**PPP Loan Forgiveness Overview**

Borrowers will have their loans forgiven if they use the money for designated expenses. Participants are eligible for loan forgiveness for the amounts spent on authorized expenses over the eight weeks after receiving the loan.

The total payments for payroll over the eight weeks after the loan is disbursed may be forgivable. Mortgage interest, rent and utilities are also forgivable, up to 25% of the PPP loan.

To get the entire amount of the loan forgiven (assuming that at least 75% is spent on payroll and the rest on permitted expenses), you must meet two criteria. First, the full-time employee headcount cannot decline from average monthly levels during 2019 or during the past 12 months. If your business launched in the second half of 2019, you can use average headcounts from January 1, 2020 to February 29, 2020. If your business is seasonal, you can base your monthly averages on numbers from February 15, 2019, or March 1, 2019 to June 30, 2019.

Second, for loans to become full grants, employers cannot cut salaries or wages. If they do, the forgiven amount will be reduced. Employers who already let workers go have until June 30 to re-staff.

The SBA has yet to issue guidance on how a smaller staff or payroll will reduce the amount eligible for forgiveness. Accounting firms and law firms are offering different interpretations online. We will publish this information as soon as the SBA releases it.

Another provision of the program allows borrowers who already have disaster assistance loans to defer payments through Dec. 31. This is an automatic deferment. Borrowers don’t have to do anything to qualify for it.

The SBA has a [summary of loan terms here](https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf).

**PPP Loan Forgiveness Q&A**

***What counts as payroll costs? Payroll costs include:***

* Salary, wages, commissions, or tips (capped at $100,000 on an annualized basis for each employee);
* Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
* State and local taxes assessed on compensation; and
* For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at $100,000 on an annualized basis for each employee.

***Does the PPP cover paid sick leave?***

Yes, the PPP covers payroll costs, which include employee benefits such as costs for parental, family, medical, or sick leave. However, it is worth noting that the CARES Act expressly excludes qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (FFCRA) (Public Law 116–127).

Learn more about the FFCRA’s Paid Sick Leave Refundable Credit [online.](https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs)

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