

News You Can Use

Update: Pending Paycheck Protection Program Items

Suttle & Stalnaker, PLLC is committed to helping our clients manage the ever-emerging Paycheck Protection Program provisions related to the COVID-19 pandemic. As banks begin to send out more communications, we would like to update you on the issues as we see them.

Issues being monitored:

- **Forgiveness Applications:** Banks are beginning to send out their application packages. The SBA is open and can accept forgiveness applications and banks have been communicating what date they will begin accepting your application.
- **Loans under \$150,000:** There has been no formal guidance on whether loans under \$150,000 will have a simplified process for applying for forgiveness. Because of this, our position is that if your loan is under that amount, you should wait to apply.
- **Covered Period:** Remember that the covered period was extended to 24 weeks, but you have the choice of applying based on 8 weeks (original requirement) or 24 weeks. The 24 weeks end for most businesses in October. We recommend that you continue to document all of your expenses through 24 weeks in the event that those weeks are needed for the full forgiveness.
- **Timing Issues:** Your bank has 60 days to review the application before it is sent to the SBA, and the SBA has 90 days to make a determination. Separately, you have 10 months after the covered period ends to submit the application to your bank.
- **Deducting PPP Expenses:** On April 30, 2020, the IRS announced that expenses paid with PPP funds would not be deductible for tax purposes. After initial Congressional backlash, there has been no other guidance on the issue. This pending issue will have to be resolved.
- **Heading into the 4th Quarter:** As we head into the 4th quarter for calendar year taxpayers, remember that the deductibility of the expenses, and the amount forgiven, will play a significant role in your 2020 tax planning.
- **Payments Begin:** In most cases, payments will begin once your forgiveness amount is confirmed by the SBA to your bank. If you do not submit a forgiveness application, payments begin at the expiration of the 10 months from your last covered date.

In summary, our position continues to be:

1. Wait to apply for forgiveness if your PPP funds were \$150,000 or less
2. Wait if you were shut down during the 8 weeks, or had reduced activity, and the 24 weeks is needed to fully use PPP funds
3. If you fall outside those 2 categories, our general position is to begin preparation of your application in the coming weeks, as banks begin accepting them, but do not submit until you are sure full forgiveness will be received. However, even if full forgiveness is expected to be received, there still are potential tax reasons to wait.

We continue to monitor this situation and will provide information as guidance becomes available.