

Paycheck Protection Program:

How To Apply For Forgiveness

Dentists who received Paycheck Protection Program (PPP) loans earlier this year are now looking at what they need to do next. Most importantly, the entire loan is eligible for forgiveness if the right steps are taken.

Forgiveness Timeline

Each PPP recipient chooses their preferred covered period – either 8 weeks, 24 weeks or something in between, following the disbursement of the loan. This is the time frame in which the PPP funds were to be spent on eligible expenses, such as payroll, rent and utilities. The company is given **10 months** from the end of their covered period to apply to their lender for forgiveness.

Apply for Forgiveness: For loans under \$2 million, the process involves the following steps:

- 1 Contact your lender to ascertain their specific procedure.**

The SBA requires use of SBA Form [3508](#), [3508EZ](#) or [3508S](#) or a lender equivalent form. Form 3508EZ is a simplified form that can be used if you did not reduce the number of employees during the covered period and meet certain other requirements. Form 3508S is a streamlined form for loans under \$50,000.
- 2 Compile documentation to verify that the loan money was spent on eligible costs during the 8 or 24-week covered period.**

The records will include bank statements, third-party payroll reports, federal and state payroll tax forms, lease agreement, cancelled checks.
- 3 The lender has 60 days to review the forgiveness application and render a decision.**

Tax Considerations: [IRS Notice 2020-32](#) provides that the expenses associated with the tax-free loan are not deductible from gross income. This policy has the net effect of reversing the tax-free benefit intended by Congress under the CARES Act. Although some lawmakers are considering legislation to change this result, no action has so far occurred.

Another issue relates to the timing of forgiveness versus tax deductions for expenses. For many companies, the forgiveness decision will not occur until 2021. So, are the PPP expenses non-deductible on 2020 tax returns or in 2021 when forgiveness is determined? Some tax accountants are recommending companies file tax extensions until these issues are clarified by the IRS or Congress.

The Small Business Administration (SBA) continues to update its Frequently Asked Questions document which can be found [here](#). The Treasury Department has also provided [resources](#).