

I have received my PPP funding. Now what?

You have eight weeks from the date that you receive your funding for the PPP loan to fulfill the requirements of the loan if you want it to be forgiven.

The loan is calculated based on 2 1/2 months of a company's payroll expenses. The maximum amount of compensation that can be counted for each employee or owner cannot exceed \$100,000 per annum. Since you're only allowed to count eight weeks of payroll, part of the loan can be used to pay for rent and utilities. The amount that is allowed to be used to pay rent and utilities cannot exceed 25% of the loan proceeds.

So, if you get a PPP loan of \$40,000, no more than \$10,000 is allowed to be used to pay rent and utilities. The remainder must be used for payroll, health insurance, retirement plan match, and state employment taxes (not to be confused with state withholding taxes from employee's wages). Remember that owners of a sole proprietorship or partners in a partnership can also count their share of the company profit of up to \$100,000 per year as compensation. To ensure that it counts towards the forgivable amount, you must make sure to take the appropriate distributions during this eight-week period. Anything that you do not use for those purposes will not be forgiven and must be paid back within two years. You will also owe 1% interest annually on any amounts that have to be repaid.

We are still not sure how expenses are being accounted for during the eight-week period – if the expenses will be counted based on when they are paid or when they are accrued. We will get back to you as soon as this has been addressed by the government. If it is based on the payment date, it might be necessary to move around some payroll dates to fulfill the requirements. If you have employees that also earn commissions or bonuses, and they aren't already at a maximum salary of \$100,000, you may want to consider paying them their bonus or commission during that eight week period so that you can take maximum advantage of the forgivable loan.

It is going to be very important to keep track of your PPP applicable expenses for the eight-week period for two reasons:

1. Your bank will ask you to document what the money was used for since they are required to determine the amount that is forgivable.
2. The expenses that you use the PPP loan to pay will not be deductible when you file your tax returns next year.

The IRS answered the question of how the expenses should be treated on Thursday. Since the forgivable loan proceeds will not be taxable, they will not allow you to double dip by deducting those expenses. That makes sense.

If you use QuickBooks, we recommend creating a class of expenses in QuickBooks called PPP. Every time you pay those expenses, just class the expense as PPP.

Another thing that happened this week is that many people were given economic injury disaster loan (EIDL) grants that they had applied for directly through the SBA. If you received one of those grants, the amount of your forgiven PPP loan is reduced by the amount of the EIDL that you received.

One more issue is that many of you applied for the pandemic unemployment allowance (PUA) while you were waiting for the PPP to come through. If you have started to collect this unemployment compensation, you must stop collecting for the eight-week period that your PPP covers. You can resume collecting after that eight-week period is satisfied, but you cannot be paid by your company while collecting unemployment. That is forbidden.

If you have not yet applied for a PPP loan, but you feel that you are eligible, it is not too late. Your best bet would be to go to one of the smaller community banks or credit unions because they were given 20% of the latest round of funds to distribute. I am hearing from a lot of people that those small banks are getting their applications through much quicker than the large banks are. So, don't give up hope if you have not applied yet, it may not be too late. Here is a list of some of the smaller banks that were offering PPP loans - <https://www1.nyc.gov/assets/sbs/downloads/pdf/businesses/covid19/7a-lenders.pdf>

We can't stress how important it is to dot your i's and cross your t's when dealing with this program. It would be horrible to take something that could potential be forgiven, but have to pay it back due to a technical error. If you have any questions at all, we are here for you. Please feel free to reach out.