

PPP: Read This Before You Complete Your Forgiveness Application

The long form loan forgiveness application may seem overwhelming at times but a few key tips can help simplify the process.

1) For most borrowers, the 24 week covered period should include more than enough cash compensation that is eligible for forgiveness. This could eliminate the need to include non-payroll costs and other payroll costs (ie health insurance, retirement and unemployment compensation). There is no requirement to report costs that you are not asking for forgiveness on.

- Example: Say your loan was for \$300k, and the PPP Forgiveness report you pull from your payroll company shows \$600k of eligible wages. Even if you had a reduction in FTE headcount (say your PPP FTE report shows only 70% of the FTEs you had before), $\$600k \times 70\% = \$420k$, well above the \$300k you borrowed – so you would get full forgiveness on those numbers alone without having to pull any pension, health insurance, rent, utilities, etc.

2) Your payroll company provider most likely has PPP Forgiveness reports which will provide the pertinent information needed to complete the application. This would eliminate the need to export data from your accounting software or payroll provider and create redundant spreadsheets.

- Even if you've prepared your own detailed spreadsheet calculations of wages by pay period, it's best to provide your lender with PPP Forgiveness reports from your payroll company instead.
- In guidance given by the SBA to lenders on loan forgiveness review procedures they should follow, lenders were instructed that “minimal review of calculations based on a payroll report by a recognized third-party payroll processor would be reasonable. By contrast, if payroll costs are not documented with such recognized sources, more extensive review of calculations and data would be appropriate.”
- Forgiveness Reports downloaded should include three pieces:
 - Eligible wages (remember that cash compensation for owners is limited to \$20,833 per owner across all entities. If your payroll company doesn't have the owners tagged as owners limiting their eligible wages to \$20,833, you will need to do that manually. Our PPP Forgiveness template will help you with this calculation.)
 - Reductions in pay of > 25%
 - FTE comparisons

3) Some payroll providers are even planning on offering full signature-ready applications within their payroll applications making it even easier to submit the information to your lender.

4) If you weren't able to spend the money in 24 weeks on cash compensation, then you may be eligible for an "FTE Reduction Safe-Harbor", eliminating some of the complex calculations and FTE forgiveness reduction. An example of this would be a business that was ordered by the state to be closed or to operate at reduced capacity, due to public health and safety standards related to COVID.

5) Legislation was introduced to allow for automatic forgiveness of PPP Loans that are less than \$150,000 if the borrower submits a one-page attestation form (the loan could still be subject to audit so the required documentation to support the forgiveness should still be retained in your file). As of the date of this alert this legislation is in draft form.

6) There is plenty of time to file your application. The deadline to submit your forgiveness application is ten months after the end of your 24-week covered period. As an example, a borrower who received their PPP loan on 4/20/20 would have a 24-week covered period ending 10/4/20; 10 months from that date is August of 2021.

Key takeaway: Since the original PPP loan application included only 2.5 months of payroll, most borrowers will be able to achieve full forgiveness after the 24 week period by merely including the eligible cash compensation paid to their employees. Don't spend too much time compiling non-payroll related costs when their inclusion may not matter. Also use the resources your payroll company is providing.

If you need our assistance we are happy to help. Please reach out to your GMS Surgent team member if you have questions or need assistance with the computation.

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