

June 12, 2020

Dear Clients, Friends, & Family:

Congress passed a bill on June 3rd, which was later signed into law by President Trump on June 5th regarding changes to the criteria on the Paycheck Protection Program (PPP) Loan Forgiveness Application. Here is the latest update:

What We Know:

- At least **60%** of PPP Loan proceeds must be used for payroll in order to qualify for 100% loan forgiveness; previously 75%
- The forgiveness period has been extended from 8 weeks to **24 weeks** from the date of the loan, or December 31, 2020. This 24 week period is **optional** for businesses that received their PPP Loan before **June 5th**.
- Businesses now have until December 31st to rehire workers to avoid reduction in forgiveness amount; previously June 30th.
- For any part of the loan that is not forgiven, the payback period could be extended to **5 years**; previously 2 years.
- If you received an advance from the Economic Injury Disaster Loan (EIDL), this advance must be **subtracted** out of the forgiveness amount of the PPP Loan.

What Is To Be Determined:

- As of April 30th, the IRS has stated that expenses paid with PPP Loan proceeds are not tax deductible. This contradicts with the statement from the SBA that the forgiveness of the loan is not considered taxable income. A bill has been in committee since **May 5th** to allow businesses to take the tax deduction.
- The SBA has not released any guidelines stating that a business can apply for forgiveness earlier in the 24 week period.

The PPP Loan Forgiveness is still fluid, and there will be hopefully new updates from the SBA within the next few weeks. If you have any questions regarding the PPP Loan Forgiveness, please do not hesitate to contact our office.

We hope that you and your families are staying safe, and we hope to be able to see you soon.

Sincerely,
Moscato Certified Public Accountants