

## 10 Steps to Maximize PPP Loan Forgiveness

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Loans obtained under the Paycheck Protection Program (“PPP”) can be forgiven for the entire amount in addition to accrued interest if the loan proceeds are used for specific purposes. Loan forgiveness is only available for costs and payments incurred during an 8-week period beginning on loan origination date. Any payment made outside the 8-week period is not eligible for forgiveness.

Here are 10 steps to maximize PPP loan forgiveness:

1. Maintain headcount and the salaries of employees earning less than \$100,000 to the extent possible.
2. Note that not all allowed uses of the PPP’s proceeds are forgivable. The uses eligible for forgiveness are *fewer* than the allowable or permitted uses of loan proceeds.
  - Allowable uses:
    - Payroll costs (up to \$100,000 pro rated for the 8-week period, or \$15,385 per employee -  $\$100,000 \times 8/52$ );
    - Owner compensation replacement (up to \$15,385 per owner);
    - Payments of group healthcare benefits for paid sick leave, medical or family leave and insurance payments;
    - Mortgage interests (no prepayment of principal);
    - Rent;
    - Utilities;
    - Interest on other debt incurred prior to February 15, 2020.
  - Forgivable uses:
    - Payroll costs (at least 75%);
    - Mortgage interests (for mortgages entered into before February 15, 2020);
    - Rent (for leases entered into before February 15, 2020);
    - Utility payments (for services started before February 15, 2020).
3. Consider making midyear contributions to employees’ retirement plan as these payments are counted in addition to the \$15,385 per employee limit ( $\$100,000 \times 8/52$ ).
4. Make sure rent, mortgage interest, and utilities incurred during the 8-week period are paid.
5. Consider accelerating a payroll period.
6. Timely file federal and state payroll tax returns and state unemployment insurance filings.
7. Keep all documents relating to use of PPP funds:
  - Canceled checks;
  - Payment receipts;
  - Documents verifying payments on rent, mortgage interests, and utilities incurred during the 8-week period.
8. Keep all documents verifying the number of full-time equivalent employees on payroll and their pay rates for the 8-week period. Include the payroll tax filings reported to the IRS (Form 941) and state payroll tax returns and state unemployment insurance filings.
9. While there is no statutory deadline to submit a loan forgiveness application, borrowers generally should apply as soon as possible so that the application is timely approved, and no document is missing. Lenders are required to make a decision on loan forgiveness within 60 days of the borrower’s application. All PPP loans in excess of \$2 million will be reviewed by the SBA before forgiveness is approved.
10. Borrowers cannot deduct otherwise eligible expenses (payroll, rent, utilities, interest) to the extent they receive forgiveness that is excluded from gross income.