



## PAYCHECK PROTECTION PROGRAM: LOAN FORGIVENESS PROCESS AND DOCUMENTATION: Q&A

**1. If we change our loan period from 8 to 24 weeks (or something in between) does that mean we can include more than 8 weeks of payroll? We “over-borrowed” so have more loan funding than 8 weeks of payroll. Can we use this for more payroll (and have it forgiven)?**

That is correct. You can use the PPP loan funds to pay covered expenses, which includes payroll expenses, for the 24-week period. Note, however, that a borrower is not allowed to choose a period between 8 weeks or 24 weeks (those are the only options currently – we are hopeful that the SBA will issue an updated Rule to allow a borrower to apply for forgiveness for any interim period between 8 and 24 weeks). Also, the 24-week period is now the default rule, and borrowers will be required to elect to use 8 weeks (which should be provided for in an updated Loan Forgiveness Application form to be issued by SBA).

**2. If we had an employee that did not make over \$100,000 last year, but this year they will, are we allowed to include their wages?**

No. PPP funds may not be used to pay any one employee more than \$46,153.84 in cash compensation over the 24-week period (24/52 x \$100,000). We expect SBA to issue an updated Interim Final Rule to address this.

**3. So if I extend beyond the original weeks (whether 12,16, etc.) do I automatically bump the cure date to Dec. 20?**

The period is automatically extended to the earlier of 24 weeks after the loan originated or December 31, 2020 – with the option for a borrower to elect to use 8 weeks. The cure date for any borrower using the 24-week period is December 31, 2020.

The recently adopted Flexibility Act changes the cure date for all purposes to December 31 – but we expect SBA to clarify that any borrower using the 8-week covered period should use a cure date of June 30.

**4. If I paid interest on 5/13 for interest due covering 1/01/2020-5/13/2020, can I use all of this amount for non-payroll costs, as long as I don't go over the 25% max? 5/13 is during my 56-day period of the PPP period.**

As long as the interest was incurred prior to 5/13, you can use PPP funds to pay the interest. *The cap on non-payroll costs is now 40%.*

**5. Can we add 1099 employees in payroll cost?**

No. Anyone receiving a Form 1099 will be classified as an independent contractor, not an employee. Payments made to independent contractors are not eligible payroll costs for forgiveness purposes.

**6. Does the 24-week covered period allow you to use more than 8 weeks of payroll for forgiveness?**

Yes. You can use the funds for payroll expenses paid or incurred during the new 24-week covered period.

**7. Are EFPTS taxes included in the 60%?**

With respect to payroll taxes, you may only use the PPP loan funds to pay the employee's share of the taxes. You are not allowed to use the PPP loan funds to pay the employer's share of the taxes.

**8. With the extension to 24 weeks, are you allowed to take 24 weeks of employee owner salaries from 2019 and is it still limited to the \$15,384 for any employee, which was based on 8 weeks of pay for employees earning over \$100,000?**

You are allowed to use the PPP funds to cover 24 weeks of payroll. This means that you can pay any one employee a maximum of \$46,153.84 in cash compensation over the 24-week period (provided that owner-employees are capped at the lesser of (i) 24/52 of 2019 compensation, or (ii) \$46,153.84).

**HAVE MORE QUESTIONS?**

Contact your loan officer or email us at [CARESAct@thecitizensbank.net](mailto:CARESAct@thecitizensbank.net)

