

## **PPP Loan Forgiveness**

*This summary is provided as an introduction to the provisions in the PPP program for loan forgiveness. Borrower's should review the full application for full details and discuss local usage with their bookkeeper, accountant, treasurer, chancellor, or others who are assisting with this process. We anticipate that this will change as the SBA issues further guidance. For questions, contact Canon Dede Moore, Canon for Diocesan Networking and Connections, [dmoore@ecww.org](mailto:dmoore@ecww.org).*

### Covered Period

The first day of the Covered Period must be the same as the PPP loan disbursement date. Example, the eight-week (56-day) Covered Period for the diocesan loan for participating missions & ministries is May 7 (the date the funds were deposited with our bank) to July 1.

### Alternative Payroll Covered Period

For administrative convenience, borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the eight-week (56-day) period that begins on the first day of their first pay period following the PPP loan distribution date.

- Example: If the borrower received its PPP loan proceeds on Monday, April 20, and the first day of its first pay period following its PPP loan disbursement is Sunday, April 26, the first day of the Alternative Payroll Covered Period is April 26 and the last day of the Alternative Payroll Covered Period is Saturday, June 20.

### Summary of Costs Eligible for Forgiveness – Payroll Costs

SBA guidance in the forgiveness application and instructions provides that payroll cost amounts paid or incurred during the applicable Covered Period count as forgivable costs. Payroll costs incurred but not paid during the applicable Covered Period are counted, so long as the amount incurred through the end of the applicable Covered Period is paid by the next regular payroll date.

- Example 1: Funding date was May 7; semimonthly payroll on May 15, which covered employee compensation for the period from May 1 through May 15. The full amount of eligible payroll costs paid in the May 15 payroll count as forgivable costs (i.e., the payroll amount does not have to be prorated for the fact that the PPP loan funding date was prior to the payroll date and in the middle of the pay period).
- Example 2: Last day of an applicable Covered Period is June 23. Payrolls are semimonthly – on the 15<sup>th</sup> and last day of each month. The payroll costs incurred from June 16 through June 23 count as forgivable costs, so long as the borrower pays the amount incurred on its next regular payroll date of June 30.
- Several things still not clear:
  - It appears that employee health care and retirement plan costs paid during the applicable Covered Period count as forgivable costs regardless of whether or not the payments relate to employee services provided during the applicable Covered Period (i.e., healthcare premiums paid in early June to cover July coverage period).
  - State and local taxes paid by the employer; including L&I and PFML employer-paid premiums.

- Payments made during the Covered Period to make up for reductions in hours during the Covered Period or reductions in pay related to the Covered Period appear that they will also be forgivable actions.
- HSA contributions coupled with a CDHP plan; unclear if these will be covered.
- Prepaid premiums most likely will not be forgivable cost.

#### Summary of Costs Eligible for Forgiveness – Other

An eligible nonpayroll cost must be paid during the Covered Period or incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period. Eligible nonpayroll costs cannot exceed 25% of the total forgiveness amount. Count nonpayroll costs that were both paid and incurred only once.

- Covered mortgage obligations: payments of interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property that was in place before February 15, 2020.
- Covered rent obligations: business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020. Examples: copier lease, postage meter lease.
- Covered utility payments: business payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.
  - Transportation has not yet been defined.
  - Should include company cellphone contracts in addition to land lines; not clear if it will include allowances for BYOD cell phones.
  - Church internet, yes; employee's home internet service, not yet addressed.
  - No information yet on sewer or trash collection payments; some reports that they will be included.
  - Church-owned housing: if the contract is with the congregation and paid direct to the utility will most likely be a forgivable expense.