



Hello everyone, I hope you and your family are staying safe and doing well.

On Friday the SBA released the application for PPP loan forgiveness along with instructions for completing the form. The form can be found [here](#). Please read it in its entirety.

Below are items from the application and instructions that have provided some clarity on issues that have been in question.

- **Alternative Payroll Covered Period.** Borrowers may elect to calculate eligible payroll costs using the eight-week (56 day) period that begins on the first day of their first pay period following their PPP loan Disbursement Date. Until now, there were concerns about the timing of when payroll was run and when funds were received. **This new rule eliminates the need to pull back a pay period to fit into the eight week period. This rule also eliminates the ability to have more than eight weeks forgiven by paying another pay period early. The SBA is only going to allow forgiveness for eight weeks of pay.**
- **Eligible Non-Payroll Costs.** An eligible non-payroll cost must be paid during the eight week covered period or incurred during the covered period and paid on or before the next regular billing date, even if the billing date is after the covered period. **This eliminates the need to accelerate payment to be before the end of the eight week period.**
- **Owner Compensation.** Owner compensation for the eight week period is capped at \$15,385 (the eight-week equivalent of \$100,000 per year) for each individual **or** the eight-week equivalent of their applicable compensation in 2019, **whichever is lower.** This basically locks in 2019 compensation for owners. **If you increased owner's pay to maximize PPP usage or meet the 75% test, you will not be able to take that amount into consideration. You will have to use the lower 2019 compensation.**
- **Average Full Time Equivalent (FTE).** The hours to be used to determine full time equivalent employee is **40 hours.** For each employee, you take the average number of hours worked per week, divide by 40, and round the total to the nearest tenth. The maximum for each employee is capped at 1.0. A simplified method that assigns a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours may be used at the election of the borrower.
- **Schedule C and Partner Compensation.** It was thought that Schedule C filers and partners would only need to show a copy of their 2019 tax return to obtain forgiveness. The PPP application on Line 9 requires you to "Enter any **amounts**

paid to owners (owner-employees, a self employed individual, or general partners). I take this to mean that all Schedule C owners and partners should write a check to themselves equal to the amount they applied for on the PPP application that applies to them within the eight week period.

Although there are still some unanswered questions, this has given some much needed clarity on major issues.

Please let me know if you have any questions.

Thank you!

Raymond E Halstead, CPA
REH CPA, PLLC
rehcpas.com
704-662-8249

223 Williamson Rd, Suite 104
Mooresville, NC 28117

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