

## PPP Update: Don't have to wait 24 weeks

Last night, the SBA published additional welcome guidance ([click here for link to full guidance](#)):

- Borrowers don't have to wait 24 weeks to apply for forgiveness.
  - A borrower may submit a loan forgiveness application any time on or before the maturity date of the loan – including before the end of the covered period – if the borrower has used all of the loan proceeds for which the borrower is requesting forgiveness.
  - If the borrower applies for forgiveness before the end of the covered period and has reduced any employee's salaries or wages in excess of 25 percent, the borrower must account for the excess salary reduction for the full 8-week or 24-week covered period.
  - If the borrower does not apply for loan forgiveness within 10 months after the last day of the covered period, or if SBA determines that the loan is not eligible for forgiveness (in whole or in part), the PPP loan is no longer deferred and the borrower must begin paying principal and interest.
  - *GMS comment: Although the SBA forgiveness application is available, guidance has been changing and most lenders are not ready to take forgiveness applications yet – many are designing their own online forms. You should discuss with your lender (1) when their application will be available to complete, and (2) what their deadline is to make the forgiveness application. Even though the SBA lists a 10 month deadline above, many lenders have set an earlier deadline in their loan documents.*
- More detail and an example were provided for the safe harbor for the reduction in business activity stemming from COVID requirements or guidance.
  - The forgiveness application included a statutory exemption (safe harbor) for businesses unable to operate between February 15, 2020 and the end of 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 Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.

- With this new guidance last night, the word “compliance” was changed to the phrase “direct and indirect compliance”. The SBA is interpreting the statutory exemption to include both direct and indirect compliance with COVID Requirements or Guidance, because a significant amount of the reduction in business activity stemming from COVID Requirements or Guidance is the result of state and local government shutdown orders that are based in part on guidance from the three federal agencies.
- Example: A PPP borrower is in the business of selling beauty products both online and at its physical store. During the covered period, the local government where the borrower’s store is located orders all non-essential businesses, including the borrower’s business, to shut down their stores, based in part on COVID-19 guidance issued by the CDC in March 2020. Because the borrower’s business activity during the covered period was reduced compared to its activity before February 15, 2020 due to compliance with COVID Requirements or Guidance, the borrower satisfies the Flexibility Act’s exemption and will not have its forgiveness amount reduced because of a reduction in FTEs during the covered period, if the borrower in good faith maintains records regarding the reduction in business activity and the local government’s shutdown orders that reference a COVID Requirement or Guidance as described above.

#### Other PPP news:

- The SBA posted new guidance for when PPP loan proceeds must be used to refinance EIDL loans. [Click here for guidance.](#)
- The Wall Street Journal reported over the weekend ([click here for link](#)) that the names of borrowers who received PPP loans of \$150,000 or more will be released. Information to be disclosed includes business names, demographic data, number of jobs supported, and other details. Instead of disclosing specific loan amounts, the loans will be placed in one of five size categories ranging from \$150,000 to the maximum loan amount of \$10 million.

We have developed a simplified PPP loan forgiveness template for our clients who use a payroll company and/or who have other reports available so that totals can be entered (e.g. if you already have a payroll company PPP forgiveness report that lists all employees and the eligible wages for each; or if your payroll is in-house, that you have an exported report you created with essentially the same information.) This template has been updated and is ready – please contact us if you would like a copy.

#### **About Us**

GMS Surgent is a mid-sized, full service, certified public accounting and advisory firm serving business and individual clients located primarily in (but not limited to) the Greater Philadelphia area. We warmly invite you to click around our website to

learn a little more about our firm, our clients and the ways in which our services could benefit you.

"Personal Attention – Valuable Results", is the principal component of our mission statement. It highlights the GMS Surgent commitment to forging strong relationships and ensuring constructive communication while earning consistently effective results for our clients. It plays an essential role throughout every aspect of our firm, guides our actions and acts as a benchmark for the services we provide.

This information is of a general nature. It may omit many details and special rules and is current only as of its published date. Please contact us for more information and how it pertains to your specific tax or financial situation.