

Paycheck Protection Program Loan Forgiveness Best Practices

You've applied and been granted a PPP loan, received the money, used a portion of the money and are now moving your focus to applying for forgiveness. You might be asking yourself, "What should I be doing now?" As we continue to move through the covered period for the Paycheck Protection Program (PPP) we wanted to share some best practices to implement in order to maximize your PPP loan forgiveness.

1. **Note your date of funding and your payroll cycles.** Your 8-week covered period begin as early as the date of funding or your next payroll cycle (if your payroll cycle is weekly or bi-weekly or more frequently). You are now on the clock.
2. **Keep track of your headcount.** You will need to know changes in headcount between either:
 - a. February 15, 2019 to June 30, 2019;
 - b. January 1, 2020 to February 29, 2020; or
 - c. If you have a seasonal business, a third option of a twelve-week period between May 1, 2019 and September 15, 2019
3. **Record EIDL information.** Make note of your Economic Injury Disaster Loan (EIDL) advance amount and application number, if applicable.
4. **Track total eligible costs.** This includes costs incurred and paid during the 8-week period following your loan funding. It is important to account for every dollar spent and how it was used during the eight-week period. Remember eligible costs include;
 - a. Payroll costs - Payroll costs consist of compensation to employees including salary, wages, commissions or similar compensation; cash tips or the equivalent; payment for leave; allowance for separation or dismissal; payment for employee benefits including group health care insurance including premiums; retirement contributions and payment of state and local taxes assessed on the compensation of employees. Do not include payments to individual contractors.
 - b. Mortgage interest on real or personal property (for mortgages in effect prior to 2/15/2020). Principal payments or prepayments do not count.
 - c. Rent under a leasing agreement (for agreements in effect prior to 2/15/2020).
 - d. Utilities - Includes payment for expenses such as electricity, gas, water, transportation, telephone, or internet access. Service must have been established prior to 2/15/2020.

It is not required to set up a separate account for your PPP funds, just make sure you have an efficient tracking method in place.

In addition, remember that at least 75% of the loan proceeds must be used for payroll costs. If salaries decrease by more than 25% for any employee who made less than \$100,000 annualized in 2019 OR if the number of FTEs decreases, the forgiveness amount will be reduced.

5. **Accumulate documentation for all incurred expenses.** We anticipate the following will be required in the forgiveness application.
 - a. Documentation verifying the number of full-time equivalent employees on payroll and pay rates for the 8-week period and certain preceding periods.
 - b. Payroll registers and payroll tax filings that document the qualifying payroll costs during the 8-week period.
 - c. Invoices or cancelled checks supporting other covered expenses (mortgage interest, rent, utilities).
 - d. Lease agreements, service agreements and other paperwork verifying that rent, mortgages and utilities paid for with loan funds were under agreements that were active prior to February 15, 2020.
 - e. Any other documentation the SBA and individual lenders determine necessary. Remember the individual lenders are required to make the forgiveness determination so they may require additional documentation on a case-by-case basis.

6. **Get a checkup.** Some of you are likely in weeks 5-6 of your coverage period. Perform or have your accountant perform a mid-term calculation of your funds to see where you're at, how much you've spent and how much you have left to spend.

7. **Check in with your banker and accountant.** Since each bank determines forgiveness on an individual basis, it is important to know what their requirements are going to be. Your accountant can help with the tracking process, do a check in on the status of your funds and help you put your forgiveness application together.

As you go through your 8-week coverage period, please check back for updates. This is a very fluid process and information changes daily.

We are still waiting on additional forgiveness guidance from the SBA. This document was based on what we know as of May 20, 2020. In addition, more information and the loan forgiveness application can be found on the SBA's [website](#).

The material and information contained here is for general informational purposes only. You should not rely upon the material as a basis for making any business, legal or other decisions. Please contact your advisor for detailed information.

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