

SMALL BUSINESS ADMINISTRATION (SBA) PAYMENT PROTECTION PROGRAM (PPP)  
LOAN FORGIVENESS FAQs

### 1. Are SBA PPP Loans eligible for loan forgiveness?

It depends, and loan forgiveness is not automatic. Loan proceeds must be used per the SBA's and Vantage West guidelines in order to be eligible.

### 2. How can I request loan forgiveness?

You must submit a request for forgiveness from the SBA through Vantage West Credit Union. Please review instructions at [VantageWest.org/PPP](https://VantageWest.org/PPP) for some guidance with SBA directions for requesting PPP loan forgiveness. Additional resources are at:

- For full details, please visit [SBA.gov](https://www.sba.gov)
- SBA FAQs for Borrowers and Lenders  
<https://www.sba.gov/document/support-faq-lenders-borrowers>
- See also US Department of Treasury site  
<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

### 3. How is loan forgiveness calculated?

SBA sets the process for loan forgiveness. All applicants must complete a Loan Forgiveness Application using an approved SBA form. The amount of forgiveness of a PPP loan depends on the borrower's payroll costs during the Covered Period. As of July 1, 2020, at least 60% of the potential forgiveness must be used for payroll expenses and eligible non-payroll costs cannot exceed 40% of the total forgiveness amount.

### 4. How does SBA define the "Covered Period" and the "Alternative Covered Period?"

The Covered Period is either (1) the 24-week (168-day) period beginning on the PPP Loan Disbursement Date, or (2) if the Borrower received its PPP loan before June 5, 2020, the Borrower may elect an eight-week (56-day) Covered Period. For example, if the Borrower is using a 24-week Covered Period and received their PPP loan proceeds on Monday, April 20, the first day of the Covered Period is April 20 and the last day of the Covered Period is Sunday, October 4.

In no event may the Covered Period extend beyond December 31, 2020.

The Paycheck Protection Program Flexibility Act of 2020, which became law on June 5, 2020, extended the covered period for loan forgiveness from eight weeks after the date of loan disbursement to 24 weeks after the date of loan disbursement, providing substantially greater flexibility for borrowers to qualify for loan forgiveness. The 24-week period applies to all borrowers,

but borrowers who received an SBA loan number before June 5, 2020 have the option to use an eight-week period.

**Alternative Payroll Covered Period:** For administrative convenience, Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate eligible payroll costs using the 24-week (168-day) period (or for loans received before June 5, 2020 at the election of the borrower, the eight-week (56-day) period) that begins on the first day of their first pay period following their PPP Loan Disbursement Date. For example, if the Borrower is using a 24-week Alternative Payroll Covered Period and received its PPP loan proceeds on Monday, April 20, and the first day of its first pay period following its PPP loan disbursement is Sunday, April 26, the first day of the Alternative Payroll Covered Period is April 26 and the last day of the Alternative Payroll Covered Period is Saturday, October 10.

## 5. Is there a deadline to apply for loan forgiveness?

The deadline to request loan forgiveness is within 10 months following the Covered Period. If the borrower does not apply for loan forgiveness within 10 months after the last day of the Covered Period, or if the SBA determines that the loan is not eligible for forgiveness (in whole or in part), the PPP loan is no longer deferred and the borrower must begin paying principal and interest. If this occurs, the lender must notify the borrower of the date the first payment is due.<sup>1</sup>

<sup>1</sup>Revisions to Loan Forgiveness Interim Rules, June 26, 2020

<https://home.treasury.gov/system/files/136/PPP--IFR--Revisions-to-Loan-Forgiveness-Interim-Final-Rule-and-SBA-Loan-Review-Procedures-Interim-Final-Rule.pdf>

## 6. What are acceptable documents to submit with the PPP Loan Forgiveness Application to demonstrate loan forgiveness by the SBA?

With the PPP Loan Forgiveness Application, the SBA accepts many of the same documents you provided to calculate your SBA PPP loan amount.

Review the Supporting Documents Guide (link) or visit [sba.gov](http://sba.gov) or [treasury.gov](http://treasury.gov) for further instruction.

## 7. Do payroll costs include federal taxes that are imposed on the employee or withheld from employee wages?

Yes, the SBA interprets this statutory exclusion to mean that payroll costs are calculated on a gross basis, without subtracting federal taxes that are imposed on the employee or withheld from employee wages. Unlike employer-side payroll taxes, such employee-side taxes are ordinarily expressed as a reduction in employee take-home pay; their exclusion from the definition of payroll costs means payroll costs should not be reduced based on taxes imposed on the employee or withheld from employee wages.

## 8. What are some exclusions from payroll costs?

Borrower should also exclude from payroll costs:

- Any compensation of an employee whose principal place of residence is outside of the United States;
- And the compensation of an individual employee in excess of an annual salary of \$100,000;
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act.
- Amounts paid to an independent contractor via IRS Form 1099 should be excluded from the calculation of payroll expense.

## 9. Will the loan forgiveness be reduced if I do not maintain my staff and payroll?

It depends. Two separate safe harbors exempt certain borrowers from any loan forgiveness reduction based on a reduction in FTE employee levels and certain conditions must be met as specified in the Loan Forgiveness Application.

## 10. Can I deduct, for taxes purposes, those expenses that are covered by my SBA PPP loan proceeds?

No deduction is allowed under the Internal Revenue Code (Code) for an expense that is otherwise deductible if the payment of the expense results in forgiveness of a covered loan pursuant to section 1106(b) of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Public Law 116-136, 134 Stat. 281, 286-93 (March 27, 2020) and the income associated with the forgiveness is excluded from gross income for purposes of the Code pursuant to section 1106(i) of the CARES Act. For additional details, please refer to this link: <https://www.irs.gov/pub/irs-drop/n-20-32.pdf>

## 11. Will Vantage West send any communications out regarding loan forgiveness?

Vantage West has been sending out communication to borrowers since June 2020. We will send out another communication inviting our Members to apply for Forgiveness to the SBA starting in October 2020 and ending in January 2021. Continue to check [VantageWest.org/PPP](https://VantageWest.org/PPP) for updates.

## 12. When will I know if the SBA has approved forgiveness of my loan?

The SBA has up to 90 days to make a decision on your forgiveness application. You will not to make payments on your loan until the SBA has provided a decision on your application request or has remitted the funds. Vantage West will contact you once we receive notification from the SBA.

### 13. What happens if my entire loan is not forgiven?

You must repay any amount not forgiven by the SBA. Vantage West will contact you once we receive notification from the SBA.

#### Disclosure

**It is your obligation, as the borrower, to understand the SBA's rules.** This information does not constitute legal, financial, or regulatory advice. Borrowers are advised to consult appropriate and authorized representation in connection with all aspects of the SBA PPP loan application, due diligence, and loan forgiveness requirements. This FAQ document is for general information only to assist our Members with navigating the SBA PPP Loan program requirements but is not an exhaustive guide. The SBA PPP Loan program rules and guidelines are subject to change at any time, without notice. For the latest information, please visit [SBA.gov](https://www.sba.gov). For your convenience, Vantage West Credit Union provides links to third-party sites. Vantage West Credit Union does not provide, and is not responsible for the product, service, or overall website content available at a third-party site. Vantage West Credit Union is not liable for any failure of products, services, or information advertised on the third-party website. Please be advised that you will no longer be subject to, or under the protection of the privacy and security policies of our website.