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Autumn Update on PPP Loan Forgiveness

September 25, 2020

Key Reminder: Borrowers will only get one chance at forgiveness and Congress has yet to finalize the forgiveness rules. Thus, we recommend holding off on applying for forgiveness until further clarification is provided.

Here's how the timeline currently looks, once the clock starts:

1. From the end of a borrower's chosen covered period, they have 10 months to apply for forgiveness.
2. Once the application is received by the lender, they have 60 days to render a forgiveness decision.
3. From that point, the SBA has 90 days to remit payment of the forgiveness amount.
 - If the forgiveness application is denied by the lender, the borrower has 30 days to notify the lender that they request a review by the SBA, which the SBA is not required to accept.
 - The SBA also has a five-year statute of limitations to reassess loan forgiveness.

A majority of banks are waiting on legislation that will allow for loans under \$150,000 to be automatically forgiven (by signing an affidavit). This threshold amount could change. If it does pass, paperwork for both lender and borrower will be significantly reduced, so at this time we recommend waiting to see how this plays out.

In the interim, be sure to familiarize yourself with the [EZ application](#) to check your eligibility, specifically if you:

- Are self-employed and have no employees;
OR
- Did not reduce the salaries or wages of employees by more than 25% and did not reduce the number or hours of employees;
OR
- Experienced reduction in business activity as a result of health directives (i.e. shutdown, reduced capacity for restaurants, etc.) related to COVID-19 and did not reduce the salaries or wages of employees by more than 25%

Based on the 60 and 90 day review periods, it is likely borrowers won't know if the loan is forgiven and by how much until 2021, which will have implications on your tax planning and financial reporting. Remember – Currently, the IRS has stated expenses that are fully forgiven are nondeductible.

IRS guidance doesn't appear to align with Congress's intention, thus legislation could be passed to reverse this decision.

As always, we'll be in touch to keep you up-to-date on the latest developments.

Visit our [website](#) for more tools and resources! We're proud to be Your Partner in Business.