

PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

[Click here to access the application form](#)

PPP Loan Forgiveness insight from BKD:

Favorable direction provided on the timing of eligible costs

- Those with bi-weekly or more frequent payrolls can use an "alternative payroll covered period" that begins on the first day of the first pay period following the date of receipt of the loan proceeds.
Takeaway: **there's no need to prorate payrolls**
- "Payroll costs" incurred but not paid during the last payroll during the "covered period" (or "alternative payroll covered period" discussed above) are eligible for forgiveness as long as they are paid by the next regular payroll date, even if outside of the "covered period." Takeaway: **there's no need for a supplemental payroll to accelerate payroll into the "covered period" as long as its paid by the next regular payroll date**
- Non-payroll costs must be incurred during the "covered period," but **only need to be paid on or before the next regular billing date (even if after the end of the "covered period")**.

Favorable details on the limitations on forgiveness

- The requirement from the interim final rules that at least 75 percent of the PPP loan proceeds be used for "payroll costs" remains in place; however, the form provides two favorable clarifications on this overall limitation:
 - **It's not a cliff!** The calculation is based on the lesser of the:
 - Loan amount,
 - Total payroll and nonpayroll costs (after the application of the reductions based on the number of full-time equivalents (FTEs) and salaries/wages), or
 - Total "payroll costs" divided by 75 percent
 - **It applies after the FTE and salary/hourly wage reduction tests**
- The FTE calculation is based on a 40-hour week, with an elective simplified method provided to treat any employee over 40 hours as one FTE and any employee who works less than 40 hours as 0.5 FTE
- The FTE reduction safe harbor provided in the statute that exempts the borrower from the reduction in the forgiveness amount due to a reduction in FTE applies if the borrower both:
 - Experienced a reduction in FTEs during the period beginning February 15, 2020 and ending April 26, 2020; and
 - Restored its FTE levels by no later than June 30, 2020 to the FTE levels in the pay period that included February 15, 2020 (it's not clear how long the FTE needs to be employed after June 30)
- And a final note, **page 10 of the form provides the list of documentation that must be included with the application as well as documents each borrower must maintain but are not required to submit.**

For additional information or questions contact:

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