

The Paycheck Protection Program is a forgivable loan program, designed to cover payroll, mortgage interest, rent, utilities, and potentially some other business costs over the up to 24-week period after the loan is made.¹ This short resource describes the loan forgiveness process and some frequently asked questions.

Find New Guidance on the [Paycheck Protection Flexibility Act](#) at [this link](#).

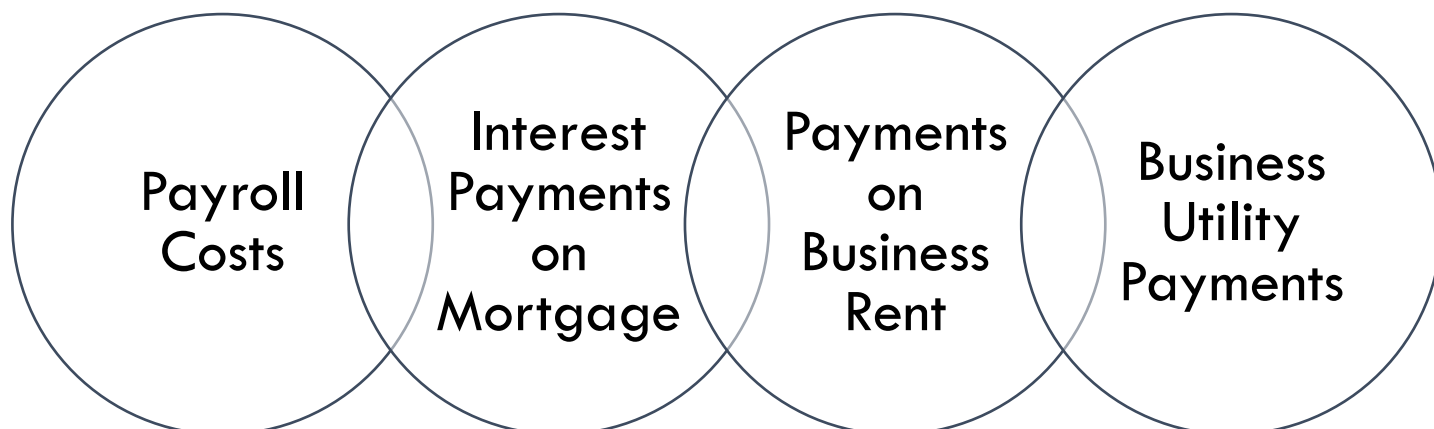
General Steps

- 1 • If you have an accountant, contact them first.
- 2 • Gather detailed records of your expenditures during the 24-week loan period.
- 3 • Complete and submit the Loan Forgiveness Application (SBA Form 3508) to your lender.
- 4 • Lender reviews application and makes decision
- 5 • Lender has 60 days to notify SBA of decision.
- 6 • SBA will review and remit appropriate forgiveness amount no later than 90 days after lender decision.

¹ Some additional rules apply. Refer to Treasury, SBA, and legal FAQs:

- <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>
- https://www.sba.gov/sites/default/files/2020-05/Paycheck-Protection-Program-Frequently-Asked-Questions_05%2019%2020.pdf
- https://www.bfkn.com/caresact_pppfaqs

Eligible Costs for Forgiveness



1. Payroll Costs²
2. Interest payments on mortgage obligations incurred before February 15, 2020
3. Payments on business rent obligations in force before February 15, 2020
4. Business Utility Payments

SBA PPP Forgiveness Tools

Excel Spreadsheet
Download from Hulquist
CPA
(Updated for PPP Flex)

Video on how to use
Spreadsheet
(Updated for PPP Flex)

Note: The above spreadsheet was developed before the [Paycheck Protection Program Flexibility Act](#), which increased the spending timeframe to 24 weeks from 8 weeks.

² Payroll costs consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment, or similar compensation. See 15 U.S.C. 636(a)(36)(A)(viii); 85 FR 20811, 20813.

Forgiveness FAQ from [Treasury Interim Final Rule](#)

- What expenses are forgivable?
 - Borrowers shall be eligible for forgiveness of their PPP loan in an amount equal to the sum of the following costs incurred and payments made during the covered period:
 - (1) **Payroll costs**;
 - (2) **Interest payments** on any business mortgage obligation on real or personal property that was incurred before February 15, 2020 (but not any prepayment or payment of principal);
 - (3) **Payments on business rent** obligations on real or personal property under a lease agreement in force before February 15, 2020; and
 - (4) **Business utility payments** for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.
- When must payroll costs be incurred and/or paid to be eligible for forgiveness?
 - In general, payroll costs paid or incurred during the eight consecutive week (56 days) covered period are eligible for forgiveness.
- Are salary, wages, or commission payments to furloughed employees; bonuses; or hazard pay during the covered period eligible for loan forgiveness?
 - Yes. The CARES Act defines the term “payroll costs” broadly to include compensation in the form of salary, wages, commissions, or similar compensation.
- When must nonpayroll costs be incurred and/or paid to be eligible for forgiveness?
 - A nonpayroll cost is eligible for forgiveness if it was: i. paid during the covered period; or ii. 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.
- Will a borrower’s loan forgiveness amount be reduced if the borrower laid-off or reduced the hours of an employee, then offered to rehire the same employee for the same salary and same number of hours, or restore the reduction in hours, but the employee declined the offer?
 - No. Employees whom the borrower offered to rehire are generally exempt from the CARES Act’s loan forgiveness reduction calculation.
- What effect does a reduction in a borrower’s number of full-time equivalent (FTE) employees have on the loan forgiveness amount?
 - In general, a reduction in FTE employees during the covered period or the alternative payroll covered period reduces the loan forgiveness amount by the same percentage as the percentage reduction in FTE employees.
- What does “full-time equivalent employee” mean?

- Full-time equivalent employee means an employee who works 40 hours or more, on average, each week.
- How should a borrower calculate its number of full-time equivalent (FTE) employees?
 - For purposes of this calculation, borrowers must divide the average number of hours paid for each employee per week by 40, capping this quotient at 1.0. For example, an employee who was paid 48 hours per week during the covered period would be considered to be an FTE employee of 1.0.
- If a borrower restores reductions made to employee salaries and wages or FTE employees by not later than June 30, 2020, can the borrower avoid a reduction in its loan forgiveness amount?
 - Yes.
- Will a borrower's loan forgiveness amount be reduced if an employee is fired for cause, voluntarily resigns, or voluntarily requests a schedule reduction?
 - No.
- What must borrowers submit for forgiveness of their PPP loans?
 - The Act requires borrowers to submit to their lenders an application, which includes certain documentation.

The information contained in this document is intended to be an overview and for general informational purposes only. It is not intended to be relied upon as accounting or legal advice, and we strongly encourage anyone applying for the Payroll Protection Program (or any other similar SBA or other programs) to directly contact and engage their own independent accountant(s) and legal advisor(s).