



LMHS, P.C.
Certified Public Accountants and Advisors

So you have applied for PPP forgiveness, now what?

Here is a rundown of what you should expect over the next few months:

When will I receive a forgiveness determination?

Each bank is processing these loans at a different pace. However, the bank has a maximum of sixty days from the date they have accepted the forgiveness application to make a determination, and the SBA then has an additional ninety days to remit funds to the bank subject to its own review.

Will my loan be forgiven?

If you were in compliance with all of the PPP requirements, then yes. If you would like to discuss what that entailed, we would be happy to schedule a call to review with you. The SBA has added an extra layer of scrutiny for loans of two million dollars and above which our office continues to follow as guidance comes down from the SBA.

What happens if my company is denied forgiveness?

There is a thirty-day period to submit a request for reconsideration through the lender to the SBA. The SBA can approve or deny the request and will notify the lender of that determination.

Appeals can be made as to the following SBA determinations: the company was not eligible for the loan; the proceeds were used for unauthorized purposes; and the percentage forgiveness granted.

May I deduct payroll and other qualified expenses for which I am requesting forgiveness for my PPP loan on my 2020 tax return? What if I did not yet file for forgiveness?

Per recent IRS guidance, if you have a reasonable expectation of forgiveness for your PPP loan then you may not deduct these expenses *even if the taxpayer has not submitted an application for forgiveness of the covered loan by the end of such taxable year*. See: <https://www.irs.gov/pub/irs-drop/rr-20-27.pdf>

This means in substance that you cannot deduct those expenses that you will be submitting on the forgiveness application as you believe you used the funds in accordance with the guidance issued.

Please note, although the IRS is not showing any signs of changing their tune on this, there are members of the legislature that indicate they would like to push back on the IRS to allow for the deduction of these expenses.

Please don't hesitate to contact your tax professional with any questions or concerns.

