

# I Got My PPP Loan. Now What?



Use the information below to help guide you as you put your PPP loan to use. **If for whatever reason you decide you do not want to keep the funds, the deadline to return them is May 14, 2020.**

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 8-week period start?

The eight-week period starts from the date the PPP loan is first disbursed into your account.

## Payroll Structure

### Can I change my payroll calendar during the 8-week period to maximize forgiveness?

We're expecting more guidance from Treasury to clarify the policy on loan forgiveness. However, nothing in current guidance or statute precludes you from changing your payroll calendar during the eight-week 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?

It seems that loan forgiveness will be based on the actual expenses made during the eight-week period. The recipient of the loan will have to document that the amount of the loan has been disbursed for payroll payments and other eligible expenses.

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

Nothing in the statute precludes an employer from raising an employee's salary, except the cap of \$100,000 cash compensation per employee. Nonetheless, guidance and the statute of the CARES Act decreases the total loan forgiveness if the compensation of an employee is reduced. Our recommendation is that you also take into account your reputation and the optics of utilizing taxpayer money to provide bonuses or raises.

# Employee Departure

## What if an employee quits?

As mentioned above, we expect further guidance on loan forgiveness, and we should be getting more clarity on this question. Our reading of the standing guidance and statute suggests that you could hire another individual to keep the same average of employees and the same wages. Keep in mind that this could change with forthcoming guidance.

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

Recent guidance issued by Treasury clarified that an employer who attempts to rehire an employee who 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 employees rejection of that offer must be documented by the borrower.

## What if they refuse specifically because unemployment pays more?

This recent guidance also stated that employees who reject re-employment may forfeit eligibility for continued unemployment compensation.

# 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 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 for forgiveness, you can view our guide here.

### **Can I receive the EIDL Grant and PPP loan?**

Yes, you could. 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.