



Paycheck Protection Program: Loan Forgiveness Application

Presenter

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Loan Forgiveness Process

- To receive loan forgiveness, a borrower must complete and submit the Loan Forgiveness Application to their lender
- The lender will review the application and make a decision regarding loan forgiveness
 - has 60 days from receipt of a complete application to issue a decision to SBA
- SBA will, subject to any SBA review of the loan or loan application, remit the appropriate forgiveness amount to the lender, plus any interest accrued through the date of payment
 - has 90 days from receipt of a complete application to issue a decision

Bill H.R. 7010 – Paycheck Protection Program Flexibility Act of 2020

- extension of the 8-week period to 24-week period
- election for those outstanding loans as of the date of approval of this act (6/5/2020)
- 75% requirement of “payroll costs” is reduced to 60%
- extension of the due date for re-hiring from June 30, 2020 to December 31, 2020
- certain exemptions for not meeting the rehiring requirement
- extension of the loan repayment term from 2 up to 5 years
- deferral of the 6.2% employer’s share of Social Security for two years (50% 2021 and 50% 2022)

Eligible expenses for forgiveness

- Eligible expenses are those that are incurred during the covered period, starting from the day the first payment was made by your lender:
 - Payroll
 - At least 60% of your loan must be used for payroll costs (60/40 rule)
 - Forgiveness amount may be reduced because of:
 - Decrease in average weekly full-time equivalent employees (FTEs)
 - Decrease in the average annual salary or average hourly wages of certain employees during the covered period
 - Mortgage interest
 - Rent
 - Utilities

Tax Implications of the PPP loan forgiveness

Federal tax implications

- Section 1106(i) of CARES Act states that any amounts of the PPP loans that are forgiven are excluded from gross income
- IRS Notice 2020-32 issued on April 30, 2020, states that no tax deduction will be allowed for expenses paid with PPP loans proceeds to the extent that such amounts are forgiven under the terms of CARES Act

Puerto Rico tax implications

- Act 57-2020 states that taxpayers may exclude from gross income for income tax purposes, federal subsidies and other economic stimulus under the CARES Act.
- This exclusion includes the debt forgiveness income resulting from the forgiveness of PPP loans.
- Expenses paid with these subsidies can be deducted from income tax purposes
- Said subsidies and stimulus are also excluded from municipal license tax pursuant to the Municipal License Act.

Questions?



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