

## Payment Protection Program Forgiveness Application May 22, 2020 (Update to: [CARES Act for SMBEs](#))

The Small Business Administration (SBA) has released the [Forgiveness Application for the Paycheck Protection Program](#). The Paycheck Protection Program (PPP) was created under the CARES Act. The application expires on October 31, 2020. This information is likely to change, but this information is current as of publication.

### The Application

Including instructions, the application is 11 pages long, and the SBA estimates that it will take 180 minutes to complete, with time spent gathering information included in that time.

### What Expenses Are Eligible for Forgiveness?

The final assessment determining how much of the PPP loan will be forgiven will be conducted by the SBA and all relevant governmental agencies. According to the CARES Act, the following expenses are **eligible** for forgiveness:

#### ELIGIBLE PAYROLL COSTS

- Payroll costs incurred during the Covered Period (the Covered Period is the 8-weeks, or 56-days, immediately after the day the loan was disbursed). These costs include:
  - ◆ Salaries, wages, commissions, tips, or similar compensation
  - ◆ Vacation, parental, family, medical, or sick leave and severance pay
  - ◆ Group healthcare benefits (including employer's share of insurance premiums)
  - ◆ Retirement benefits (employer's share only)
  - ◆ State and local tax assessed on employee compensation
  - ◆ Income paid to partners in a partnership and owner-members of an LLC (it is unclear whether bonuses are covered)

#### PAYROLL COSTS THAT ARE NOT ELIGIBLE FOR FORGIVENESS:

- Salaries and wages in excess of \$100,000 (eligible pay is capped to a prorated rate of \$15,385 per individual)
- Employer portions of FICA, Medicare, and FUTA
- Amounts claimed for Emergency Sick Leave Credit or the Emergency Family and Medical Leave Credit
- Health insurance premiums and retirement benefits for sole proprietors and independent contractors
- Compensation for employees whose primary residence is outside of the United States

#### ELIGIBLE NON-PAYROLL COSTS

- Interest (not principal) on any mortgage obligations for loans that were in place before February 15, 2020
- Rent or leases that existed before February 15, 2020, including equipment leases, copier leases, and leases for vehicles that are used for business (it is unclear if pre-payment of rent or lease is an eligible non-payroll cost)
- Utilities for services that were in place before February 15, 2020, including electric, gas, water, telephone, transportation, and internet (it is unclear if pre-payment of utilities is an eligible non-payroll cost)

#### THE FINE PRINT

- No more than 25% of the loan forgiveness amount can be attributed to non-payroll costs (in other words, 75% of the PPP forgiveness application amount must be for payroll expenses)
- If your average full-time equivalent (FTE) employees was fewer during previous pay periods, you may have a reduction in forgiveness
- If you restore FTEs, salary, and hourly wages to certain levels on or before June 30, 2020, you may be entitled to safe harbor from reduction of forgiveness.

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[www.ipartnerships.net](http://www.ipartnerships.net)

Respectfully,

Daniel Villao  
Chief Executive Officer  
Intelligent Partnerships, Inc.

### Sources and Resources

[Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#)

[Paycheck Protection Program Loan Forgiveness Application](#)

[U.S Senate Committee on Small Business & Entrepreneurship, "The Small Business Owner's Guide to the CARES Act"](#)

[The National Law Review, "We Received our PPP Funds, Now What? SBA Provides Additional Guidance Regarding Loan Forgiveness"](#)

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