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TAX AND WEALTH ADVISOR ALERT: NEW STREAMLINED FORGIVENESS FOR PPP LOANS UP TO $50,000

Late last week, the Department of Treasury and Small Business Administration (SBA) jointly released a new loan forgiveness application for Paycheck Protection Program loans of $50,000 or less. This new streamlined application removes calculations required on prior forms and simplifies documentation requirements, relieving both borrowers and lenders of the prior compliance burdens present in the older form.

Pursuant to an interim final rule, the simper one-page application form, SBA Form 3508S, does not require borrowers to reduce their forgiveness amount for any reductions in full-time equivalent (FTE) employees or in salaries or wages. Additionally, the new form does not require borrowers to show calculations used to determine their loan forgiveness amount. With that said, the SBA could request additional information and documents as part of its loan review process.

While simpler overall, the application still requires the borrower to make certain certifications regarding the accuracy of the information reported. Further, the application requires the borrower to submit documentation supporting the fact that the use of the loan proceeds was for eligible costs. Borrowers who, together with their affiliates (as determined under SBA rules), received loans of $2 million or more are ineligible to use the new streamlined application. For example, if an entity has a loan of $50,000 and its parent corporation has a loan of $1.95 million, the former would not be able to use Form 3508S to apply for loan forgiveness.

Form 3508S and its accompanying instructions are posted on the SBA's website.

O'Neil, Cannon, Hollman, DeJong and Laing remains open and ready to help you. For questions or further information relating to the new streamlined application for PPP loans under $50,000, please contact the author of this article, Attorney Britany E. Morrison.