

EXCLUSIVE

PPP Loan Forgiveness

The Small Business Administration has issued guidance intended to speed up and simplify the forgiveness process for Paycheck Protection Program loans of \$150,000 or less, which represent 93% of outstanding loans.



The launch of a direct borrower forgiveness process

The SBA is launching a new direct forgiveness process that provides PPP lenders with an optional technology solution that essentially will allow their borrowers to apply for loan forgiveness directly to the SBA through the new portal that will launch Aug. 4.

When a PPP lender opts in to the direct borrower forgiveness process, the new portal will provide a single secure location that integrates with the SBA's PPP

Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508S

OMB Control No. 3245-0487
Expiration date: 10/31/2020

A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$50,000 OR LESS. A Borrower that, together with its affiliates, received PPP loans totaling \$2 million or greater cannot use this form.

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address	Business TIN (EIN, SSN)	Business Phone	
		() -	
	Primary Contact	E-mail Address	

SBA PPP Loan Number: _____ Lender PPP Loan Number: _____
 PPP Loan Amount: _____ PPP Loan Disbursement Date: _____
 Employees at Time of Loan Application: _____ Employees at Time of Forgiveness Application: _____
 EIDL Advance Amount: _____ EIDL Application Number: _____
 Forgiveness Amount: _____

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:
 The Authorized Representative of the Borrower certifies to all of the below by **initialing** next to each one.

The dollar amount for which forgiveness is requested does not exceed the principal amount of the PPP loan and:

- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

Treatment of Forgiveness

Under normal circumstances, forgiven loan amounts are generally taxable income for federal income tax purposes. But the CARES Act, under section 1106(i) of the act, expressly excludes the forgiveness of PPP loans from federal gross income, and thus federal income tax. Therefore, you will not pay federal taxes when you receive PPP forgiveness.

platform and allows borrowers with loans of \$150,000 or less to apply for loan forgiveness using an electronic equivalent of SBA Form 3508S. However, some states do not have the federal government on this topic. Whether a borrower's loan forgiveness is taxable at the state level largely rests on the particular state's conformity rules.

The SBA said the new forgiveness process will provide lenders with reduced costs, increased efficiency, and more timely remittance of forgiveness payments from the loan forgiveness exclusion. However, the SBA, while borrowers will benefit from the ability to submit loan forgiveness applications directly through the platform and reduce the wait time and uncertainty associated with submission through their lender. Some rolling conformity states may opt to decouple from the CARES Act, and thus conform to the federal exclusion. It is imperative for borrowers to know the status of their states' conformity rules and to plan accordingly.

PPP Information

Forgivable Expenses

An additional complexity at the state level is the treatment of expenses incurred when using the funds from the PPP. Originally, the IRS released Notice 2020-32 stated that the taxpayer who received forgiveness for a loan under the provisions of the PPP may not 'double-dip' by also deducting the amount paid out to employees as expenses if the payment of the expense results in the forgiveness of the loan. However, this was recently reversed when congress approved the [deductibility of covered expenses paid with PPP funds](#) through the Consolidated Appropriations Act of 2021 (CAA), and signed into law by the president on Dec. 27, 2020. The Notice was subsequently made obsolete by the IRS.

Similar to the nuance as to whether states will conform to the income exclusion, some states may deny the deduction or require income inclusion and allow the deduction. Ultimately, it is anticipated that the states will provide guidance on whether they will allow taxpayers a 'double benefit' with respect to PPP income and expenses. However, a number of states have yet to address or conform to that treatment.

PPP Expenses

Contact SCN Accounting & Tax for Questions



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