



Paycheck Protection Program Loan Forgiveness

Frequently Asked Questions

10/27/20

The Small Business Administration has issued guidance to aid organizations that received a loan through the Paycheck Protection Program as they prepare to apply for loan forgiveness. Following are answers to frequently asked questions regarding loan forgiveness.

1. Where can my organization access the application for loan forgiveness?

There are three different applications that an employer can use to apply for PPP loan forgiveness. Read more about the different types, determine which one your organization should use and link directly to the applications [here](#).

You can also access additional information about PPP loans at [ConcordiaPlans.org](https://www.concordiaplans.org).

2. What are eligible payroll costs?

Eligible payroll costs include both those paid or incurred during the covered period. Payroll costs incurred but not paid during the covered period are eligible for forgiveness if paid on or before the next regular pay date. However, you cannot count the same payroll costs twice, once when they are incurred and once when they are paid.

3. Will our ministry be penalized for **reducing full-time staff** if staff choose not to return?

In order to avoid the FTE (full time employee) reduction, follow these steps:

- Make a good faith written offer to rehire individuals who have been laid off (or restore reduced hours) for the same salary/wages and number of hours as the last pay period prior to the separation or reduction in hours.
- If the offer is rejected, maintain records documenting both the offer and the subsequent rejection.
- Inform the applicable state unemployment office of the rejected offer within 30 days of rejection.

Note: Employers that received loans of \$50,000 or less and use loan forgiveness application 3508S are not subject to these penalties.

4. Will our ministry be penalized for **reducing salary and wages** if staff choose not to return?

This reduction only applies to the portion of employee salary and wages that are not attributable to FTE reduction. If overall salary and wages decrease because workers choose not to return to work, make sure that both your offer and the rejection are documented as described in question 4.

Note: Employers that received loans of \$50,000 or less and use loan forgiveness application 3508S are not subject to these penalties.

5. If we restore reductions made to employee salaries and wages or FTE employees by no later than June 30, 2020, can we avoid a reduction in our loan forgiveness amount?

Yes. If certain employee salaries and wages were reduced between February 15, 2020 and April 26, 2020 (the safe harbor period) but the borrower eliminates those reductions by June 30, 2020 or earlier, the borrower is exempt from any reduction in loan forgiveness amount that would otherwise be required due to reductions in salaries and wages. Similarly, if a borrower eliminates any reductions in full-time employees occurring during the safe harbor period by June 30, 2020 or earlier, the borrower is exempt from any reduction in loan forgiveness amount that would otherwise be required due to reductions in full-time employees.

Note: Employers that received loans of \$50,000 or less and use loan forgiveness application 3508S are not subject to these penalties.

6. Are bonuses and hazard pay to employees and salary/wage payments to furloughed employees during the covered period eligible for loan forgiveness?

Yes. The CARES Act defines the term “payroll costs” broadly to include compensation in the form of salary, wages, commissions, or similar compensation. If a borrower pays furloughed employees their salary, wages, or commissions during the covered period, those payments are eligible for forgiveness as long as they do not exceed an annual salary of \$100,000, as prorated for the covered period.

7. What non-payroll costs can be forgiven?

Non-payroll costs can include payments on mortgage interest, business rent or lease payments of real or personal property and utility payments. However, remember that non-payroll costs can only make up 40% of the amount of the loan proceeds spent. The other 60% must be for payroll costs in order to obtain full forgiveness.

8. When must non-payroll costs be incurred and/or paid to be eligible for forgiveness?

A non-payroll cost is eligible for forgiveness if it was paid during the covered period; or incurred during the covered period and paid on or before the next regular billing date, even if the billing date is after the covered period.

9. Are advance payments of interest on mortgage obligations eligible for loan forgiveness?

No. Advance payments of interest on a covered mortgage obligation are not eligible for loan forgiveness because the CARES Act’s loan forgiveness provisions regarding mortgage obligations specifically exclude “prepayments.” Principal on mortgage obligations is not eligible for forgiveness under any circumstances.

10. Who determines if our loan will be forgiven?

Forgiveness will initially be determined by the bank that gave you the loan, but the borrower must retain the application and all related documents for six years. The Small Business Administration can review the loan and forgiveness at any time for six years from the date of forgiveness or full loan repayment.

This document is only a summary of some of the information covered in the guidance. To see the full text of the guidance please [click here](#).