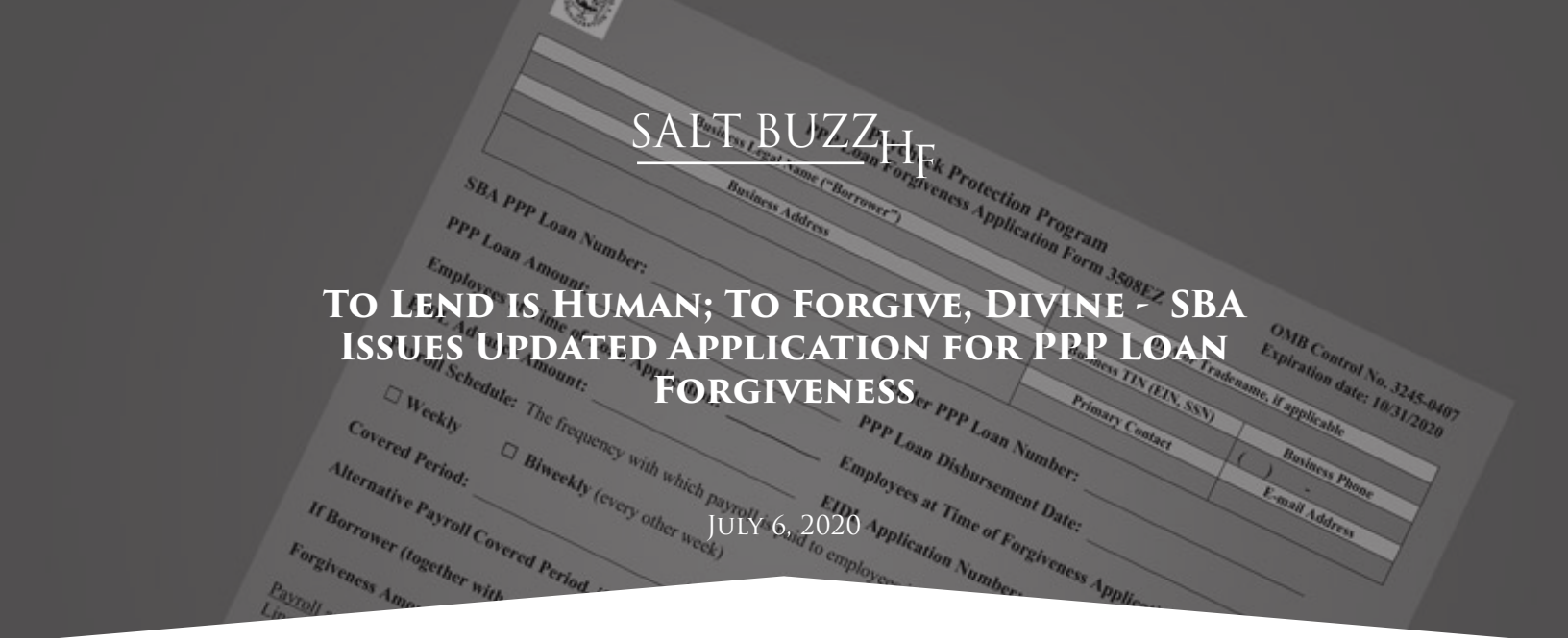

SALT BUZZ HF

To Lend is Human; To Forgive, Divine - SBA Issues Updated Application for PPP Loan Forgiveness

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The Small Business Administration (SBA) has released a new application form for forgiveness of loans received under the Paycheck Protection Program (PPP). As discussed in an earlier Buzz (Federal CARES Act, Tax and Loan Provisions for Business, 4/7/2020), the federal CARES Act established PPP as a program in which small businesses and non-profits could borrow money for certain costs and have those loans forgiven if the borrowed funds were used for specified expenses and certain conditions were met regarding payroll. PPP was set up under the Small Business Act (Title 15) and SBA was tasked with administering the program. The loans are made through traditional private sector lenders such as banks and credit unions. The program is still operational with additional funding available as of this writing.

SBA released, on June 17, 2020, the revised Paycheck Protection Program Loan Forgiveness Application, SBA Form 3508, as well as a streamlined version, SBA Form 3508EZ. While borrowers are instructed to apply for loan forgiveness through their lenders, the lenders will be using this form or something similar, possibly in a format to be completed online.

The forms and instructions may be downloaded here. While the full package for the standard form comes to 12 pages, it should not contain many surprises to those familiar with PPP requirements. Essentially, the revised form incorporates changes resulting from the recently

enacted Paycheck Protection Program Flexibility Act of 2020, which extended the time period for making qualified expenses, reduced the required amount of the loans that must be used for payroll, and made other changes. The form ensures that the forgiveness amount is reduced if the borrower has not met all the requirements, such as if the borrower reduced its payroll shortly before or during the covered period without bringing it back to the previous level by December 31 (the previous deadline was June 30). Forgiveness will also be limited if the borrower did not use 60% of the loan specifically for payroll expenses (the previous limit was 75%). There are also seven certifications (eight if the first of two available employment reduction safe harbors is used) that must be made by the borrower's authorized representative when signing the form.

The original form was released even as the government was considering changes to the PPP to loosen some of the standards. Those considerations led to the portion of the loan that must be used for payroll being reduced from 75% to 60%, and the "covered period," during which the loan money may be used for qualifying expenditures, being increased from the original eight weeks to 24 weeks.

If your business has a PPP loan, you should review this form before the deadline to make appropriate expenditures. Many businesses have questions about what expenses will qualify for forgiveness. **If you would like assistance with the loan forgiveness application, or if you have other questions concerning the PPP loan or any other form of aid related to the COVID-19 pandemic, please contact Tom Zaino, Steve Hall, Derek Heyman or any other ZHF professional.**

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