

I Got My PPP Loan. Now What?



Use the information below to help guide you as you put your PPP loan to use.

Have a question that isn't covered below? Head to the [AALU/GAMA COVID-19 Action Center](#) for more resources.

Forgiveness Period

When exactly does the covered period for loan forgiveness start?

The covered period starts from the date the PPP loan is first disbursed into your bank account. For loans made on or before June 5, the borrower (with biweekly or more frequent payroll cycles) has the option of choosing an 8-week or 24-week covered period. For loans issued after June 5, the borrower only has the option of a 24-week covered period. The PPP Loan Forgiveness Form allows the borrower to choose an 'alternative payroll covered period' which can permit the borrower to start the covered period from the first payroll cycle after the disbursement of the PPP loan.

Payroll Structure

Can I change my payroll calendar during the covered period to maximize forgiveness?

As stated above, SBA and Treasury issued guidance to allow borrowers of the PPP loan to choose the 'alternative payroll covered period'. The regulatory intent is to allow borrowers who have a biweekly (or more frequent) payroll cycle to align it with the covered period.

When applying for forgiveness, do I need to show that the cash used for payroll has left my account, or is simply writing the check sufficient?

Under SBA and Treasury guidance, payroll costs are considered to be paid on the day that paychecks are distributed or the borrower originates an ACH credit transaction.

Can I change the amount I pay employees by offering hazard pay, bonuses, or raises?

SBA guidance issued on May 22 makes it clear that bonuses and hazard pay can be included as legitimate payroll costs. In order to be eligible for the bonuses and hazard pay an employee's payroll cost cannot exceed \$15,385 during the 8-week covered period or \$46,154 per individual if a 24-week covered period was elected. Employees whose total compensation exceeded \$100,000 should be excluded from bonus or hazard pay.

Employee Departure

What if an employee quits?

If an employee quits, the borrower of the PPP loan is exempted from the reduction in loan forgiveness based on the formula of full-time equivalent employees employed during the covered period.

What if I try to rehire but they refuse to come back?

An employer who attempts to rehire an employee that refuses re-employment will not be penalized on the loan amount that could be forgiven. The borrower must have a good faith, written offer of rehire, and the employee's rejection of that offer must be documented by the borrower. Additionally, the borrower must notify their state's unemployment office that the employee rejected the offer to be rehired. SBA will provide further information on how to contact the state's unemployment office in its [website](#).

What if they refuse specifically because unemployment pays more?

Under PPP regulations, employees who reject a re-employment offer are ineligible to receive unemployment insurance benefits. This was enacted to encourage individuals to accept re-employment offers and incentivize businesses to rehire employees.

Employee Benefits

Do the following benefits count toward forgiveness?

- >> SEP contributions: Yes
- >> Non-qualified deferred compensation: No
- >> Pensions, profit-sharing, annuities (including SEP, SIMPLE, and SARSEP plans): Yes
- >> Health insurance: Yes
- >> Workers Comp: No

Non-Payroll Expenses

Can any of the following expenses count toward the non-payroll 25% of the forgiveness cost: auto lease, EO insurance, cell phone, copier lease, software lease?

The third interim rule (independent contractors, self-employed) provided some guidance on this. The rule stated that an entity can cover the expenses below as long as the items can be deducted on Form 1040 Schedule C as a business expense. For example, let's say that you're allowed to deduct 50% of your cell phone expenses for business purposes. That 50% of your cell phone bill is what you can take into account as a non-payroll and forgivable cost.

Combining Programs

Are there any circumstances in which I could also use the employee retention tax credit with the PPP loan?

No. An entity becomes ineligible for the retention tax credit if it receives a PPP loan. If the entity is unable to take advantage of the PPP loan and loan forgiveness, the tax credit could be used as an alternative. If you want to understand the different combinations you can combine with forgiveness, you can view our guide [here](#).

Can I receive the EIDL Grant and PPP loan?

Yes. A small business or individual that receives the EIDL grant and a PPP loan, must deduct the amount of the EIDL Grant from the total amount of the PPP loan that could be forgiven.

Are there any circumstances in which I could apply for a second PPP loan? Example, if I own two businesses with different EINs.

There are certain affiliation rules that might restrict you from receiving separate loans. Affiliation rules become important when SBA decides whether a business' affiliation preclude them from being considered eligible for PPP loans. Affiliation exists when one business (or individual) controls or has the power to control another or when a third-party control or has the power to control both businesses. The size of the applicant combined with its affiliates must not exceed the small business size standard designated by the North American Industry Classification System code. You can check the NAICS codes [here](#). Additionally, see the guidance and examples provided by Treasury's FAQ for affiliation rules [here](#) (question #24).

- >> It appears that if the two entities qualify as a small business and are excluded from the SBA's affiliation rules, the owner could apply for two separate loans in order to maintain payroll for each business. Remember, the PPP was designed to maintain payroll and benefits for employees.