

# The Coronavirus Aid, Relief, and Economic Security Act:

## PPP Loan Forgiveness Application

### SkarlatosZonarich LLC

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This past weekend, the Small Business Administration released its Paycheck Protection Program (“PPP”) Loan Forgiveness Application, which provides forms and instructions to borrowers for submission to lenders in order to have all, or a portion of, their PPP loans forgiven. A copy of the Application and instructions can be found at <https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>. The Application provides some long-awaited guidance on loan forgiveness but still leaves certain questions unanswered. Highlights of some key items are outlined below.

Businesses with a bi-weekly, or more frequent, payroll period can elect to calculate eligible payroll costs using the eight-week period beginning on the first day of their first pay period following their PPP loan disbursement date, instead of the period beginning on the disbursement date itself (interestingly the instructions appear to deny this election to business utilizing a semi-monthly payroll cycle).

Eligible payroll and non-payroll costs paid **or** incurred during the covered period are eligible for loan forgiveness.

The instructions provide guidance for computing full-time equivalent (“FTE”) employees generally by dividing each employee’s weekly paid hours by 40, rounding to the nearest tenth, and capping the quotient at 1.0 (a borrower can elect to use a simplified method that assigns an FTE of 1.0 to employees that work 40 hours or more each week and an FTE of 0.5 to employees that work fewer than 40 hours per week).

Consistent with prior SBA guidance, the instructions for calculating FTEs affirm that the loan forgiveness amount will not be reduced due to a laid off employee if the employer laid off the employee, made a written offer to rehire the same employee, and the employee declined the offer. The instructions extend the concession for those employees who are terminated for cause or who voluntarily resign.

Not surprisingly, the application specifically asks whether the borrower, along with its affiliates, received a total of PPP loans in excess of \$2,000,000 (presumably for audit purposes).

If you or your accountant needs any assistance preparing the Paycheck Protection Program (“PPP”) Loan Forgiveness Application, please do not hesitate to contact us.

This article as well as further updates in regard to tax matters and other legal implications related to Coronavirus pandemic can be found on our COVID-19 Response webpage, <https://www.skarlatoszonarich.com/covid-19>.

**If you have any questions, please contact a member of the Business Team at SkarlatosZonarich LLC:**

Nathan D. Berry

Gregory S. Chelap

[nberry@skarlatoszonarich.com](mailto:nberry@skarlatoszonarich.com)

Robert Freedenberg  
[rfreedenberg@skarlatoszonarich.com](mailto:rfreedenberg@skarlatoszonarich.com)

Connie Wilson  
[cwilson@skarlatoszonarich.com](mailto:cwilson@skarlatoszonarich.com)

John R. Zonarich  
[jrz@skarlatoszonarich.com](mailto:jrz@skarlatoszonarich.com)

[gchelap@skarlatoszonarich.com](mailto:gchelap@skarlatoszonarich.com)

Kathy Speaker MacNett  
[ksm@skarlatoszonarich.com](mailto:ksm@skarlatoszonarich.com)

John B. Zonarich  
[jbz@skarlatoszonarich.com](mailto:jbz@skarlatoszonarich.com)