

PPP Loan Forgiveness Checkup

Last Updated: December 31, 2020

Now that the SBA has begun to accept forgiveness applications, it is a great time to think about loan forgiveness requirements and any operational updates you might need to maximize PPP loan forgiveness. The information below contains important updates based on the recently-enacted COVID-19 stimulus law that reopened the Paycheck Protection Program and will be updated in the future as additional government guidance is released. The guidance below applies to borrowers that have not already applied for forgiveness.

What is the deadline to apply for Loan Forgiveness?

There is not a fixed deadline for borrowers to apply for forgiveness. However, here are some key timelines to know:

- Borrowers have 10 months from the end of their applicable Covered Period or Alternative Payroll Covered Period to apply for forgiveness or they will need to begin repaying their loan with an interest rate of 1 percent.
- Loans issued on or after June 5, 2020, have a maturity date of 5 years. Interest accrues from the origination date.
- Provided borrowers apply for forgiveness within 10 months of the end of their covered period, the Payroll Protection Program Flexibility Act (PPPFA) provides that loan recipients can defer repayment of principal and interest until the time when the SBA compensates their lender for forgiven amounts of the loan.

Check with your lender to determine if they are currently accepting forgiveness applications.

REMINDER: Loan Proceeds must be spent during the applicable covered period. The covered period begins on the date of disbursement of the loan and is a period of time selected by the borrower that is at least 8 weeks and not more than 24 weeks.

Maximum Forgiveness: Loans under the PPP are up to 100% forgivable provided that certain conditions are met. Including:

- Loan proceeds must be spent, or qualifying costs incurred, within the applicable covered period (8 to 24 weeks) following receipt of loan proceeds,
- At least 60% must be spent on payroll costs (and no more than 40% be spent on certain specified non-payroll costs), and
- Forgiveness may also be impacted by reductions in employees or employee wages.



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Determine which Loan Forgiveness Application Form to use.

Is your PPP loan \$50,000 or less? If so, you may want to use the Forgiveness Application Form 3508S, which eliminates potential penalties from wage or employment level reductions. Instead, borrowers need only substantiate that they spent the loan proceeds on covered payroll and non-payroll costs.

If you can't use the 3508S form, consider whether the 3508EZ form is right for you. This version contains simplified calculations and reduced reporting requirements for eligible borrowers. You can use the EZ form if:

1. You are self-employed, an independent contractor, or a sole proprietor who did not include any employee salaries in the computation of average monthly payroll in your PPP loan application.
2. You did not reduce the annual salary or hourly wages of any employee by more than 25 percent during your covered period compared with the period between January 1, 2020 and March 31, 2020 (excluding certain highly paid employees)
AND
You did not reduce the number or average paid hours of employees between January 1, 2020 and the end of the your covered period, with certain exceptions.
3. You did not reduce the annual salary or hourly wages of any employee by more than 25 percent during your covered period compared to the period between January 1, 2020 and March 31, 2020 (excluding certain highly paid employees)
AND
You could not operate during your covered period at the same business activity level as before February 15, 2020, due to compliance with certain government or agency safety requirements or guidelines related to COVID-19.

If you cannot use the EZ form or the 3508S form, you'll need to use the longer SBA Loan Forgiveness Application form, unless your lender has its own form.

Note: The December 2020 COVID-19 relief law passed by Congress provides that PPP loans of \$150,000 or less may be eligible for a simplified forgiveness process. The Treasury Department and Small Business Administration may release updated PPP Loan Forgiveness Application Forms in the future based on the CPPPA requirements.



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Download the PPP Loan Forgiveness Reports from your ADP System. ADP has a number of PPP Loan Forgiveness Reports to help you complete your Loan Forgiveness Application, regardless of which form you're using. If you're using the new 3508S form, you'll only need to download the PPP Loan Forgiveness Payroll Costs reports. If you're using any other form, you'll want to download the full suite of PPP Loan Forgiveness reports to help you complete the forgiveness process.

Consider restoring employment levels or wage levels that were reduced between February 15 and April 26, 2020. If you reduced the number of employees, the amount of loan forgiveness may be decreased. However, there are safe harbors available if the wage or employment level reductions occurred between February 15 and April 26, 2020, and you restore the wage or employment levels by the end of the applicable Safe Harbor period to be equal or higher to the levels as of February 15, 2020. The Safe Harbor period ends on December 31, 2020 for borrowers who received their PPP loan prior to August 8, 2020, and on the last day of the chosen covered period for borrowers who received their PPP loan or Second Draw PPP loan in or after December 2020.

What other documentation might you need? In addition to the PPP Loan Forgiveness Reports from your ADP system, your lender may require other documentation to substantiate your Loan Forgiveness Application. For example, if you experienced employment level reductions, but were unable to rehire individuals due to their refusal of reemployment or due to the need to comply with COVID-related government guidelines, you may need to provide documentation of those circumstances to avoid a reduction in your forgiveness amount.

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