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PPP forgiveness: No need to rush, and other tips

By Jeff Drew and Ken Tysiac

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Although forgiveness for Paycheck Protection Program (PPP) loans is a foremost topic on the minds of borrowers and the CPAs who advise them, experts are saying borrowers should not rush to apply for forgiveness.

Long-expected FAQs expected to clarify many PPP-related issues are still awaited from the U.S. Small Business Administration (SBA) and Treasury. In addition, the loan forgiveness application has not been updated to reflect the recent [five-week extension](#) (<https://www.journalofaccountancy.com/news/2020/jul/senate-approves-5-week-ppp-extension.html>) of the program's deadline to Aug. 8.

A big reason for these delays is that Congress is debating a new round of COVID-19 relief, which is expected to include a second PPP initiative more targeted than the first one, said Mark Peterson, the executive vice president who heads the AICPA's advocacy team in Washington, D.C. Those discussions also may include major changes relaxing the forgiveness requirements for the smallest loans, possibly those up to \$100,000 or \$150,000.

"The situation is very dynamic," Peterson said on Thursday during the AICPA's weekly [Town Hall](#) (https://www.aicpastore.com/AST/Main/CPA2BIZ_Primary/PRDOVR~PC-WC2290325/PC-WC2290325.jsp) covering PPP and other issues related to the COVID-19 recession and recovery efforts.

Erik Asgeirsson, CEO of CPA.com, the technology and business subsidiary of the AICPA, said during the Town Hall that the SBA and Treasury are not expected to release the expected 25 to 30 FAQs before President Donald Trump signs new relief legislation. Congress is trying to hammer out a package before going on recess Aug. 8.

Even if the FAQs do come out, the SBA issued a procedural notice Thursday that indicated it would not begin accepting PPP forgiveness submissions from lenders until a new software-as-a-service platform currently under development goes live Aug. 10. The SBA said the launch could be delayed if new legislation changes the forgiveness process in ways that require changes to the new platform.

The SBA's notice adds another reason for waiting to work on PPP loan forgiveness applications to those covered in an [AICPA blog post \(https://blog.aicpa.org/2020/07/5-reasons-borrowers-shouldnt-rush-their-ppp-forgiveness-applications.html\)](https://blog.aicpa.org/2020/07/5-reasons-borrowers-shouldnt-rush-their-ppp-forgiveness-applications.html) that published July 14, said Mark Koziel, CPA, CGMA, the Association of International Certified Professional Accountant's executive vice president–Public Practice.

"We have to be as patient as possible," he said.

The real PPP forgiveness deadline

Kari Hipsak, CPA, CGMA, an Association senior manager, said in an interview the important deadline in the PPP forgiveness process doesn't come until 10 months after the end of the loan's covered period.

At that point, if forgiveness forms have not been submitted, the funds officially become a loan that needs to be repaid. Hipsak said it's best for borrowers to take their time and make sure they have as much information as possible so they can maximize loan forgiveness.

"There's no need to rush through the forgiveness," she said. "A lot of businesses, I think, want to put the forgiveness behind them, but there are still a lot of unanswered questions. And so as long as there's not a deadline to have this application submitted, other than 10 months after the end of the covered period, it's really a business decision."

Some additional considerations related to PPP forgiveness include:

Questions about utilities. Utilities are among the items besides payroll that borrowers can pay with PPP funds. But there are questions about what qualifies as a utility under the PPP guidance.

"It includes the basics, such as trash collection, water, electricity, etc., but we get a lot of questions about business-specific utilities," Hipsak said. "And there is even some guidance that indicates that transportation costs such as fuel for a business vehicle is includible. But we don't have all the answers for that yet."

Internet services, which have become even more vital in this time of social distancing, appear to qualify as utilities under the PPP, Hipsak said.

Many exceptions to full-time-equivalent (FTE) rules. The PPP was designed to help organizations keep paying their employees as pandemic-related closures and slowdowns reduced revenue. As a result, employers who reduce their workforce generally see a reduction in their PPP forgiveness eligibility amount.

But there are numerous exceptions for situations such as:

- An employee who was offered a chance to return to a position but refused.
- An employee who was fired for cause or voluntarily resigned.
- An employee who voluntarily requested and received a reduction in hours.

There are additional exceptions as well to the FTE and wage rules, and borrowers should be aware of them when they apply for forgiveness.

Clarification needed for self-employed borrowers. PPP guidance states that self-employed individuals must compare their 2020 income with their 2019 income to determine their maximum eligible compensation. “If you’re a self-employed individual, how do you prove what you got paid in 2020?” Hipsak said. “That’s one big question that remains for self-employed individuals.”

Documentation is critical. The forgiveness applications are extremely detailed, and the final rules are uncertain in some areas.

Some documentation isn’t required for submission with the forgiveness application but is required to be retained by the borrower. So it’s important to keep documentation of any facts that could become an issue related to forgiveness.

“It’s always easier to be prepared going into something than having to look in hindsight and collect all the necessary data,” Hipsak said.

AICPA experts discuss the latest on the PPP and other small business aid programs during a weekly virtual town hall. The webcasts, which provide CPE credit, are free to AICPA members. Go to the [AICPA Town Hall Series \(https://www.aicpastore.com/AST/Main/CPA2BIZ_Primary/PRDOVR~PC-WC2290325/PC-WC2290325.jsp\)](https://www.aicpastore.com/AST/Main/CPA2BIZ_Primary/PRDOVR~PC-WC2290325/PC-WC2290325.jsp) webpage for more information and to register.

The [AICPA’s Paycheck Protection Program Resources page \(https://future.aicpa.org/resources/toolkit/paycheck-protection-program-resources-for-cpas\)](https://future.aicpa.org/resources/toolkit/paycheck-protection-program-resources-for-cpas) houses resources and tools produced by the AICPA to help address the economic impact of the coronavirus.

For more news and reporting on the coronavirus and how CPAs can handle challenges related to the outbreak, visit the JofA’s [coronavirus resources page \(https://www.journalofaccountancy.com/info/coronavirus-resources-for-cpas.html\)](https://www.journalofaccountancy.com/info/coronavirus-resources-for-cpas.html) or [subscribe to our email alerts \(https://www.journalofaccountancy.com/info/news-email-form.html\)](https://www.journalofaccountancy.com/info/news-email-form.html) for breaking PPP news.

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