



SBA Releases Responses to FAQs on the Application for Forgiveness of the PPP Loan

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On August 4, 2020, the Small Business Administration (SBA) released responses to Frequently Asked Questions ("FAQs") regarding the application for forgiveness of the Paycheck Protection Program ("PPP") Loan. The FAQs are available [here](#).

The questions and responses range from questions regarding the type of forgiveness application used by sole proprietors who have no employees (Answer - Form 3508EZ) to the timing of expenses permitted to be included in the claimed expenses to be forgiven. The information reiterates much of the information previously released in SBA and Treasury guidance and adds definitive answers on other issues.

Interestingly, the FAQs included a detailed description of how the amount of owner compensation that is eligible for loan forgiveness is determined for the main types of business entities, including C Corporations, S Corporations, General Partners, and LLC Members for borrowers using the 24-week Covered Period. The FAQs reiterate that the total cap on compensation for owners that is eligible for forgiveness using the 24-week Covered Period is \$20,833 per individual and that for borrowers that received a PPP loan before June 5, 2020 and elected to use an 8-week Covered Period, the cap is \$15,385.

Other interesting answers from the FAQs are as follows:

- Payroll costs that were incurred before the Covered Period but paid during the Covered Period are eligible for loan forgiveness
- In calculating cash compensation, borrowers should use the gross amount before deductions for taxes, employee benefits payments, and similar payments
- Payroll costs include all forms of cash compensation paid to employees, including tips, commissions, bonuses, and hazard pay
- Generally, employer expenses for employee group health care benefits that are paid or incurred by the borrower during the Covered Period are payroll costs eligible for loan forgiveness (expenses for group health care benefits paid by employees are not)
- Generally, employer contributions for employee retirement benefits that are paid or incurred during the Covered Period qualify as payroll costs eligible for loan forgiveness
- Eligible business mortgage interest costs, eligible business rent or lease costs, and eligible business utility costs incurred prior to the Covered Period and paid during the Covered Period are eligible for loan forgiveness

As PPP Loan recipients begin to apply for loan forgiveness, it is critical to consider the application of these FAQs as well as other guidance released by the SBA and Treasury. Our PPP audit team is available for consultation on applying for forgiveness and audit defense.



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