



# *PPP Forgiveness Questions and Answers*

## **Answers To Frequently Asked Questions Regarding PPP Loan Forgiveness**

Updated based on information provided in the CARES Act, the Interim Final Rule, the FAQ's through #48, and the PPP Loan Forgiveness Application dated May 15, 2020

# Introduction to the Questions

On Friday, May 15, 2020 the Small Business Administration (SBA) issued the long-awaited Loan Forgiveness Application and Instructions (LFA) under the Paycheck Protection Program (PPP).

This detailed FAQ document covers the key questions addressed in the LFA.

PPP borrowers, lenders, and advisors have been anxiously awaiting the LFA to help resolve many questions and controversies over how to calculate the amount of the PPP loan which will be forgiven. For borrowers who received funding of their PPP loans in the initial week of the program, the 8-week period for which the program is intended ends at end of May and presumably they will be making application immediately thereafter.

We believe the LFA does resolve many of the outstanding questions about loan forgiveness. Our FAQ document lists the most significant of these questions and how the LFA addresses them. Where there are still questions or where the LFA creates new uncertainties and questions, we note that in our response.

If you need assistance in evaluating your company's PPP loan certifications or in drafting documentation to support the evaluation and conclusions surrounding your certifications, please contact a HoganTaylor advisor at [SBALoans@hogantaylor.com](mailto:SBALoans@hogantaylor.com).



**Payroll Forgiveness Analysis**



**Forgiveness - MRU**



**Forgiveness Process**



**PPP Financial Reporting**



**Use of Proceeds - Payroll**

**INFORMATIONAL PURPOSE ONLY.** This content is for informational purposes only. The above analysis is subject to change. This content does not constitute professional or legal advice and should not be relied upon by you or any third party, including to operate or promote your business, secure financing or capital in any form, obtain any regulatory or governmental approvals, or otherwise be used in connection with procuring services or other benefits from any entity. Before making any decision or taking any action, you should consult with professional advisors.



# Payroll Forgiveness Analysis

## 1. For purposes of Calculating Payroll Costs eligible for forgiveness, when does the Covered Period begin?

**Index:** 1.01

The 8 week “Covered Period” begins on the date the loan funds are disbursed (funded). If loan proceeds were received on more than one date, use the first date on which you received PPP loan proceeds. For Borrowers with bi-weekly or more frequent pay periods, the PPP Loan Forgiveness Application provides for an alternative period named the “Alternative Payroll Covered Period” which allows Borrowers to start the calculation of payroll costs incurred the first day of the first pay period after the loan is funded. Borrowers may choose either of the methods but the choice governs the calculation of all “Covered Payroll Costs” for purposes of Loan Forgiveness.

**Source:** *PPP Loan Forgiveness Application, page 1*

## 2. For calculating Cash Compensation as part of Payroll Costs eligible for forgiveness, how is incurred and paid defined?

**Index:** 1.02

Barring further clarification on this issue, we believe the current guidance allows for a borrower to include payroll incurred and paid during the Covered Period (or the APCP). For example, under the current guidance a borrower whose Covered Period begins on April 26th could immediately pay a payroll for wages earned prior to their Covered Period and include that payment in the forgiveness calculation. That same borrower could also include all wages earned during the Covered Period even if the last payroll of the Covered Period is paid after the end of the Covered Period. The result of

this reading of the current guidance would allow borrowers to include more than 8 weeks (56 days) of payroll in their forgiveness calculation. Furthermore, it will produce different results for different borrowers based on the interaction of their pay periods with their Covered Period (or APCP). In most instances, those results will be the inclusion of between 56 and 70 days (or even more) of payroll.

Two cautions:

1. The PPP Loan Forgiveness Application is clear that wages claimed in the forgiveness calculation cannot exceed \$15,385 (56 days of payroll for an Employee (EE) making \$100,000). Therefore, if the borrower follows the reading of the current guidance above and includes more than 56 days of payroll in their forgiveness calculation, they must be careful to not exceed the \$15,385 limit claimed for any one individual;
2. The SBA may provide additional guidance on this issue in the near future and there are many indicators this guidance might limit the total payroll costs available for forgiveness to 56 days of payroll during the Covered Period (or the APCP). We recommend borrowers have contingency plans in place for this potential outcome.

In the past when we’ve seen a lack of absolute clarity surrounding PPP interpretations with that comes diversity in how different lenders interpret the existing guidance and ultimately apply that guidance to borrowers. With that said, be certain to communicate with your lender surrounding their interpretation and be on the lookout for additional clarifying guidance on this matter coming from the Treasury.

**Sources:** *PPP Loan Forgiveness Application, page 2; Interim Final Rule 21750, page 4, item f.i.; HoganTaylor PPP Team*





3. If my pay period is monthly and my Covered Period began April 29th and I funded a payroll on April 30th for the April pay period, can I include the full April 30th funding amount in my forgiveness calculation?

**Index:** 1.03

Yes, under the current available guidance. Please see answer to 1.02 above including the cautions discussed.

**Sources:** *PPP Loan Forgiveness Application, page 2; Interim Final Rule 21750, page 4, item f.i.*

4. If I was unable to pay my EE's in March and the first three weeks of April, but funded a "catch-up" payroll the day after my PPP loan was funded, can I include all of this "catch-up" payroll in my loan forgiveness calculation?

**Index:** 1.04

Under the current available guidance, nothing would prevent you from doing so. Please see answer to 1.02 above including the cautions discussed.

**Sources:** *PPP Loan Forgiveness Application, page 2; Interim Final Rule 21750, page 4, item f.i.*

5. How will the \$100,000 limit to salary and wages (annualized) during the covered forgiveness period be affected by bonuses, commissions, etc. that may not be paid with the same frequency as regular salary and wages?

**Index:** 1.05

For any individual EE, the amount of cash compensation available for loan forgiveness is \$15,385 ( $\$100,000 / 52 \times 8$ )

**Source:** *PPP Loan Forgiveness Application, page 7*

6. How will other non-salary/wages payroll cost items be factored in to the payroll costs for the 8 week forgiveness period?

**Index:** 1.06

Non-cash compensation Payroll Cost items (e.g. health insurance, 401k, etc.) paid and incurred during the Covered Period or Alternative Payroll Covered Period are eligible for forgiveness. You must use the same choice of the 8-week period chosen for Cash Compensation. Only include costs paid and incurred during the chosen period

**Source:** *PPP Loan Forgiveness Application, "Summary of Costs Eligible for Forgiveness" #2 on page 2*

**7. Do non-salary/wages payroll cost items paid on behalf of owners and partners qualify for loan forgiveness?**

**Index:** 1.07

No. Health insurance, 401K and other similar costs paid on behalf of owners and partners are not eligible for inclusion in the loan forgiveness application even if those costs were included and funded in the loan application.

**Source:** *Interim Final Rule 21750, page 4, item f.i.*

**8. For purposes of calculating the amount of non-cash compensation Payroll Costs eligible for forgiveness, do I include the total cost of the benefit or just the employer's portion?**

**Index:** 1.08

Include the total amount paid by the Borrower for Employer (ER) contributions for EE health insurance, including ER contributions to a self-insured, employer-sponsored group health plan and include the total amount paid by the Borrower for ER contributions to EE retirement plans, but excluding any pre-tax or after tax contributions by EEs. In summary, only the net amount of these costs are eligible for forgiveness.

**Source:** *PPP Loan Forgiveness Application, "Instructions for PPP Schedule A" on page 5*

**9. The PPP Loan Forgiveness Application states that only the ER portion of health insurance is forgivable. What if I included the total premium value in my loan application and it was funded?**

**Index:** 1.09

The definition of this item was unclear at the time most Borrowers made application and therefore practice varied from borrower to borrower and lender to lender. It is likely that the difference between the gross and net amounts of the ER's health insurance costs will not be forgiven, but that determination is dependent upon a multitude of factors.

**Source:** *HoganTaylor PPP Team opinion*

**10. For purposes of calculating the limits on loan forgiveness based on reductions in number of employees, how do I calculate Full Time Equivalents (FTE's)?**

**Index:** 1.10

The PPP Loan Application provides 2 alternatives for calculating FTE's (Borrower's choice):

1. 40 hour method: For each EE, enter the average number of hours paid per week, divide by 40, and round to the nearest tenth - maximum is 1.0
2. Simplified method: Assign 1 to each EE who works 40 hours or more per week and 0.5 for EE's who work less than 40 hours per week

Option 1 favors ERs with a large number of EEs who work 20 to 36 hour weeks; Option 2 favors ERs who have large numbers of EEs who work < 20 hours per week. See FAQ 1.18 for additional information on the limit calculation.

**Sources:** *PPP Loan Forgiveness Application, page 7; HoganTaylor PPP Team opinion*

**11. The PPP Loan Forgiveness Application provides for the calculation of FTE's based on the number of hours worked. What if my EE's pay is based on a different metric such as miles driven or pieces produced?**

**Index:** 1.11

The guidance does not address this circumstance. We recommend a reasonable and rational approach. It may be more straightforward to fit these circumstances into the "Simplified Method" for calculation of FTE's as provided in the PPP Loan Forgiveness Application. Under this method you would classify the EE as either a 1.0 (full-time) or a 0.50 (part-time). Whatever rationale is chosen, we recommend you carefully document the method used and your calculations.

Given the lack of clarity, we recommend Borrowers reach out to their Lender to determine if the Lender has developed a policy on this issue.

**Source:** *HoganTaylor PPP Team opinion*

**12. What if the business paid 2019 bonuses in January, but no bonuses were paid during the covered period. Is that treated as a reduction in pay for purposes of "Salary/Hourly Wage Reduction" calculation?**

**Index:** 1.12

The "Salary/Wage Reduction" calculation focuses on "Average Annual Salary or Hourly Wage" during the "Covered

Period" or "Alternative Payroll Covered Period". Therefore bonuses, commissions, and other incentive compensation will not enter into this calculation.

However, note that if the calculation for the loan amount request included bonuses paid in 2019 and then none were paid in 2020, then it is likely "Payroll Costs" submitted in the Forgiveness Application will be lower than the loan amount, potentially creating a shortfall in the amount forgiven.

**Sources:** *PPP Loan Forgiveness Application, page 10; HoganTaylor PPP Team opinion*

**13. How does the FTE Reduction Safe Harbor work?**

**Index:** 1.13

The safe harbor related to restoration (rehires) of employees by June 30, 2020 ONLY applies to the "FTE" calculation portion of loan forgiveness.

Borrowers are EXEMPT from the "FTE reduction" in loan forgiveness if BOTH of the following conditions are met:

1. Borrower reduced its FTE employee levels in the period beginning February 15, 2020 and ending April 26, 2020, and
2. Borrower restored its FTE levels by not later than June 30, 2020 to its FTE employee levels in the Borrower's pay period that includes February 15, 2020

**Source:** *PPP Loan Forgiveness Application, page 8*

**14. For purposes of meeting the requirements of restoring the FTE levels to February 15, 2020 levels by June 30, 2020, do I have to rehire the same individuals?**

**Index:** 1.14

No. The "FTE Reduction Safe Harbor" language in the PPP Loan Forgiveness Application does not require the same individual(s) to be rehired to gain the safe harbor.

**Sources:** *PPP Loan Forgiveness Application, page 8*

**15. For purposes of “FTE Reduction” calculation, what if EE’s refuse to be rehired, were fired, or voluntarily left?**

**Index:** 1.15

The PPP Loan Application provides 4 “Exceptions” regarding including FTE’s in the “FTE Reduction” calculation. The Borrower does not have to exclude specific FTE’s from the calculation if:

1. Borrower made a good-faith, written offer to rehire an EE during the Covered Period (or APCP) and the EE rejected the offer
2. EE was fired for “cause” (not defined)
3. EE voluntarily resigned
4. EE Voluntarily requested and received a reduction in their hours

FTE’s fitting into these categories can be included in the numerator of the FTE calculation unless their position was replaced by a new employee

**Source:** *PPP Loan Forgiveness Application, page 8*

**16. For purposes of the “Reduction Relating to Salary and Wages” (i.e. “cutting pay >25% test”), do I include overtime, bonuses, tips and commissions when testing each 2019 pay period or in the 8-week Covered Period (or APCP)?**

**Index:** 1.16

No. The instructions for PPP Schedule A Worksheet - “Salary/Hourly Wage Reduction” state clearly: “using salary for salaried employees and hourly wage for hourly employees”. This is a test of whether salaries or hourly rates were reduced by more than 25% (on an EE by EE basis) not whether individual total cash compensation was reduced by 25%.

We should note that this is in direct opposition to what was in the original Act which stated “The amount of loan forgiveness under this section shall be reduced by the amount of any reduction in total salary or wages of any employee described in subparagraph (B) during the covered period that is in excess of 25 percent of the total salary or wages of the employee during the most recent full quarter during which the employee was employed before the covered period.”

**Source:** *PPP Loan Forgiveness Application, page 7*

**17. If I have EEs who are not paid a salary or paid by the hour but instead are paid 100% on commissions, miles driven, or units produced, how do I perform the “Reduction Relating to Salary and Wages” (i.e. “cutting pay >25% test”)?**

**Index:** 1.17

The guidance does not address this circumstance. We recommend a reasonable and rational approach that attempts to meet the spirit of the test. For example, if the commission rate on sales produced was cut from 10% to 6%, then this would likely fit the definition of a reduction of more than 25%.

Given the lack of clarity, we recommend Borrowers reach out to their Lender to determine if the Lender has developed a policy on this issue.

**Source:** *HoganTaylor PPP Team Opinion*

**18. For purposes of the “Reduction Relating to Salary and Wages” (i.e. “cutting pay >25% test”), do I include Employees making more than \$100,000?**

**Index:** 1.18

No. If an EE’s annualized wages or salary in any pay period in 2019 exceeded \$100,000 then this EE is excluded from the analysis of pay reductions in excess of 25%. For clarity, loan forgiveness is not impacted by wage or salary reductions for EEs who had annualized pay >\$100,000 in any pay period in 2019. The PPP Loan Forgiveness Application clarifies this point further by stating that the analysis for reductions is only performed on EE’s in Table 1 of the PPP Schedule A Worksheet - which is only applicable to EE’s making < \$100,000 for all pay periods in 2019

**Sources:** *CARES Act 1106.(d)(3)(B) EMPLOYEES DESCRIBED. - An employee described in this subparagraph is any employee who did not receive, during any single pay period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000; PPP Loan Forgiveness Application, page 7, “Salary/Hourly Wage Reduction” discussion*

**19. For purposes of the calculation related to “Reduction Based on Reduction in Number of Employees” and the corresponding calculation of FTE’s in the 8-week Covered Period (or APCP), must I use the same periods to calculate average FTE’s as I used to pay payroll dollars?**

**Index:** 1.19

Yes.

**Sources:** *PPP Loan Forgiveness Application, page 1, “Alternative Payroll Covered Period,” “Borrowers who elect to use the Alternative Payroll Covered Period must apply the Alternative wherever there is reference in the Application to ‘the Covered Period or the Alternative Payroll Covered Period’”*

**20. For purposes of calculating the limits on loan forgiveness based on reductions in number of employees, how do I calculate the average FTE’s?**

**Index:** 1.20

Determined by calculating the average FTE’s (calculated as defined in the Forgiveness Application) for each pay period falling within a month. Each month’s average must be calculated separately based on the pay periods in the month. Then the average of monthly averages must be computed based on the period being calculated:

Numerator - average over the 8 weeks after the Covered Period (starting on the loan origination date - use only the pay periods falling in the months within the 8 weeks) or the average over the 8 weeks starting on the first pay period after the loan origination (Alternative Payroll Covered Period) - include any FTE’s qualifying for the “FTE Reduction Exceptions”

Denominator (non-seasonal) - Option 1: average beginning Feb 15, 2019 and ending June 30, 2019 (the February monthly average would only include the FTE’s in the payroll that fell between 2/15/19 and 2/28/19) Option 2: average beginning January 1, 2020 and ending February 29, 2020

Denominator (seasonal) - Average beginning February 15, 2019 and ending June 30, 2019 (the February monthly average would only include the FTE’s in the payroll that fell between 2/15/19 and 2/28/19)

**Source:** *CARES Act 1106.(d)(2)*



# Forgiveness - MRU

## 1. Are mortgage interest, rent, and utilities (MRU) during the 8 week period based on expenses incurred or payments made?

**Index:** 2.01

MRU (eligible nonpayroll costs) must be paid during the Covered Period or 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. Eligible MRU can only be counted once. The "Alternative Payroll Covered Period" is not available for MRU costs

**Source:** PPP Loan Forgiveness Application, "Summary of Costs Eligible for Forgiveness" #2 on page 2

## 2. For purposes of forgiveness eligibility, does "covered mortgage obligations" and "covered rent obligations" include obligations on only real property or does it also include personal property?

**Index:** 2.02

Covered mortgage interest and covered rent or lease payments include any business obligation on real or personal property if the obligation was incurred prior to February 15, 2020

**Source:** PPP Loan Forgiveness Application, "Summary of Costs Eligible for Forgiveness" #2(a) and (b) on page 2

## 3. What is included in the definition of "Covered Utility Payments"

**Index:** 2.03

The CARES Act defines this as payment for a service for the distribution of electricity, gas, water, transportation, telephone or internet access..." It's not clear what a payment for a service for the distribution of transportation would be. We think this may have something to do with a tax that some municipalities charge for public transportation in proportion to their

use. Our opinion is that companies in Arkansas and Oklahoma would not have utility costs in connection with transportation.

PPP Application: "Covered utility payments: business payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020"

**Sources:** HoganTaylor PPP Team interpretation of CARES Act; PPP Forgiveness Application #2(c) page 2

## 4. For purposes of forgiveness eligibility, what is included as "internet access?" Does it include my mobile phone bills and payments to managed services providers?

**Index:** 2.04

Neither the CARES Act and the PPP Forgiveness application provide a definition of "internet access". We believe this utility to include business charges from the internet service provider for connectivity to intrastate and interstate carriers and service providers. We do not believe internet access would include mobile phone bill or payments to managed service providers (MSP) unless your payment to the MSP for a bundle of services includes connectivity charges (such as a T-1 connection) and you are able to clearly separate that charge

Given the lack of clarity, we recommend Borrowers reach out to their Lender to determine if the Lender has developed a policy on this issue.

**Sources:** HoganTaylor PPP Team interpretation of CARES Act; PPP Loan Forgiveness Application



# Forgiveness Process

## 1. Is there an application form to submit for loan forgiveness and how long will it take to find out if my loan is approved for forgiveness?

**Index:** 3.01

Yes. The application became available on May 15, 2020. Applicants are required to submit the “PPP Loan Forgiveness Calculation Form” and the “PPP Schedule A” along with the prescribed supporting documentation to their Lender. We expect some Lenders to make online applications available

The bank has 60 days to accept or deny the application for forgiveness.

The SBA is required to remit the amount of forgiveness, plus any accrued interest through the date of payment, to the Lender no later than 90 days after the date on which the amount of forgiveness is determined. The application can be found at online at [www.sba.gov](http://www.sba.gov).

**Sources:** CARES Act 1106.(e) APPLICATION. - *An eligible recipient seeking loan forgiveness under this section shall submit to the lender that is servicing the covered loan an application...* PPP Loan Forgiveness Application (SBA Form 3508)

CARES Act 1106.(g) DECISION. - *Not later than 60 days after the date on which a lender receives an application for loan forgiveness under this section from an eligible recipient, the lender shall issue a decision on the an [sic] application*

CARES Act 1106(c)(3) - *Not later than 90 days after the date on which the amount of forgiveness under this section is determined, the Administrator shall remit to the lender an amount equal to the amount of forgiveness, plus any interest accrued through the date of payment.*

## 2. Is there a deadline for me to seek forgiveness?

**Index:** 3.02

The CARES Act and the PPP Forgiveness Application are silent as to a deadline to request forgiveness. However, we note the PPP Forgiveness Application form indicates an expiration date of the form itself on October 31, 2020.

**Source:** PPP Loan Forgiveness Application

## 3. Will accrued interest be forgiven even though the CARES Act states that the maximum amount of forgiveness is the Loan Amount?

**Index:** 3.03

Yes.

However, the borrower will owe accrued interest on any unforgiven loan amount from the origination date of the loan.

We note that some analysts have noted that the PPP Loan Forgiveness Application does not mention forgiveness of accrued interest and therefore the SBA may be abandoning that notion, but the CARES Act and IFRN (cited below) states plainly that the amount forgiveness will include payment of any accrued interest.

**Sources:** CARES Act 1106.(d)(1) “AMOUNT MAY NOT EXCEED THE PRINCIPAL. - *The amount of loan forgiveness under this section shall not exceed the principal amount of the financing made available under the applicable covered loan*”

However,

CARES Act 1106(c)(3) *Not later than 90 days after the date on which the amount of forgiveness under this section is determined, the Administrator shall remit to the lender an amount equal to the amount of forgiveness, plus any interest accrued through the date of payment.*

IFRN o. (page 13) states “*Can my PPP loan be forgiven in whole or in part? Yes. The amount of loan forgiveness can be up to the full amount of the principal amount of the loan and any accrued interest. That is, the borrower will not be responsible for any loan payment if the borrower uses all the loan proceeds for the forgivable purposes described below and employee compensation levels (sic) are maintained...*”

## 4. What documentation will be required regarding “Payroll Costs” with the application for forgiveness?

**Index:** 3.04

Using either the Covered Period (or the APCP) (“Payroll Periods”):

- Bank account statements or 3rd party payroll service provider reports documenting cash compensation paid to EE’s



- Tax forms (or equivalent 3rd party payroll service provider reports) for the periods that overlap the Payroll Periods
  - Payroll tax filings (typically 941's) that have or will be reported to IRS; and
  - State quarterly business and individual wage reporting and unemployment insurance tax filings that have or will be reported
- Payment receipts, canceled checks, or account statements documenting the amount of any ER contributions to health insurance and retirement plans included in the forgiveness application

Work with your lender regarding any specifics they may require beyond what is described above.

**Source:** PPP Loan Forgiveness Application, page 10

#### 5. What other documentation must I have available if asked?

**Index:** 3.05

Borrower must maintain the following information:

- PPP Schedule A worksheet or equivalent
- Schedule of each EE supporting cash compensation paid and the salary/wage reduction calculation supporting amounts reported in the Forgiveness Application
- Schedule of each EE supporting the calculation of EE's making more than \$100k in any pay period in 2019
- Documentation of any job offers and refusals, firings for cause, voluntary resignations, and written requests by an EE for reduction in work schedule
- Documentation supporting the "FTE Reduction Safe Harbor" - i.e. the restoration of FTE levels by June 30, 2020
  - All records related to the PPP loan: documents submitted with loan application, documentation supporting the certifications as to necessity and eligibility for the loan, documents to support the loan forgiveness application, documents supporting material compliance with PPP requirements



All records must be maintained for 6 years after loan is extinguished either through forgiveness or repayment. Must grant Gov't access to the files upon request.

**Source:** PPP Loan Forgiveness Application, page 10

#### 6. What does the borrower have to certify in regards to the loan forgiveness application?

**Index:** 3.06

There are 7 certification required on the PPP Loan Forgiveness Application:

1. Dollar amount for which forgiveness is requested:
  1. Was used to pay costs eligible for forgiveness;
  2. Includes all applicable reductions due to decreases in FTE's and salary/wage reductions;
  3. Does not include MRU in excess of 25% of the amount requested; and
  4. Does not exceed 8 weeks of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual
2. Acknowledge that if loan funds were knowingly used for unauthorized purposes, the Gov't may pursue recovery of loan amounts and/or civil or criminal fraud charges

3. Acknowledge that Borrower has accurately verified the payments for the eligible payroll and MRU costs included in the forgiveness application
4. Acknowledge that the required supporting documentation has been submitted
5. Acknowledge that the information submitted in the application and the supporting documentation is true in all material respects
6. Acknowledge that the tax information submitted with the application is consistent with information that has or will be submitted to IRS or state Gov't
7. Acknowledge and agree that the SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP Loan and for Loan Forgiveness and that failure to provide the information may result in a determination that the Borrower was ineligible for the loan or a denial of loan forgiveness

**Source:** PPP Loan Forgiveness Application

# IV

## PPP Financial Reporting

1. **Is the amount forgiven taxable for federal or state income taxes?**

**Index:** 4.01

Loan forgiveness income is excluded from taxable income, and expenses paid associated with amounts forgiveness are not deductible.

**Sources:** CARES Act 1106.(i); IRS Notice 2020-32

# V

## Use of Proceeds - Payroll

1. **Can I use PPP loan proceeds that are not forgiven for any usual and customary business expense?**

**Index:** 5.01

No. One of the certifications on the PPP Loan Application stated as follows: “The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule; I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.” Regarding use of proceeds, there is no distinction made between the amounts forgiven and unforgiven.

**Source:** PPP Borrower Application Form

2. **Page 16 of the SBA Interim Final Rule states that “...at least 75 percent of the PPP loan proceeds shall be used for payroll costs”. What happens if less than 75 percent is used for payroll?**

**Index:** 5.02

We believe the SBA does expect that 75% of the proceeds of the loan will be used for Payroll Costs whether or not the amounts are forgiven as part of the SBA’s desire to ensure that as much of the limited PPP funding was directed at preserving payrolls. What is clear from the IFRN, the FAQ’s, and the Loan Forgiveness Application is that only a maximum of 25% of the total loan amount forgiven can be non Payroll Costs as that term is defined.

**Source:** HonganTaylor PPP Team interpretation of SBA Interim Final Rule, FAQ’s and Loan Forgiveness Application

# How HoganTaylor Can Help

HoganTaylor has assembled a team to monitor developments in financial assistance available to businesses hurt by the COVID-19 pandemic. We have been working to understand the legislation and guidance being issued to support the various programs available to affected business so that we can provide relevant and timely advice to our clients. As information becomes available, we will continue to recommend specific actions to take to effectively access these programs.

## The HoganTaylor PPP Team



Robert Wagner  
Partner & Advisory Lead



Clay Glasgow,  
Advisory Partner



Jason Shultz,  
Assurance Partner



Aaron Ackerman,  
Advisory Partner



Tammy Williams,  
Consulting Executive

## About HoganTaylor

HoganTaylor is one of the largest business advisory and public accounting firms in Oklahoma and Arkansas. In addition to this document, HoganTaylor is publishing many articles regarding the effect of COVID-19 on many other important, highly specialized areas of accounting and business. To read more, visit [hogantaylor.com/covid-19](http://hogantaylor.com/covid-19).

### Services

- |                        |                         |
|------------------------|-------------------------|
| Accounting Solutions   | Litigation Support      |
| Advisory               | Outsourced CFO Services |
| Assurance              | Risk Assurance          |
| Business Valuation     | Tax                     |
| Employee Benefit Plans | Technology              |
| Human Capital          | Wealth Management       |

### Industries

- |                              |                |
|------------------------------|----------------|
| Collective Investment Funds  | Nonprofit      |
| Construction                 | Real Estate    |
| Energy                       | Retail         |
| Financial Institutions       | Transportation |
| Insurance                    |                |
| Manufacturing & Distribution |                |

## PrimeGlobal

HoganTaylor is an independent member firm of PrimeGlobal, one of the five largest associations of independent accounting firms in the world. As an independent member, HoganTaylor has access to a wide range of PrimeGlobal tools and resources around the globe.



## Contact Information

If you need assistance in evaluating your company's PPP loan certifications or in drafting documentation to support the evaluation and conclusions surrounding your certifications, please contact a HoganTaylor advisor at [SBALoans@hogantaylor.com](mailto:SBALoans@hogantaylor.com).



© 2020 HoganTaylor LLP. All Rights Reserved.

[hogantaylor.com](http://hogantaylor.com)



### Tulsa

2222 South Utica Pl., Ste. 200  
Tulsa, OK 74114  
Phone: 918.745.2333



### Oklahoma City

1225 N. Broadway Ave., Ste. 200  
Oklahoma City, OK 73103  
Phone: 405.848.2020



### Fayetteville

688 East Millsap Rd., Ste. 203  
Fayetteville, AR 72703  
Phone: 479.521.9191



### Little Rock

11300 Cantrell Road, Suite 301  
Little Rock, AR 72212  
Phone: 501.227.5800