

## SBA PPP Use of Proceeds and Loan Forgiveness



The borrower will be eligible for loan forgiveness in an amount not to exceed the following costs incurred during the 8-week period beginning on the date of the loan origination:

- payroll costs,
- interest on mortgage payments,
- rent, and
- utilities.

The amount of loan forgiveness may be reduced:

- if the average number of monthly full-time equivalent employees during the 8-week period after the loan decreases from a base period in 2019 or 2020.
- if there is a greater than 25% reduction in compensation to an employee during this 8-week period, or
- credits are received for emergency sick leave or family and medical leave.

To be eligible for loan forgiveness, a borrower must submit an application to its original lender. The application package should certify that the amount of forgiveness requested was used to retain employees, make interest payments on a mortgage obligation, pay rent, or pay utilities.

The application package should also include specific information:

- supporting the number of full-time equivalents, such as federal and state payroll tax filings, and
- documentation verifying mortgage, rent and utility payments, such as cancelled checks, payment receipts, and transcripts.

A business should expect a decision from the lender within 60 days of the forgiveness application. The amount of loan forgiven under this Act will not be includible in gross income for federal income tax purposes. However, the IRS has stated that income tax deductions are not allowed for expenses paid with the portion of the loan that is forgiven.

Any remaining balance of the loan after any forgiveness will have a maturity of 24 months from the loan funding date with an interest rate of 1%.

These are just a few of many provisions of the law, and further guidance may be issued as to how this law will be implemented.

**If you have questions or would like to further discuss, please call Perry Barnett, CPA,  
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