



## NEW FAQs ADDRESS PPP LOAN FORGIVENESS ISSUES

From the *Journal of Accountancy* by Jeff Drew

The U.S. Small Business Administration (SBA), in consultation with Treasury, released guidance Tuesday, August 4 answering 23 frequently asked questions regarding the forgiveness of Paycheck Protection Program loans.

The FAQs, published in a new [10-page document](#), are divided into four sections addressing different aspects of the process and calculations PPP borrowers should use to determine how much of their loan is forgivable. Following is a brief description of each section and highlights from the guidance provided.

### FAQ Sections and Highlights

**General loan forgiveness:** This section contains three FAQs. The first one clarifies that sole proprietors, independent contractors, and self-employed individuals who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form automatically qualify to (and should) use the PPP Loan Forgiveness Application Form 3508EZ.

**Loan forgiveness payroll costs:** This section contains eight FAQs. Question No. 8 addresses how to determine the amount of owner compensation that is eligible for loan forgiveness. The answer provides examples for owners of C and S corporations, self-employed Schedule C (or Schedule F) filers, general partners, and LLC owners. It also defines an owner-employee as someone who is both an owner and an employee of a C corporation. The term was referred to in the PPP loan forgiveness application but not previously defined. Also addressed are partial pay periods, group health care benefits, and two questions related to payroll costs that were incurred or paid outside of the eight-week or 24-week covered periods.

**Loan forgiveness nonpayroll costs:** This section includes seven FAQs. No. 6 provides that payments of [transportation utility fees](#) assessed by state and local governments are eligible for loan forgiveness. Also addressed are two questions related to nonpayroll costs that were incurred or paid outside of the eight-week or 24-week covered periods and whether the Alternative Payroll Covered Period for payroll costs also applies to nonpayroll costs (it doesn't).

**Loan forgiveness reductions:** This section includes five FAQs. No. 4 explains how borrowers should calculate the reduction in their loan forgiveness amount arising from reductions in employee salary or hourly wage. Three examples of the salary/hourly wage reduction are included.

“The FAQs have addressed a number of the outstanding questions, but there are still some gray areas,” said Lisa Simpson, CPA, CGMA, director—Firm Services for the Association of International Certified Professional Accountants. “In addition, there are still remaining open items such as how will FTE reductions work if applying for forgiveness before the end of the covered period.”

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Through July 31, the PPP has funded nearly 5.1 million forgivable loans totaling more than \$521 billion to help small businesses and other eligible entities impacted by the recession sparked by the COVID-19 pandemic. More than \$130 billion is still available in the PPP, which has an Aug. 8 deadline for applications to be approved by SBA.

Congress is currently considering a follow-up to PPP that would provide more targeted assistance to small businesses.