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Client Alert: SBA Issues PPP Loan Forgiveness Application

By Michael J. Barone, Jr. on May 17, 2020



The Small Business Administration (the “SBA”) quietly released on Friday May 15th, the Paycheck Protection Program Loan Forgiveness Application (the “Application”). The instruction included as part of the Application provides borrowers with much needed guidance on how to calculate loan forgiveness under the Paycheck Protection Program (the “PPP”).

The instructions, in part, advise PPP borrowers as follows:

Application Details

- Borrowers will submit the Application to the Lender (not the SBA) either on paper or electronically.
- The Application is broken down into four (4) components:
 - PPP Loan Forgiveness Calculation Form
 - PPP Schedule A
 - PPP Schedule A Worksheet
 - PPP Borrower Demographic Information Sheet (optional)

Loan Forgiveness – Alternative Payroll Covered Period

- The Application establishes an “**Alternative Payroll Covered Period**” which permits borrowers with a biweekly (or more frequent) payroll schedule to elect to calculate eligible payroll costs using the eight-week period beginning on the first day of the borrower’s first pay period following that borrower’s PPP Loan Disbursement Date.
- Despite the Alternative Payroll Covered Period, certain questions in the Application still require the use of the traditional Covered Period defined as the 8-week period running from (and including) the borrower’s PPP Loan Disbursement Date.
- The Application questions assist in distinguishing when the Alternative Payroll Covered Period may be utilized.

Supporting Documents

- Payroll Costs – The borrower should be prepared to provide, among other documents:
 - Bank Statements or third-party payroll service provider reports
 - Tax forms for periods overlapping with the Covered Period or Alternative Covered Period
 - Payment receipts, cancelled checks, and/or account statements

- Full Time Equivalent Employees – The borrower should be prepared to provide documentation evidencing the average number of full time equivalent employees for specified periods of time.
- Non-Payroll Costs – The borrower should be prepared to provide documentation verifying the following obligations existed prior to February 15, 2020: qualifying mortgage interest, rent/lease payments, and utility payments.

[The Application and associated instructions can be accessed here](#)

All borrowers that received or will receive loan proceeds under the PPP should review the Application and associated instructions very carefully.

If you have any questions relating to the PPP Loan Forgiveness Application, please feel free to contact our office. As with all COVID-19 related legal developments, RIW will continue to provide updates and guidance relative to the CARES Act.

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