



A Robinson+Cole Legal Update

Coronavirus (COVID-19)

August 13, 2020

PPP Update: Loan Forgiveness FAQs

Authored by [Michael F. Maglio](#), [Taylor A. Shea](#), [Endicott Peabody](#), [Jeffrey L. Volpintesta](#), and [Barrett P. Wilson-Murphy](#)

The Small Business Administration (SBA), in consultation with the Department of the Treasury (Treasury), recently released guidance with regard to the forgiveness of Paycheck Protection Program (PPP) loans in the form of frequently asked questions (the Forgiveness FAQs). The Forgiveness FAQs are divided into five sections, each of which are briefly outlined below. Although many of the questions addressed in the Forgiveness FAQs were touched upon, or addressed in their entirety, in previously released guidance, there are some new clarifications and helpful examples for how borrowers should calculate their PPP loan forgiveness amount. A copy of the Forgiveness FAQs can be found [here](#).

- **General Loan Forgiveness:** The first section of the Forgiveness FAQs contains three general questions regarding the forgiveness application process. The response to the first question clarifies which application form should be used by sole proprietors, independent contractors and certain self-employed individuals. The second response provides that PPP lenders can accept electronic signatures and scanned copies of loan forgiveness applications and documents. The third clarifies whether payments must be made prior to the SBA remitting the forgiveness amount, if any.
- **Payroll Costs:** The second section of the Forgiveness FAQs contains eight questions regarding payroll costs that are eligible for forgiveness and how to calculate certain eligible payroll costs. The questions cover topics such as forgiveness eligibility depending on when payroll costs were incurred or paid, how to calculate payroll costs for partial pay periods, how to calculate cash compensation, group health care benefits and retirement benefits that are eligible for forgiveness, and how to determine how much owner compensation is eligible for forgiveness.
- **Non-payroll Costs:** The third section of the Forgiveness FAQs contains seven questions focused on non-payroll costs that are eligible for forgiveness. The questions address, among other things, when non-payroll costs are incurred or paid, if the Alternative Payroll Covered Period applies only to payroll costs, and whether certain specific non-payroll costs are forgiveness eligible, such as certain types of interest and utility payments.
- **Forgiveness Reductions:** The fourth section of the Forgiveness FAQs contains five questions addressing circumstances that will (or will not) reduce a PPP borrower's loan forgiveness amount. This section also addresses how borrowers should calculate the reduction in their loan forgiveness amount arising from a reduction in full-time employees during the Covered Period and reductions in employee salaries and/or hourly wages.
- **Economic Injury Disaster Loans:** The fifth section of the Forgiveness FAQs contains three questions regarding how Economic Injury Disaster Loans should affect PPP loan forgiveness.

Robinson & Cole LLP has been tracking government relief programs being offered to help alleviate the economic impact of COVID-19 on businesses in the United States. The SBA, in consultation with the Treasury, has provided and continues to provide guidance in the form of [Interim Final Rules](#) and [Frequently Asked Questions](#) (FAQs) to address borrower and lender questions concerning the implementation of the Paycheck Protection Program (PPP), established by section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). For more information on the PPP, see our [Primer](#), [FAQ on the PPP](#), our [article on SBA affiliation rules](#), our [article on the Paycheck Protection Program and Health Care](#)

[Enhancement Act](#), our [article on the "necessity certification,"](#) our [article on the PPP loan forgiveness application](#), and our [article on The Paycheck Protection Program Flexibility Act](#).

This alert is being issued as of August 13, 2020. Please note that future legislation, guidance and regulations could modify certain provisions of the topics discussed above.

Read more legal updates, blog posts, and speaking engagements related to this area on [Robinson+Cole's Coronavirus Response Team](#) page and feel free to contact any member of our team with questions.

[Bruce B. Barth \(Chair\)](#) | [Kenneth C. Baldwin](#) | [Michael H. Bernstein](#) | [J. Tyler Butts](#) | [Dennis C. Cavanaugh](#)

[Britt-Marie K. Cole-Johnson](#) | [Candace M. Cunningham](#) | [Andrew A. DePeau](#) | [Kathleen E. Dion](#)

[Conor O. Duffy](#) | [William J. Egan](#) | [Steven L. Elbaum](#) | [Gilbert L. Lee](#) | [Virginia E. McGarrity](#)

[Matthew T. Miklave](#) | [Endicott Peabody](#) | [Kathleen M. Porter](#) | [Taylor A. Shea](#) | [Lauren M. Sigg](#)

[Brian R. Smith](#) | [Alisha N. Sullivan](#) | [Anna Jinhua Wang](#) | [Abby M. Warren](#) | [Jeffrey J. White](#)

For insights on legal issues affecting various industries, please visit our [Thought Leadership](#) page and subscribe to any of our newsletters or blogs.



Boston | Hartford | New York | Providence | Miami | Stamford | Los Angeles | Wilmington | Philadelphia | Albany | New London



© 2020 Robinson & Cole LLP. All rights reserved. No part of this document may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior written permission. This document should not be considered legal advice and does not create an attorney-client relationship between Robinson+Cole and you. Consult your attorney before acting on anything contained herein. The views expressed herein are those of the authors and not necessarily those of Robinson+Cole or any other individual attorney of Robinson+Cole. The contents of this communication may contain ATTORNEY ADVERTISING under the laws of various states. Prior results do not guarantee a similar outcome.

Robinson & Cole LLP | 280 Trumbull Street, Hartford, CT 06103 | www.rc.com