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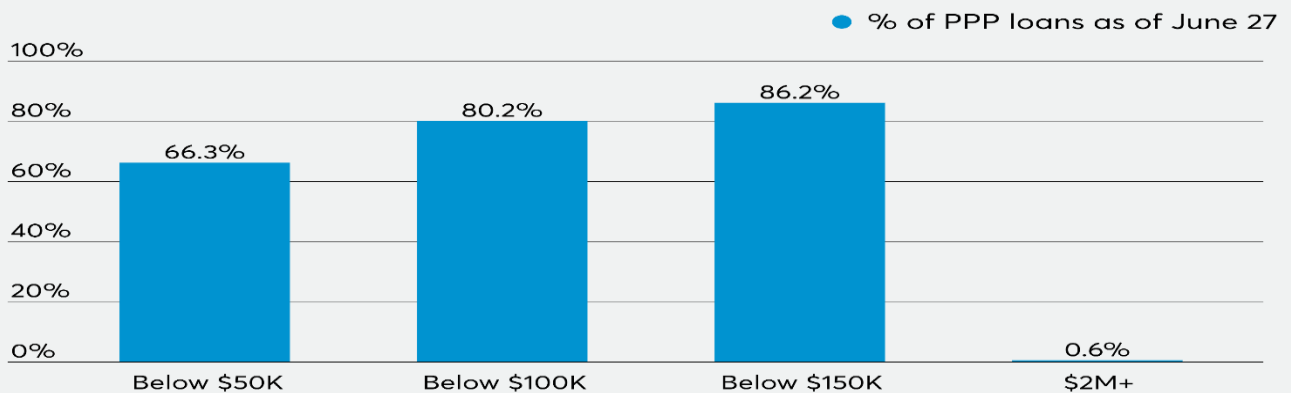
Balance sheet

PPP LOAN FORGIVENESS

Timothy J. Gephart, CPA

During this COVID pandemic, many small businesses have received a Paycheck Protection Program (PPP) loan with over 80% of the loans being less than \$150,000. These funds are being provided to assist employers in maintaining or quickly rehiring employees and maintain salary levels. Forgiveness can be 100% but forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. These calculations can be very complex.

Mostly smaller



Source: AICPA

To receive loan forgiveness, a borrower must complete and submit the Loan Forgiveness Application to its lender. As a general matter, the lender will review the application and make a decision regarding loan forgiveness. The lender has 60 days from receipt of a complete application to issue a decision to SBA. If the lender determines that the borrower is entitled to forgiveness of some or all of the amount applied for under the statute and applicable regulations, the lender must request payment from SBA at the time the lender issues its decision to SBA.

Many business owners are intimidated by merely glancing at the current forgiveness application which would leave them open to a miscalculation of the amount of forgiveness for which they would be entitled. In addition, bank management simply do not have the capacity to properly review the barrage of forgiveness applications that they will receive. Due to this, many professionals are urging Congress to automatically forgive smaller loans under the PPP and ensure that the business expenses paid for with forgiven PPP funds are deductible. A bill has been introduced into the Senate which would clarify that business expenses paid for with PPP funds that are forgiven are deductible.

Currently, if your PPP loan is less than \$150,000, you may want to consider postponing the completion of the loan forgiveness application until Congress clarifies the loan forgiveness process. Please contact us if we can be assistance to you.

Items presented are not intended to be technically complete. Additional information may be required to make an informed decision. You cannot rely upon this information for avoiding tax penalties.