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PPP Loan Forgiveness — A Path Forward

Now that the PPP Flexibility Act has been signed into law, borrowers of PPP loans have yet another layer of considerations in their quest for full forgiveness. For many borrowers, the reality of shifting workforces and/or salary adjustments before and during their covered periods will create complexities in the calculation — but will also provide crucial planning opportunities to maximize forgiveness.

In an environment where the rules are in a constant state of flux, and the goal posts keep moving, Withum is here to help. We understand what is at stake for you and your business and we have the depth and breadth of experience necessary to help you make sound business judgments that can materially affect the amount of loan forgiveness you receive and the amount of money you have to repay to your lender.

KEY CONSIDERATIONS FOR MAXIMIZING FORGIVENESS

- Should I use the 24-week covered period or elect an 8-week covered period? What variables should I consider when making this decision?
- Should I use the Covered Period or Alternative Payroll Covered Period?
- How do recent interpretations of “paid or incurred” affect the amount of payroll and nonpayroll costs that I can include in my loan forgiveness calculation? Can I pay expenses incurred before my covered period? Can I prepay expenses?
- What types of expenses should I include in forgivable payroll and nonpayroll costs? Can I increase the pay of my employees with bonuses or hazard pay? Is there a difference between payroll costs for employees versus payroll costs for owners/partners?
- How do I calculate whether I have a salary/hourly wage reduction that will reduce my loan forgiveness amount?
- How do I calculate a reduction in the number of FTEs? Should I use the base method or simplified method for determining my FTE counts? Which reference period should I use? How will the decision to use a 24-week covered period or 8-week covered period affect my FTE count?
- How can I meet the safe harbor rules to avoid any reductions in my forgiveness?





Let our Withum team help you navigate the enigma of loan forgiveness.



In submitting loan forgiveness applications, borrowers are required to certify that the amounts reported are eligible for forgiveness and that they have calculated all applicable reductions.

Borrowers will need to produce substantial information to support their calculations submitted to lenders, and to keep documentation in excess of the required submission for six additional years for a potential review at a later date. The SBA has already announced that it will review all loans in excess of \$2MM and it asserted the right to review smaller loans even after forgiveness has been granted.

At Withum, we have assembled a team of SBA, tax and forensic accounting experts dedicated to analyzing the CARES Act, the PPP Flexibility Act and the SBA guidance in the form of Interim Final Rules, FAQs and application forms — let our team help yours as you navigate the enigma of loan forgiveness.

Need More Information? Contact a member of the SBA Financial Assistance Services Team.

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