

# Loan Forgiveness Guide



COMPANIES  
CPA'S & BUSINESS ADVISORS

**Here is a list of what you “must know” and “must do” in order to qualify for full forgiveness:**

- Use the loan funds *only* towards:
  - Eligible payroll. Costs include salary, wages, and tips, up to \$100,000 of annualized pay per employee (for eight weeks, a maximum of \$15,385 per individual), as well as covered benefits for employees including health care expenses, retirement contributions, and state taxes imposed on employee payroll paid by the employer (such as unemployment insurance premiums).
  - Rent (or mortgage interest)
  - Utilities
- Make sure no more than 25% of the loan proceeds is used towards rent (or mortgage) and utilities. (In other words, at least 75% must be used for payroll).
- If you use the loan proceeds to pay interest on “any other debt obligations that were incurred before the covered period” (as allowed per Section 1102 of the Cares Act), such amounts are not subject to forgiveness.
- Maintain in good order all documentation to support the amount of proceeds used for payroll costs, rent (or mortgage) and utilities. Closely track payroll tax filings, payroll summaries reflecting full-time employees, unemployment insurance filings, canceled checks, and other payment documentation because you will need these records to support the forgiveness amount.
- During the eight (8) week coverage period, maintain the level of your full-time employee headcount without reduction. Failure to do so will reduce the amount subject to forgiveness.
- During the eight (8) week coverage period, maintain salaries and wages. Any reduction by more than 25% for any employee that made less than \$100,000 annualized in 2019 will reduce the amount subject to forgiveness.
- Before June 30, 2020, restore all full-time employment and salary levels back from any reductions made between February 15, 2020 and April 26, 2020.

**But what's still unclear:**

- Does a particular cost need to be both “incurred” and “paid” during the Covered Period or can such costs be incurred during the period and paid after the period, or vice versa?
- Can a cost incurred prior to the Covered Period (such as payroll costs for part of a payroll period that began before the start of the Covered Period) which is paid during the period qualify for forgiveness?
- Can a cost incurred during the Covered Period but not paid until after the Covered Period (such as payroll costs for a payroll period ending after or lease payments not due and payable during the Covered Period) qualify for forgiveness?
- What precisely does “incurred” mean in this context?