

The Paycheck Protection Program: An update



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Many small businesses across the United States are waiting for a promised second round of Paycheck Protection Program (the Program) loans. Both political parties and the House of Representatives and Senate agree on expanding the Program, likely with new restrictions on which borrowers will qualify for loans. While we wait, here is some general information about the Program and the latest updates.

By the numbers

On August 8, 2020, the date on which the Program closed to new loan applications, SBA issued a [Paycheck Protection Program \(PPP\) Report](#). The Report summarizes information about the Program, including total approved lending, loan count and net dollars loaned by state, and loan sizes. The data shows the following:

- Number of loans: 5.2 million
- Total approved lending: \$525 billion
- Number of loans and total approved lending for Kentucky businesses: 50,655 loans totaling \$5.3 billion
- Average loan size: \$101,000
- Loans more than \$2,000,000: 29,000 totaling \$105.3 billion
- Loans \$50,000 and under: 3.6 million totaling \$62.7 billion

A forgiveness application for loans \$50,000 and under

For months it was rumored that Congress might enact some sort of “automatic forgiveness” for loans \$150,000 and under. While this rumor hasn’t come to fruition, the fact that 3.6 million or 69% of all loans were for \$50,000 or less explains why SBA issued a simplified forgiveness application for those borrowers. In early October, [Form 3508S](#), for loans of \$50,000 and less, was issued. SBA issued [instructions](#) and a new [Interim Final Rule](#) to accompany the new form. However, the big news is that borrowers who received these loans will not have their forgiveness reduced based on decreases in headcount or salary and wages.

A surprise for borrowers with loans of \$2 million or more

In early November, SBA released to lenders, but not to the public, two proposed forms—[Form 3509](#) and [Form 3510](#). These forms are described as “loan necessity questionnaires.” Form 3509 is for for-profit borrowers, and Form 3510 is for non-profit borrowers. SBA describes the purpose of the form as “to facilitate the collection of supplemental information that will be used by SBA loan reviewers to evaluate the good-faith certification that you made on your PPP Borrower Application.” Applicants had to certify that “the uncertainty of current economic conditions make necessary

the loan request to support the ongoing operations of the eligible recipient.”

The questions on the forms are straightforward, and supporting documentation is required. The questions cover business activity and liquidity; for example, the first question requests the borrower’s gross revenue for the second quarter of 2020 and the same quarter of 2019. Other questions include the amount of cash and cash equivalents on hand before the loan application date and the amount of compensation greater than \$250,000 (annualized) paid to owners or employees. The questions for non-profit borrowers are similar and include a request for the amount of any endowment funds and restrictions on those funds.

A borrower will receive Form 3509 or 3510 after submission of its forgiveness application to its lender. Upon receipt of the form, **the borrower has 10 days to respond**. The lender then has 5 days to provide the information to SBA. SBA has 90 days to make a decision and report back to the lender.

Borrowers should describe all of the mid-March concerns related to their business as the scale of the pandemic started to unfold. While some have speculated there will be additional opportunities to make your case to SBA, as the saying goes, “You only get one chance to make a good first impression.”

Tax deductibility of PPP loan expenses

Finally, there is no news about whether PPP loan expenses will be deductible on 2020 income tax returns. Again, there is bipartisan and bicameral support for the deductibility of expenses paid with PPP funds, but Congress is not moving any bills. The AICPA says it is a matter of when, not a matter of if, such a bill will pass.

Dean Dorton’s COVID-19 Solutions Team is available to answer questions and provide you with assistance on your PPP forgiveness application or Form 3509 or 3510.

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