

PPP UPDATE:

STRATEGICALLY TIMING YOUR PPP FORGIVENESS APPLICATION

Several bills have recently been introduced in Congress aiming to largely simplify the PPP forgiveness process. At least two of these bills – US Senate Bill 4117 and US Senate Bill 4321 – aim for automatic forgiveness of a loan that is not more than \$150,000 if the recipient submits a one-page form. As we continue to monitor the movement, we believe it could be in your best interest to consider your strategy for submitting your forgiveness application and potentially delay if possible.

What would these bills entail if passed?

- ◆ **Automatic forgiveness of a PPP loan that is not more than \$150,000** as long as the recipient submits a one-page form. The one-page form will consist of the borrower attesting that he or she made a good faith effort to comply with the requirements of the loan. This will lift a significant burden on the borrower because the application process as it stands now is time-consuming, complicated and requires various documentation.
- ◆ In addition to automatic forgiveness of loans less than \$150,000, the proposed legislation **will also streamline the forgiveness process for loans between \$150,000 and \$2,000,000**. Similarly, the borrower will not be required to submit the extensive supporting documentation currently required by the SBA. Instead, they will simply complete an application and submit it the bank. This will make the loan forgiveness process for borrowers with loans between \$150,000 to \$2,000,000 significantly faster and easier.

Why should we consider delaying our application for forgiveness?

- ◆ **In most cases, there is no rush to apply for forgiveness right now.** The SBA currently requires borrowers to apply for forgiveness within 10 months after their covered period ends. If you received your funds in early April, when the PPP commenced, and used the 8-week covered period, you would have until April 2021 to submit your forgiveness application. If you used the 24-week covered period, you would have until July/August 2021. *Please note, the date of the application can be a key date for some borrowers depending on their situations, such as if they had to reduce employees' compensation during their covered period or other factors.*
- ◆ **It may be significantly easier and more efficient to apply for forgiveness** if the bills are set in motion. The current process requires the borrower to gather an array of paperwork including payroll information, allocation of funds, employee breakdown, tax information, benefits and retirement plans, health insurance information, and so

on. Gathering this information and completing the necessary forms is a lengthy and complex process and delaying the application process now may save you time in the long run.

- ❖ **The SBA is currently reducing borrowers' PPP forgiveness amounts by any amount of Economic Injury Disaster Loan ("EIDL") Advances they received**, which many borrowers thought would be grants. If a borrower received a \$50,000 PPP loan, for example, and received an EIDL Advance of \$10,000, they would only receive \$40,000 in forgiveness, regardless if the borrower used the funds as required. The borrower would be required to pay the \$10,000 back prior to maturity. As a result of backlash and pushback from borrowers, advocacy groups, and the banking industry, the SBA has indicated they will respond. Until we learn of any response, it is our belief that this is could be another compelling reason to delay applying for forgiveness.
- ❖ **Many banks are not processing applications right now, and some are not even accepting them** due to the aforementioned legislation discussions. Chase Bank and PNC Bank, a couple of PPP's biggest participants, for example, made the decision to delay processing forgiveness applications in the hopes of Congress passing an automatic forgiveness process. Others like Wells Fargo and Bank of America have not yet sent communications to their customers on how or when to apply, but have plans to send these communications in the coming weeks.

A note to our Payroll Clients

In order to help you prepare for the PPP Loan Forgiveness process, our payroll software partner, CyberPay, Inc., has been working with a team of programmers and payroll specialists to develop a report which will provide the data entries needed for you to complete your application along with backup documentation. Additionally, the system will perform the logic for the Safe Harbor tests. The release of this version is expected soon. While any automated calculations warrant a review by you or your CPA, we believe this will significantly streamline the process for you. We will keep you posted.

For more information

We will continue to monitor this situation and release updates on process changes or Congressional decisions. For more information or assistance, please contact our Human Resources team at **210-775-6082**, toll-free at **1-888-757-2104**, or HRManagement@BFGonline.com.



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