Top 3 Questions Nonprofits Ask About Paycheck Protection Program Forgiveness

Lead BANK
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1. How do I choose my covered period of 8 to 24 weeks?

There is no one size fits all. We encourage you to run some scenarios to assess your best option. Below are a few advantages for selecting an 8-week or 24-week forgiveness period.

Advantages of using an 8-week forgiveness period

- **Faster forgiveness.** If you're able to qualify for full loan forgiveness after eight weeks, then you can have the forgiveness process wrapped up within the current calendar year. Extending your forgiveness period from 8 to 24 weeks could lead to the loan forgiveness process extending into next year. If you apply for other loans or lines of credit during that time, you may have a hard time qualifying while the PPP forgiveness issue is being finalized.
- **Easier to meet staffing conditions.** One of the requirements for forgiveness is maintaining the number of employees on your payroll. Nonprofits may find it easier to maintain staffing levels for 8 weeks than 24 weeks.

Advantages of using a 24-week forgiveness period

- **More of the loan can be spent on payroll costs.** Under the new rules, you need to apply 60% of your loan on payroll costs. By giving you more time to spend your funds on wages, payroll taxes, and benefits, more nonprofits should be able to have their loans forgiven. You might even be able to achieve full forgiveness by just using payroll costs alone.
- **More time to plan.** By taking advantage of the extended forgiveness period, you have more time to talk with your advisors and strategize ways to achieve maximum loan forgiveness.

2. How do I prove my payroll?

For the payroll portion of your PPP loan, you will need to provide documents from your payroll provider and proof of paying employment taxes with IRS and state forms. Eligible payroll costs include salaries and wages, health benefits, and paid leave (i.e. vacation, parental, family, medical, or sick leave).

Documents required to prove payroll costs:

- Payroll service reports documenting wages paid to employee
- Federal payroll tax filings (IRS Form 941)
- Income, payroll, and unemployment insurance filings from your state
- Receipts for employer contributions to group benefit plans
- Receipts for any retirement plan contributions

Some payroll providers are supplying PPP loan forgiveness reports that can be used on the application. You may want to check in with your provider first before manually calculating any payroll cost or headcount numbers.

3. When do I enter my non-payroll expenses?

Did you have payroll expenses during your covered period at, or in excess of, your loan amount? No need to include non-payroll expenses.

Did your payroll situation change due to COVID such that you do not have sufficient reportable wages to equal your loan amount? Consider adding non-payroll expenses in this case.

Eligible non-payroll costs for forgiveness include:

- Mortgage interest (not including principal payments): Must include proof of mortgage interest paid
- Rent: Must include rental agreement or invoices for rent payments
- Utilities: Must include copy of bill and copy of check used to pay or bank statement showing debit for bill

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816.220.8600 • www.lead.bank