

# GRAY • PILGRIM

AND ASSOCIATES, LLC

## PPP EZ Loan Application

The SBA and Treasury issued a [press release](#) Wednesday announcing the new PPP EZ loan application. Revisions were also made to the full forgiveness application.

The [application for full forgiveness](#) is now more borrower-friendly and the addition of the EZ application is a change we have been eagerly awaiting.

There is discussion about automatically forgiving loans of a value lower than \$150K so stay tuned. Do not be in a big hurry to apply for forgiveness, even if you are choosing to stay with the original 8 week time period.

The [EZ application](#) will be even faster to complete and we believe most clients will qualify to use it. It is for borrowers meeting one of the following criteria:

- Self-employed with no employees at the time of applying for the PPP & did not include any employee wages in the PPP calculation (not S Corps--only independent contractors, sole proprietors) ; **OR**
- Did not reduce the salaries or wages of their employees by more than 25%, **and** did not reduce the number of employees or the number of hours of their employees between Jan. 1st and end of Covered Period; **OR**
- Experienced reductions in business activity as a result of health directives related to COVID-19 as compared to Feb. 15th **and** did not reduce the annual salary or wages of their employees by more than 25% during the Covered Period compared to Jan. 1 - Mar. 31.

The image shows a portion of the PPP EZ Loan Application form. It includes fields for 'SBA PPP Loan Number', 'Lender PPP Loan Number', 'PPP Loan Amount', and 'PPP Loan Submission Date'. There are also sections for 'Employees at Time of Loan Application' and 'Employees at Time of Forgiveness Application'. The 'Payroll Covered Period' section has radio buttons for 'Monthly', 'Twice a month', and 'Other'. Below this is the 'Forgiveness Amount Calculation' section with lines 1 through 7 for entering various amounts. At the bottom, there is a 'Preparation Instructions' section.

## New PPP EZ Loan Application Released: Additional Details

Full details related to the PPP EZ forgiveness application can be found in the [instructions](#) for the application. The following details are key for you right now:

- You will be asked to provide the number of employees at the time of the *loan* application and the number of employees at the time of the *forgiveness* application.

- The application requires you to fill out the Covered Period you are using. You are allowed to choose either 8 or 24 weeks and the period must end by Dec. 31.
- You still have the option to choose an Alternative Payroll Covered Period.

- PPP funds may be used to pay **employees** earning \$100K or more up to \$46,154 during the covered window, if using 24 weeks. (An increase from \$15,385).
- **Maximum pay to Owners is capped at \$20,833** (2.5-month equivalent \$100K/yr)
  - In more detail, it is the lesser of \$20,833 or 2.5 times your monthly compensation in 2019, if using a 24-week period.
  - Note that, for an 8-week Covered Period, the amount is capped at the lesser of 8/52 of your 2019 compensation or \$15,385.

"Owner" is defined as "owner-employees; a self-employed individual, or general partners".

**The SBA provided some additional clarity that we have been waiting for regarding health insurance and retirement:**

**Health insurance:** you can only include the employer paid portion of premiums for the employees. Owners, as defined above, are now excluded from receiving forgiveness on Owner premiums.

**Retirement plan contributions:** these are also only allowed for employees and not self-employed individuals or general partners with the exception of "owner employees" (such as in an S-Corporation). Owner-employees are allowed to use PPP funds for up to 2.5 months' worth of the 2019 contribution. Of course, not including employee deferrals.

In a previous press release, the SBA announced that now, only 60% of the PPP loan needs to be spent on payroll and benefits (previously 75%). Up to 40% can be spent on other items such as rent and utilities.

But given the new 24-week period, it seems unlikely that many clients will need to spend the PPP money on anything other than payroll and benefits in order to qualify for full forgiveness. That will make it easier to document the forgiveness, and require much less paperwork for the bank in the forgiveness approval process.

As always, call us if you have any questions about maximizing your PPP loan forgiveness.

Stay well,

Your Friends at Gray-Pilgrim