

Payroll Protection Program 2.0

How to apply for loan forgiveness and the tax liability that goes with it.

"On April 30th, late in the evening when few people were likely paying attention, the IRS released guidance that essentially nullified much of the benefit of the Paycheck Protection Program. It stated that those who received PPP may not receive tax deductions for using those funds to pay expenses. That includes expenses like payroll and rent, the very point of the PPP."

Bruce Willey – Kiplinger

At Bespoke, we can understand the IRS's position and their issue with allowing companies to double dip but that doesn't make it right. The IRS was created to collect revenue, but that seems to be counterintuitive to the intention of the CARE's Act. It is beyond frustrating that a government program created to directly offset the government driven shut down has now taken such a negative turn.

Regardless of how this shakes out, it is imperative to forecast and budget for this tax liability. If we do not get the word out, we fear the vast majority of companies that are successful in receiving the loan forgiveness will be further harmed by our government's actions. We want you to be as far out in front of this as possible.

Additional Clarity on Loan Forgiveness

You have received your PPP funds and now the devil is in the details. With the process being rushed through the SBA at a lightening pace, the program has had many modifications and some unintended consequences. Below are some key points to look out for so you can protect your company, while trying to insure your maximum loan forgiveness.

Currently the SBA has not issued guidance other than to the capital markets and other capital sources. It is imperative to begin creating and documenting your company's "narrative". Why did you need the PPP Loan? Some topics to account for: liquidity considerations, alternative access to capital, employee considerations, loss of revenue & supply chain disruptions. Clearly these are unprecedented times and documentation will carry a lot of favor with the SBA when your forgiveness application is reviewed.

Click to download:

[LOAN FORGIVENESS APPLICATION INSTRUCTIONS FOR BORROWERS](#)



Now that the application is out, you can complete the application directly or electronically through your lender. The SBA has calculated the soonest an application can be valid is at the end of the Covered Period ending Sunday, June 14. The SBA application will require the following documents:

- ① The PPP Loan Forgiveness Calculation Form
- ② PPP Schedule A
- ③ The PPP Schedule A Worksheet
- ④ Economic Injury Disaster Loan (EIDL) information which will be subtracted from your PPP forgiveness amount

Payroll:

- ① Bank account statements or third-party payroll service provider reports
- ② Tax forms for the period that overlap with the Covered Period (typically, Form 941)
- ③ State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported
- ④ Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that were included in the application

Full Time Equivalency (FTE):

- ① Average number of FTE employees on payroll per month employed by the Borrower between 2/15/2019 and 6/30/2019
- ② Average number of FTE employees on payroll per month employed by the Borrower between 1/1/2020 and 2/29/2020

Nonpayroll from February 2020 and the months of the Covered Period plus one month after:

- ① Business mortgage interest payments: copy of lender amortization schedule and receipts or canceled checks verifying eligible payments from the Covered Period or lender account statements.
- ② Business rent or lease payments: copy of the current lease agreement and receipts or canceled checks verifying eligible payments from the Covered Period or lessor account statements.
- ③ Business utility payments: copy of invoices paid during the Covered Period and receipts, canceled checks, or account statements verifying those eligible payments.

Critical Information for Business Owners:

It appears that the max forgiveness for owner/employees will be \$15,385 per owner, which is not disclosed when the application is being filled out. Our advice? Submit monthly rental payments to justify getting the delta between your loan and the amount forgiven.