**How to Best Prepare and Properly Maximize Your PPP Loan Forgiveness**

Now that you’ve funded for the Paycheck Protection Program (PPP) loan, it’s time to shift your focus to properly maximizing the loan forgiveness option. Although there still remains further clarification and guidance from the U.S Small Business Administration on how exactly the loan forgiveness will be facilitated, there are many key factors to consider when evaluating and requesting forgiveness under a PPP loan.

**Authorized/Forgivable Expenses:**

* Loan Forgiveness Term - expenses during 8-week period beginning on loan disbursement date
* Payroll Costs - gross wages less than $100,000, vacation/sick leave, employer paid group health care and retirement benefits, and SUTA (at least 75% of the forgiveness **must** be incurred and paid in this category to maximize forgiveness)
* Mortgage Interest – real / personal property loans by 2/15/2020
* Rent – real / personal property leases by 2/15/2020
* Utilities – service started by 2/15/2020

**Maintaining Proper Documentation for Loan Forgiveness:**

* Keeping a clean and accurate record of expenses will be the most important part of maximizing your forgiveness.
* Consider putting the loan proceeds into a separate bank account to allow clean allocation and reduce the risk of co-mingling the loan proceeds with the funds your company already has.
* Start gathering the potential documents that are related to your qualified expense; as of 2/15/2020
  + Utilities, Health Insurance - copies of the February’s bills that includes 2/15
  + Rent - copy of the lease
  + Mortgage Interest - copy of the note
  + Retirement accounts – copy of the plan document
  + Payroll Documentation / Full‐time equivalents Schedules
    - Full‐time equivalents (2 different periods)
    - Last full quarter average wages per employee

**Tracking Expenses During the 8-week period:**

* Utilize a spreadsheet to properly track qualified expense and those “questionable” expenses that may fall under qualified expenses during the forgiveness process.
* For each qualified expense – show it is *incurred and paid*
  + Enter it into your tracking spreadsheet
  + Retain the supporting document (wage report, utility bill, etc.)
  + Ensure the documents tie or reconciles to the payment made
  + You can always remove expenses / documents if they are no longer relevant after receiving guidance from your CPA, Attorney and Banker
* For each qualified expense – show it is *paid*
  + Bank / credit card statement, ACH or wire receipt, cancelled checks, bank transcripts, etc. showing the payment
  + Payroll is disbursed as net wages and taxes (include both employee vs employer)

**Potential Causes for Reduced Forgiveness:**

* Reduction in employees or a 25% or more reduction in total salaries or wages.
* Reduction in FTE Count – Not re-establishing FTE count by June 30, 2020 will result in a percentage reduction in loan forgiveness.
* Reduction in Wages - An employer who cuts wages by more than 25% would receive a dollar-for-dollar reduction in loan forgiveness.

***\* Seek guidance from your CPA, Attorney and Banker***