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New Forgiveness Guidelines for Paycheck Protection Program (PPP) Loan

The Paycheck Protection Program (PPP) is a provision of the Coronavirus Aid, Relief, and Economic Security (CARES) Act that's aimed specifically at helping small businesses keep their employees paid. As long as a business meets the loan's eligibility requirements, they can apply. Loans are approved on a first come, first serve basis through any existing SBA lender, with a maximum loan size of \$10 million.

The Small Business Administration and the Treasury Department said they will "promptly" issue rules and guidance; a modified application form; and a modified loan forgiveness application after President Trump signed into law the Paycheck Protection Program Flexibility Act (PPFA).

The bipartisan law tried to alleviate the uncertainty, easing the rules on how small business owners need to spend the coronavirus aid money in order for it to be forgiven. Loan recipients are now only required to spend 60 percent of the aid on maintaining payroll, rather than the previous 75 percent rule. The money that can be spent on operating costs like rent and utilities increased to 40 percent from 25 percent. The PPFA also extended the timeline for businesses to spend the money from 8 weeks to 24 weeks.

If the loans are not forgiven, a business will have five years at 1 percent interest to repay the loan, rather than the initial two years.

In order to have their loan forgiven, small business owners must fill out an application, released in mid-May, and submit it to the bank or lender that approved their initial request. The application focuses on key criteria centered around what types of expenses are forgivable. It also includes a step-by-step calculator for determining forgiveness eligibility.

Businesses, non-profits, tribal businesses and veterans organizations with not more than 500 employees during covered period are eligible to apply the PPP loan. Individuals who operate as sole proprietors or as independent contractors and eligible self-employed individuals can also receive a loan. It will be necessary to provide documentation like a 1099-Misc or show income and expenses.

The PPP application is fairly straightforward. Only one business owner or authorized signer needs to fill out the form. However, if a business has more than one owner who owns 20 percent or more of the business, then the signer needs to provide the owner information (i.e. name, Social Security Number, date of birth, etc.) for all those owners. Otherwise, you just need to certify in good faith that you need the PPP loan to support operations and that the funds will be used for its intended purposes. Once completed, send your application to your loan officer at your current bank.



If you wish to obtain more information or assistance, please visit our official website at www.kaizencpa.com or contact us through the following means:

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