SBA Releases New PPP Forgiveness Applications and Interim Final Ruling

By Laura Rodriguez, JD, Senior Associate

After weeks of silence regarding the forgiveness of Paycheck Protection Program (PPP) Loans, the SBA has recently released two new forgiveness application forms and its nineteenth (yes, nineteenth) Interim Final Rule (IFR) on the PPP. Here's what we know.

New Forgiveness Application Forms

The first is a revised version of the previous form which incorporates the changes from the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act) and the increased compensation limits discussed later in this article.

The second form is a "more user friendly" "EZ" version of the PPP Loan forgiveness application which may be used by Borrowers who:

- Are self-employed and have no employees; ***OR***
- Did not reduce the salaries or wages of their employees by more than 25%, and did not reduce the number or hours of their employees; ***OR***
- Experienced reductions in business activity as a result of health directives related to COVID-19 and did not reduce the salaries or wages of their employees by more than 25%

The EZ application requires fewer calculations and less documentation for eligible Borrowers.

Interim Final Rule (IFR)

In addition to the new loan forgiveness applications, late Tuesday afternoon, June 16, 2020, the SBA issued its nineteenth Interim Final Rule relating to the Paycheck Protection Program which is set to be officially published on June 19, 2020. This IFR serves to amend previously-issued IFRs and clarifies the effect of the changes in PPP loan forgiveness eligibility created by the Flexibility Act, which was passed on June 5, 2020, and has been a source of many questions in the days that followed.

An earlier Interim Final Rule stated that the maximum forgivable payroll cost, including salaries, wages and tips, up to $100,000 of annualized pay per employee, was $15,385 per individual. One of the most common questions following the passing of the Flexibility Act was whether or not the maximum payroll cost per employee would increase if the Borrower elected to use a covered period of 24 weeks rather than 8. While the salaries, wages and tips of an employee are still capped at $100,000 of annualized pay, Tuesday's IFR revised the earlier IFR to increase the maximum payroll cost to $46,154 per individual ***if*** the Borrower elects to use a covered period of 24 weeks.

In the same spirit, Tuesday's IFR also clarified the amount of owner compensation that would be forgivable under the Flexibility Act. Previously – despite being able to borrow 2.5 months (10 weeks) of 2019 net income – the amount of owner's compensation that would be forgivable was limited to 8 weeks' worth of 2019 net profit (up to $15,385) for an 8-week covered period. Under the new IFR, the amount of owner's compensation that will be forgivable increases to 2.5 months' worth of 2019 net profit (up to $20,833) ***if*** the Borrower chooses a 24-week covered period.

Unfortunately, yet not surprisingly, the IFR fails to address the open questions surrounding forgivable expenses and the timing for filing the forgiveness application. (e.g., Can the forgiveness application be filed before the end of the 24-week period?)

Contact Us

As always, for further guidance and assistance, please reach out to your PKFOD engagement team members, or Laura Rodriguez, JD, Senior Associate at LoanForgiveness@pkfod.com. We are here to help.

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