

Paycheck Protection Program (PPP) Loan Forgiveness & Procedures



Dr. Kelly A. Hunt, District Director – SBA Pittsburgh District Office

Dr. Kelly A. Hunt serves as the district director for the U.S. Small Business Administration (SBA) Pittsburgh District Office where she is responsible for the delivery and leadership of the agency's financial and business development programs in 27 counties in Western Pennsylvania.

Prior to her SBA appointment, Hunt was employed at California University of Pennsylvania where she spearheaded a strategic initiative to improve the overall entrepreneurial culture of the university community, which included the creation of the Entrepreneurial Leadership Center and Student Incubator. She also spent five years as a development specialist at the Southwestern Pennsylvania Commission where she implemented community and economic development initiatives throughout a nine-county region. Her work experience also includes curriculum development and instruction, having taught many undergraduate and non-credit courses in leadership, management, and business.

An entrepreneur herself, Hunt has hands-on experience starting and operating businesses in Pennsylvania. She also is involved in social entrepreneurship initiatives, through which she passionately inspires others to pursue entrepreneurship on a global level.

An Air Force veteran, Hunt served over nine years as a security policeman. She received a doctoral degree in organizational leadership, holds a master's degree in curriculum and instruction and a bachelor's degree in computer information systems management.

A native of Washington County, Hunt serves in a leadership capacity for four local organizations and has traveled internationally to help communities around the world. Hunt has been married to her husband, Terry, for 29 years; they are the parents of three grown children and are grandparents to seven granddaughters.





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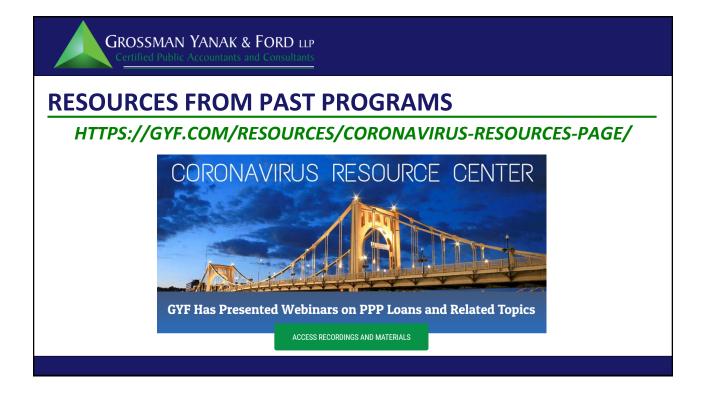
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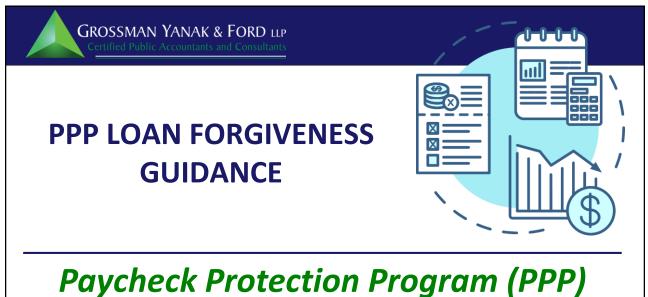


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Loan Forgiveness & Procedures

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PPP LOAN FORGIVENESS – GUIDANCE

Section 1106, LOAN FORGIVENESS

- Provisions contained in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted March 27, 2020
- CARES Act mandated that all guidance is to be issued by the SBA within 30 days of enactment (April 26, 2020)
- Quick-guidance mandate was ignored by both the Treasury and the SBA, with direction issued primarily in a series of "Frequently Asked Questions" (FAQs) that were updated over many months



PPP LOAN FORGIVENESS – GUIDANCE

Lack of timely guidance continues to be a problem

- A number of issues requiring further clarification for borrower/applicants for loan forgiveness remain unanswered
- Substantial guidance has been issued to address both borrower and lender questions concerning forgiveness of Paycheck Protection Program (PPP) loans, as provided for under section 1106 of the CARES Act, and as amended by the Paycheck Protection Program Flexibility Act
- Most-current guidance (dated 12/9/20) available as <u>FAQs on SBA website</u>

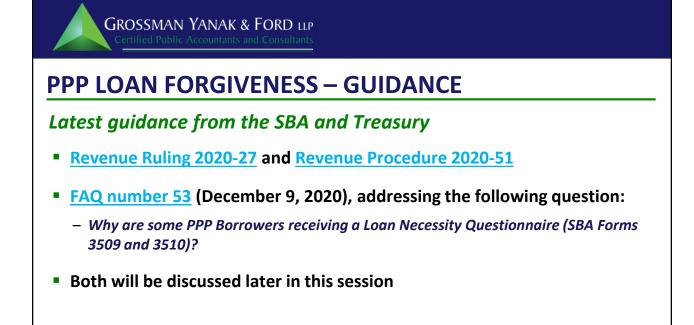


PPP LOAN FORGIVENESS – GUIDANCE

Additional guidance from the SBA and Treasury

- Borrowers and lenders may rely on the guidance provided in the FAQs as SBA's interpretation, in consultation with the Department of the Treasury, of the CARES Act, the Flexibility Act, and the PPP Interim Final Rules
- Links to updated versions of program rules and relevant documents can be found on the CARES Act/PPP page of the Treasury website:

⁻ https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses







Eligibility for Loan Forgiveness Under SBA Rules

- Borrowers may be eligible for loan forgiveness if the funds were used for eligible payroll costs, payments on business mortgage interest payments, rent, or utilities during either the 8-week or 24-week [covered] period after disbursement
- A borrower can apply for forgiveness once it has used all loan proceeds for which the borrower is requesting forgiveness



PPP LOAN FORGIVENESS – FUNDAMENTALS

Timing of Forgiveness Application

- Borrowers can apply for forgiveness any time up to the maturity date of the loan
- If borrowers do not apply for forgiveness within 10 months after the last day of the covered period, then PPP loan payments are no longer deferred and borrowers will begin making loan payments to their PPP lenders
 - Exception for timely applying for forgiveness (to be addressed later)



- PPP Loan Forgiveness FAQ #4 (October 13, 2020)
 - <u>Question</u>: The PPP loan forgiveness application forms (3508, 3508EZ, and 3508S) display an expiration date of 10/31/2020 in the upper-right corner. Is October 31, 2020 the deadline for borrowers to apply for forgiveness?



Deadline for Submission of Forgiveness Application

- PPP Loan Forgiveness FAQ #4 (October 13, 2020)
 - <u>Answer</u>: No. Borrowers may submit a loan forgiveness application any time before the maturity date of the loan, which is either two or five years from loan origination.

However, if a borrower does not apply for loan forgiveness within 10 months after the last day of the borrower's loan forgiveness covered period, loan payments are no longer deferred and the borrower must begin making payments on the loan.



PPP Loan Forgiveness Application

- 3 forgiveness applications forms available from the SBA
- The application that each borrower uses is dependent upon the facts and circumstances of their particular situations
- It appears that most lenders have developed processing software that allows for the input of borrower data in a manner that will automatically default to the most appropriate form of the application



PPP LOAN FORGIVENESS – FUNDAMENTALS

PPP Loan Forgiveness Application – 3 Variations

- SBA Form 3508 "Loan Forgiveness Calculation" (June 16, 2020)
- <u>SBA Form 3508EZ</u> "EZ Version" (June 16, 2020)
- <u>SBA Form 3508S</u> "Streamlined Version" (October 8, 2020)



SBA Form 3508 (5 pages)

- This form is the longest and most detailed of the three applications
 - It includes sufficient information to fully comply with the required reductions in the loan forgiveness amount for borrower reductions in full time equivalency (FTE) employees and wage reductions exceeding 25% for certain employees



PPP LOAN FORGIVENESS – FUNDAMENTALS

SBA Form 3508EZ (3 pages)

- This shorter version of the application can be used if:
 - 1. Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application, and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (<u>SBA Form 2483</u>)



SBA Form 3508EZ (3 pages)

2. Borrower did not reduce the annual salary or hourly wages of any employee (earning <\$100,0000 annually) by more than 25% during the Covered Period or Alternative Payroll Covered Period, compared to period between January 1, 2020 and March 31, 2020; <u>and</u>

Borrower did not reduce the number of employees or average paid hours of employees between January 1, 2020, and the end of the Covered Period

- May ignore reductions arising from inability to rehire individuals who were employees on Feb. 15, 2020, if unable to hire similarly qualified employees for unfilled positions on or before Dec. 31, 2020
- May ignore reductions in employee's hours that Borrower offered to restore and employee refused

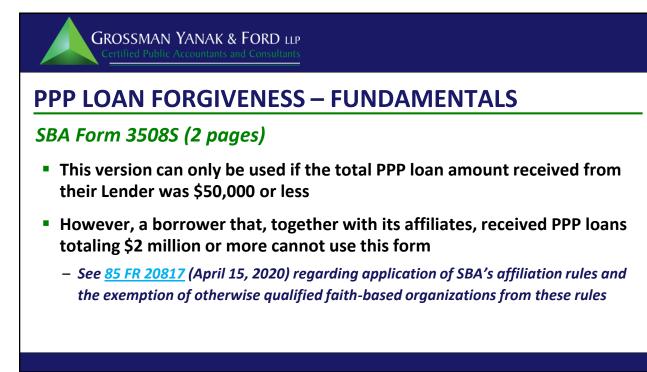
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PPP LOAN FORGIVENESS – FUNDAMENTALS

SBA Form 3508EZ (3 pages)

3. Borrower did not reduce the annual salary or hourly wages of any employee (earning <\$100,0000 annually) by more than 25% during the Covered Period or Alternative Payroll Covered Period, compared to period between January 1, 2020 and March 31, 2020; <u>and</u>

Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the CDC or OSHA, related to maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19





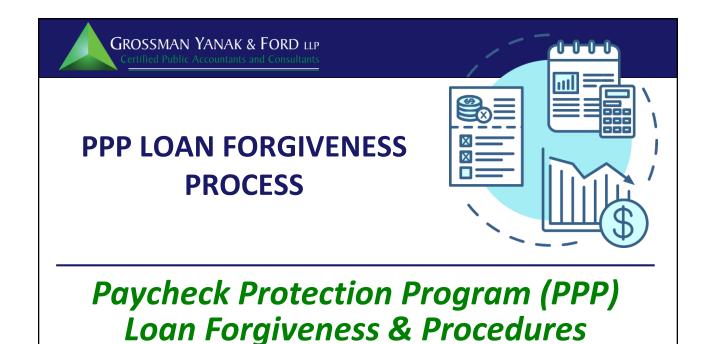
SBA Form 3508S – Effect of Proposed Legislation

 Presumably, if the bipartisan stimulus package passes and is signed into law, allowing for "automatic forgiveness for loans below \$150,000," this form will immediately be withdrawn and rescinded



Application Mechanics

- Most lenders appear to be using a portal where borrowers input the requested information, which is then interpreted by lender software and guides the borrower to the most appropriate loan forgiveness form
- It is helpful if borrowers first review the forms that they might be able to use to apply for forgiveness to give them some familiarity with the information being requested by the lender





PPP LOAN FORGIVENESS – PROCESS

Loan Forgiveness Protocols

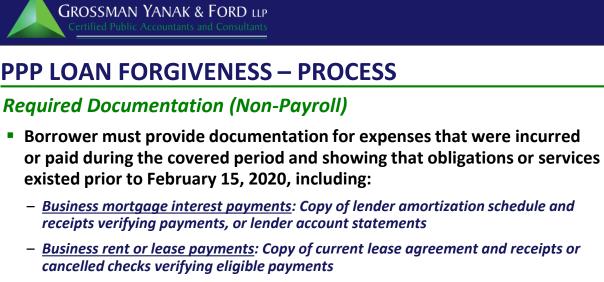
- <u>4-step process</u> is controlled by the original lender/provider of the PPP loan
 - 1. Contact the PPP loan lender and complete the appropriate form
 - 2. Compile proper documentation
 - **3.** Submit the forgiveness form and documentation to the PPP lender
 - 4. Continue to communicate with the lender throughout the process

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PPP LOAN FORGIVENESS – PROCESS

Required Documentation (Payroll)

- Borrower must provide documentation for all payroll periods that overlapped with the Covered Period or Alternative Payroll Covered Period, including:
 - Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees
 - Tax forms (or equivalent third-party payroll service provider reports) for appropriate periods
 - Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
 - State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state
 - Payment receipts, cancelled checks or account statements documenting amount of employer contributions to employee health insurance and retirement plans included in the forgiveness



<u>Business utility payments</u>: Copies of invoices and receipts, cancelled checks or account statements

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PPP LOAN FORGIVENESS – PROCESS

Required Documentation Notes

- Listing of required documents is taken from the <u>SBA website</u>, and it is noted therein that it is not all-inclusive
- It is expected that document requests may vary from lender to lender
- Note that scanned documents, E-signatures, etc., are permissible per SBA guidance, <u>PPP Forgiveness FAQ #2</u> (October 13, 2020)



PPP LOAN FORGIVENESS – PROCESS

Eligibility and Timing

- Funds must have been used for eligible payroll costs, payments on business mortgage interest payments, rent, or utilities during either the 8-week or 24-week [covered] period after disbursement
- A borrower can apply for forgiveness once it has used all loan proceeds for which the borrower is requesting forgiveness, at any time up to the maturity date of the loan
- If borrowers do not apply for forgiveness within 10 months after the last day of the covered period, then PPP loan payments are no longer deferred and borrowers will begin making loan payments to their PPP lender (See exception on next slide)



PPP LOAN FORGIVENESS – PROCESS

Exception for Application Deadline

- PPP Loan Forgiveness FAQ #3 Loan Payment Exception for Timely Application
 - <u>Question</u>: If a borrower submits a timely loan forgiveness application, does the borrower have to make any payments on its loan prior to SBA remitting the forgiveness amount, if any?
 - <u>Answer</u>: As long as a borrower submits its loan forgiveness application within 10 months of the completion of the Covered Period (as defined below), the borrower is not required to make any payments until the forgiveness amount is remitted to the lender by SBA (Continued on next slide)



PPP LOAN FORGIVENESS – PROCESS

Exception for Application Deadline

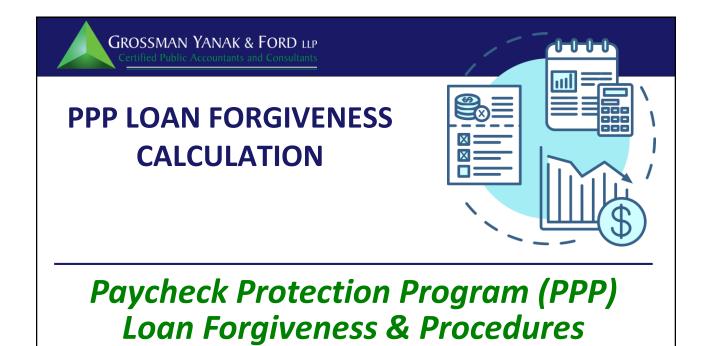
- PPP Loan Forgiveness FAQ #3 Loan Payment Exception for Timely Application
 - <u>Answer</u>: (continued) If the loan is fully forgiven, borrower is not responsible for any payments. If only a portion of the loan is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid by the borrower on or before the maturity date of the loan. Interest accrues during the time between the disbursement of the loan and SBA remittance of the forgiveness amount.
 - Borrower must pay accrued interest on any amount of the loan that is not forgiven
 - Lender must notify borrower of remittance by SBA of the loan forgiveness amount (or that no amount of loan is eligible for forgiveness) and date first payment is due, if applicable



PPP LOAN FORGIVENESS – PROCESS

Requirements for Forgiveness of the Entire PPP Loan Amount

- The following conditions must all be met to qualify for complete forgiveness:
 - Not more than 40% of the forgiveness amount used for non-payroll costs;
 - Employee headcount is maintained; and
 - Compensation levels for employees earning less than \$100,000 per year are not decreased more than 25%
- If any of these factors are not satisfied fully (or full amount of the PPP loan is not used in the selected 8-week or 24-week period), a portion of the loan will not be forgiven and must be repaid



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PPP LOAN FORGIVENESS – CALCULATION

Overview of Calculation Process

The determination of how much of those amounts borrowed under the PPP can, and will, be forgiven is a multiple-step process that requires consideration of the statutory language included in the CARES Act under Section 1106 and later issued guidance issued by the SBA, in conjunction with Treasury



PPP LOAN FORGIVENESS – CALCULATION

Pursuant to Section 1106 of the CARES Act:

"...an eligible recipient [of a PPP loan] shall be eligible for forgiveness of indebtedness on a covered loan in an amount equal to the sum of the following costs incurred and payments made during the covered period."

- 1. Payroll costs
- 2. Interest on covered mortgage obligation (no prepayments or principal)
- 3. Any payment on any covered rent obligation
- 4. Any covered utility payment

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PPP LOAN FORGIVENESS – CALCULATION

General Definitions (pursuant to Section 1106 of the CARES Act)

- Covered Loan the PPP loan under Section 1102 of the CARES Act
- Covered Mortgage Obligation any indebtedness or debt instrument incurred in the ordinary course of business that:
 - a) is a liability of the borrower
 - b) is a mortgage on real or personal property and
 - c) was incurred before February 15, 2020



PPP LOAN FORGIVENESS – CALCULATION

General Definitions (pursuant to Section 1106 of the CARES Act)

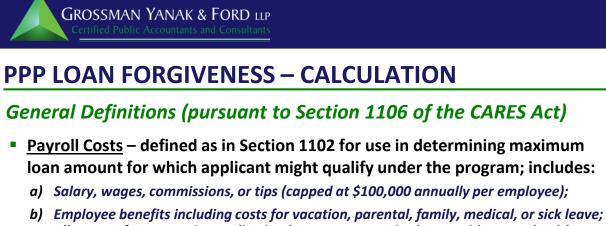
- <u>Covered Period</u> the selected 8-week, or 24-week, period beginning on the date of the origination of the loan (the proceeds disbursement date)
- <u>Covered Rent Obligation</u> rent obligated under a leasing agreement in force before February 15, 2020
- <u>Covered Utility Payment</u> payment for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020



PPP LOAN FORGIVENESS – CALCULATION

General Definitions (pursuant to Section 1106 of the CARES Act)

- Eligible Recipient the recipient of the loan
- Expected Forgiveness Amount the amount of principal a lender reasonably expects a borrower to expend during the covered period on the sum of any:
 - a) Payroll costs
 - b) Payments of interest on any covered mortgage
 - c) Payments of any covered rent obligations
 - d) Payments of covered utility costs



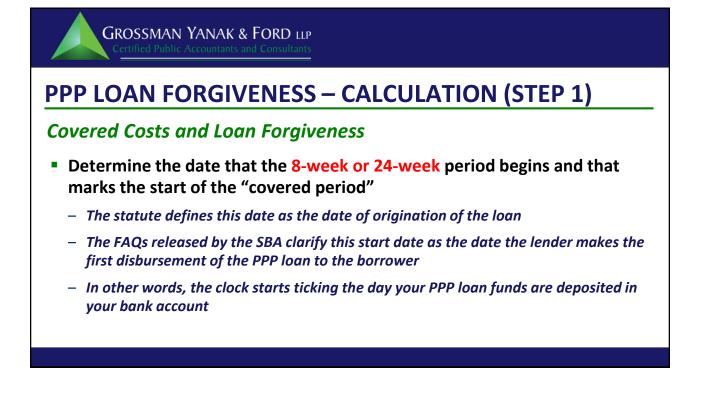
- b) Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required to provide group health care benefits including insurance premiums; and payment of any retirement benefit;
- c) State and local taxes assessed on compensation; and
- *d)* For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000



PPP LOAN FORGIVENESS – CALCULATION

Further Clarification of Payroll Costs per the SBA FAQs

- Payroll costs <u>DO NOT</u> include:
 - Any payments made to an independent contractor
 - Any adjustments to gross wages, either up or down, for federal payroll taxes including the employer's share of FICA taxes
- Payroll costs <u>DO</u> include:
 - Any payments made to general active partners

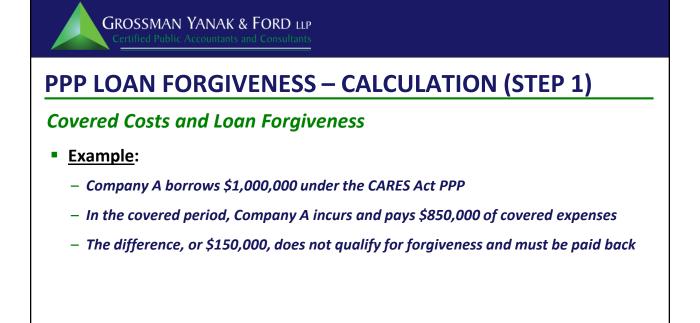


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PPP LOAN FORGIVENESS – CALCULATION (STEP 1)

Covered Costs and Loan Forgiveness

- Determine the total amount of loan proceeds utilized in the covered period for "incurred and paid" payroll costs and other allowable costs, i.e., the "covered expenses"
- If the covered expenses do not rise to the level of the loan proceeds, the difference does not qualify for forgiveness

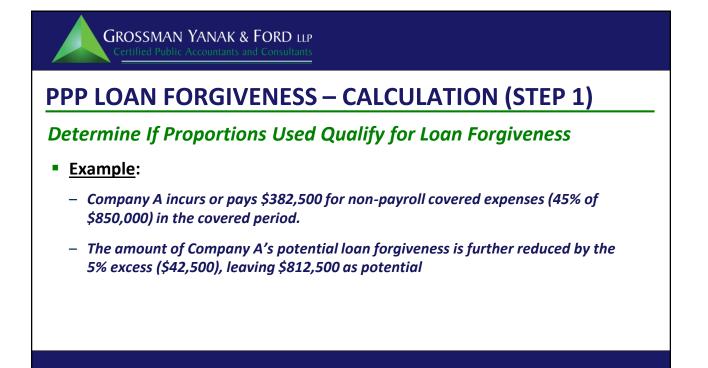




PPP LOAN FORGIVENESS – CALCULATION (STEP 1)

Covered Costs and Loan Forgiveness

- Determine if that amount potentially qualifying for loan forgiveness was used in proper proportions to further qualify for loan forgiveness – was the amount incurred or paid from the remaining \$850,000 used 60% for covered payroll?
 - If yes, the eligible recipient moves to Step 2
 - If the "other, non-payroll" covered expenses exceed 40% of the remaining qualifying loan, there is a further limitation in Step 1

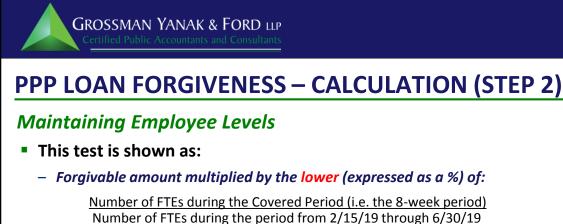




PPP LOAN FORGIVENESS – CALCULATION (STEP 2)

Maintaining Employee Levels

- Pursuant to Section 1106 of the CARES Act:
 - The amount of loan forgiveness will be reduced by any proportionate reduction in the number of employees retained during the covered period compared to one of two prior pay periods to be determined by the borrower in its sole discretion
 - The amount of the loan forgiveness is reduced by multiplying the forgivable amount by the quotient (expressed as a percentage) obtained by dividing (X) the average number of full-time equivalent employees (FTEs) per month employed by borrower during the Covered Period by (Y), the lower of one of two alternative pay periods



OR

<u>Number of FTEs during the Covered Period (i.e. the 8-week period)</u> Number of FTEs during the period from 1/1/20 through 2/29/20

Note that you are permitted to choose the better option, the one which provides the lower employee count (expressed as a %)



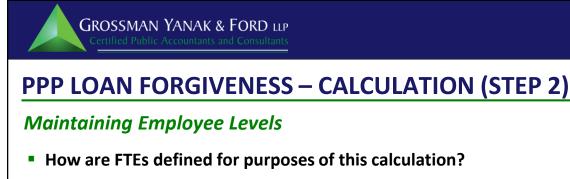
PPP LOAN FORGIVENESS – CALCULATION (STEP 2)

Maintaining Employee Levels

- Example:
 - \$100,000 * 64/62 = \$ 100,000 (no limitation)

\$100,000 * 64/72 = \$ 88,888

 The higher ratio would be chosen as it would produce no FTE-related reduction to the forgivable loan amount



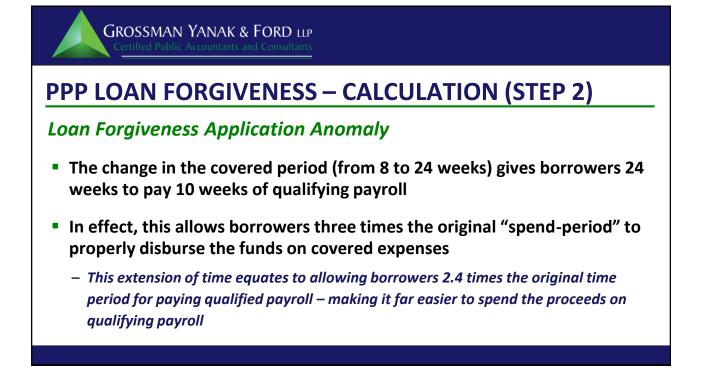
- The average number of full-time equivalent employees (FTEs) is determined by calculating the average number of FTEs for each pay period falling within a month
- For an eligible recipient that is a seasonal employer (as determined by the SBA), the average number of FTEs per month employed by the borrower must be determined during the period beginning 02/15/19 and ending 06/30/19



PPP LOAN FORGIVENESS – CALCULATION (STEP 2)

Loan Forgiveness Application Anomaly

- The original borrowing under the PPP loan provisions was essentially 2.5 months of qualifying payroll, thus, most borrowers requested a loan equal to 10 weeks of payroll
- For borrowers who later elected the 24-week covered period, the forgiveness qualification requirement is to have spent the loan proceeds on covered expenses in the 60/40 ratio noted earlier



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PPP LOAN FORGIVENESS – CALCULATION (STEP 2)

Loan Forgiveness Application Anomaly

- This outcome is borne out in the application process on Form 3508
 - It appears that proper completion of the form in a circumstance where a 24-week covered period is selected produces a loan forgiveness amount that is larger than the original PPP loan



PPP LOAN FORGIVENESS – CALCULATION (STEP 3)

Reduction Relating to Salary and Wages

- Amount of the loan forgiveness shall be reduced by the amount of any reduction in total salary or wages of any employee during the covered period which is in excess of 25% of the total salary/wages of the employee during the most recent full quarter during which the employee was employed before the covered period
 - Employees for this calculation are those who did not receive in any single pay period during 2019, wages or salary at an annualized rate of pay in an amount above \$100,000
 - Employers with tipped employees may receive forgiveness for additional wages paid to those employees

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PPP LOAN FORGIVENESS – CALCULATION (STEP 3)

Reduction Relating to Salary and Wages

 Wage reductions occurring between February 15, 2020, and 30 days following passage of the CARES Act, will not reduce the amount of loan forgiveness, if by December 31, 2020, the borrower eliminates the reduction in employees or reduction in wages



PPP LOAN FORGIVENESS – CALCULATION (STEP 3)

Reduction Relating to Salary and Wages

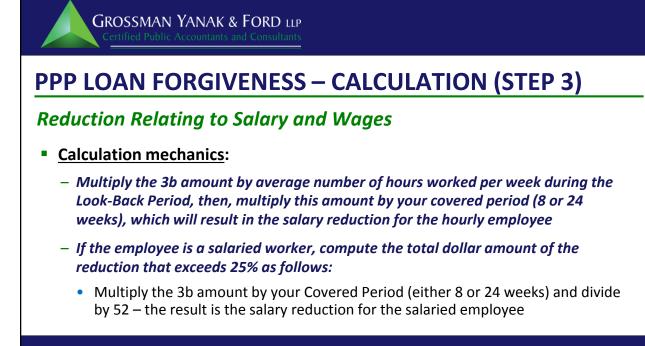
- Divide the average annual salary or hourly wage during your Covered Period by the average annual salary or hourly wages of the *Look-Back Period*
 - Look Back Period = January 1, 2020 March 31, 2020
- If result is 0.75 or more, no salary or hourly wage reduction for that employee
 - If the wage reduction is 0.75 or more, consider the safe harbor provisions
 - If the safe harbor does not apply, then proceed to the reduction calculation

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PPP LOAN FORGIVENESS – CALCULATION (STEP 3)

Reduction Relating to Salary and Wages

- Calculation mechanics:
 - Multiply Look-Back Period amount by 0.75 (3a Amount)
 - Subtract this amount from your covered period amount (3b Amount)
 - If the employee is an hourly worker, compute the total dollar amount of the reduction that exceeds 25% (see next slide)

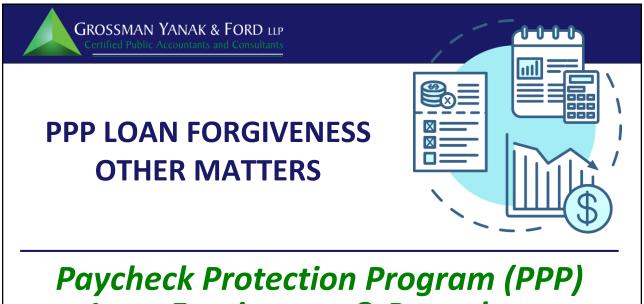




PPP LOAN FORGIVENESS – CALCULATION (STEP 3)

Reduction Relating to Salary and Wages

- Wage Restoration Provision
 - If, by December 31, 2020, wages are restored for those employees who had a salary reduction from February 15, 2020, to April 26, 2020, there will be no decrease in loan forgiveness for this specific provision
 - If wages are not restored under this provision, loan forgiveness will be limited



Loan Forgiveness & Procedures



PPP LOAN FORGIVENESS – OTHER MATTERS

Matters of Taxation

- Forgivable PPP loans excluded from federal taxable income by the CARES Act
- The IRS issued <u>Notice 2020-32</u> in April 2020, which stated that expenses associated with the tax-free income are NON-DEDUCTIBLE
- The IRS doubled down on this tax position on November 18, 2020, issuing additional guidance to reiterate the government position that covered expenses paid with proceeds of a PPP loan that is forgiven are NOT deductible

- <u>Revenue Ruling 2020-27</u> and <u>Revenue Procedure 2020-51</u>



Matters of Taxation

IRS Revenue Ruling 2020-27

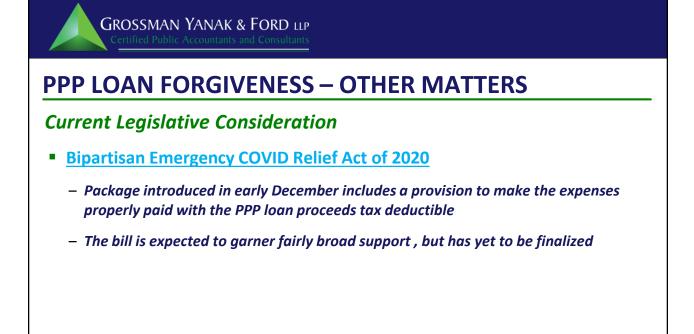
- If the taxpayer/PPP loan borrower has a reasonable expectation that the expenses paid with the PPP loan proceeds will be reimbursed (through loan forgiveness), the expenses should not be deducted
- Thus, the question of whether the covered expenses paid with PPP loan proceeds should be deducted in 2020 or 2021 is definitively answered in this ruling



PPP LOAN FORGIVENESS – OTHER MATTERS

Matters of Taxation

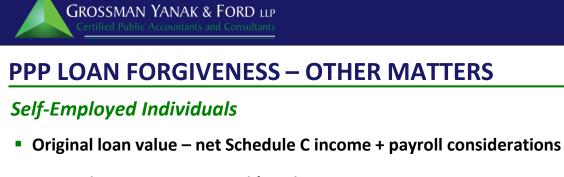
- IRS Revenue Procedure 2020-51 Three Safe Harbors
 - This release offers three alternative safe harbors that the taxpayer/borrower can use to claim a deduction in the taxpayer's 2020 tax year if the taxpayer/borrower is later denied forgiveness or decides not to seek forgiveness
 - 1. Timely filed (including extensions) 2020 original income tax return
 - 2. An amended 2020 income tax return or administrative adjustment request
 - 3. A timely-filed (including extensions) 2021 or subsequent income tax return





Sole Proprietors

- Owner compensation replacement concept
 - Maximum Net Income = \$100,000/12*2.5 = \$20,833
- Utilizing Form 3508S
 - Only allowed for borrowers with loans of \$50,000 or less
- Because the sole proprietor has no payroll:
 - Is there an add-back to taxable income for disallowed expenses?



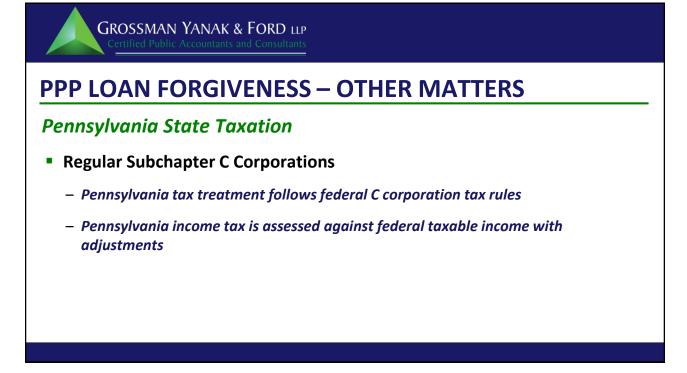
- IRS Notice 2020-32 tax considerations
 - Disallows a deduction for expenses funded by the forgiven loan
 - No expenses to be disallowed for sole proprietor's "owner replacement income"
 - As a result, a self-employed individual will realize tax-free income of up \$20,833 with a 24-week covered period on the PPP Loan
 - The same result applies to a partner in a partnership who receives a draw

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PPP LOAN FORGIVENESS – OTHER MATTERS

Pennsylvania State Taxation

- Sole Proprietors/Pass-Through Enterprises
 - Pennsylvania tax treatment follows individual taxation principles for sole proprietors and pass-through businesses
 - PPP loan forgiveness is NOT taxable, and the expenses paid are NOT deductible





- SBA Procedural Notice 5000-20057 Paycheck Protection Program Loans and Changes of Ownership (10/2/20)
- SBA Notice 85 FR 67809 Solicitation of Public Comments (10/26/20)
 - Draft Forms 3509 and 3510, PPP Loan Necessity Questionnaires
 - Form 3509 (For-Profit Borrowers) and Form 3510 (Non-Profit Borrowers)
 - Required for loans at \$2 million and above



Recent Developments from the SBA

New PPP Loan FAQ #53 (December 9, 2020)

 <u>Question</u>: Why are some PPP borrowers receiving a Loan Necessity Questionnaire (SBA Form 3509 or 3510)?



PPP LOAN FORGIVENESS – OTHER MATTERS

Recent Developments from the SBA

New PPP Loan FAQ #53 (December 9, 2020)

 <u>Answer</u>: As previously announced, SBA is reviewing all loans of \$2 million or more, and other loans as appropriate, for eligibility, fraud or abuse, and compliance with loan forgiveness requirements. As part of this process, SBA is providing a Loan Necessity Questionnaire to lenders for them to provide to PPP borrowers that, together with their affiliates, received loans of \$2 million or more. Upon request from their lender, borrowers should return the completed questionnaire to their lender within 10 business days of receipt.



Recent Developments from the SBA

New PPP Loan FAQ #53 (December 9, 2020)

 <u>Answer</u>: (continued) The information that borrowers provide on the questionnaire will help SBA assess those borrowers' certification in their loan application that "[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant," as required by the CARES Act.



PPP LOAN FORGIVENESS – OTHER MATTERS

- New PPP Loan FAQ #53 (December 9, 2020)
 - <u>Answer</u>: (continued) A request to complete the Loan Necessity Questionnaire does not mean that SBA is challenging a borrower's certification that is required by the CARES Act. SBA's assessment of a borrower's certification will be based on the totality of the borrower's circumstances through a multi-factor analysis.



Recent Developments from the SBA

New PPP Loan FAQ #53 (December 9, 2020)

 <u>Answer</u>: (continued) As described in FAQ #46, SBA will assess whether the borrower had adequate basis for making the required good-faith certification, based on its individual circumstances in light of the language of the certification and SBA guidance. This certification is required to have been made in good faith at the time of the loan application, even if subsequent developments resulted in the loan no longer being necessary.



PPP LOAN FORGIVENESS – OTHER MATTERS

- New PPP Loan FAQ #53 (December 9, 2020)
 - <u>Answer</u>: (continued) In its review, SBA may take into account the borrower's circumstances and actions both before and after the borrower's certification to the extent that doing so will assist SBA in determining whether the borrower made the statutorily required certification in good faith at the time of its loan application.



Recent Developments from the SBA

New PPP Loan FAQ #53 (December 9, 2020)

 <u>Answer</u>: (continued) After a borrower submits its completed questionnaire, SBA may request additional information, if necessary, to complete its review. When additional information is requested, borrowers will have an opportunity to provide a narrative response to SBA explaining the circumstances that provided the basis for their goodfaith loan necessity certification.



PPP LOAN FORGIVENESS – OTHER MATTERS

- New PPP Loan FAQ #53 (December 9, 2020)
 - <u>Answer</u>: (continued) SBA will make a final determination that a borrower lacked an adequate basis for its loan necessity certification after reviewing any additional information that a borrower chooses to submit. This targeted, multi-step approach will ensure the integrity of the evaluation process and expeditious processing, as well as properly allocate SBA's finite resources to those loans that require additional review.



- Suggested Path Related to Proposed Loan Necessity Questionnaires
 - Numerous business organizations have suggested modification of the questionnaires and possible rescission of the forms with the offer of assistance to the SBA to try and come to a better solution
 - As such, it is suggested that taxpayers/borrowers subject to the \$2M Loan Necessity Questionnaire defer application for forgiveness for a short time until the SBA's response is known

