

Got a PPP loan? Here's how to make sure you get loan forgiveness

Paycheck Protection Program loans can be forgiven — if businesses follow some very specific guidelines.



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3 hours ago

More than 69,000 Pennsylvania businesses received Paycheck Protection Program loans collectively worth \$15.7 billion [during the first round of funding](#).

And most of that money could be forgiven under the terms of the loans if the recipients follow certain rules over the next eight weeks.

Getting that forgiveness will be critical for many businesses as they try to stay afloat through the coronavirus pandemic. Gov. Tom Wolf has [extended Pennsylvania's work-from-home order](#) for businesses deemed nonessential through May 8.

The PPP offers companies and nonprofits with fewer than 500 workers a 1% interest loan to cover two months of payroll and other expenses. The program has a \$10 million limit per customer. Borrowers must use the money for payroll costs, mortgage interest, rent and utilities payments over the eight weeks after getting the loan. About 75% of that money must be used to cover payroll costs.

Businesses that do not maintain staff and payroll will owe money back. They have until June 30 to restore full-time employment and salary levels and will have to show the receipts to their lender.

[James Lozano](#) — a partner at BST & Co. and leader of the CFO for Hire division — said he's focused on helping companies get the most out of the PPP, including how they should track their expenses during this time.

"We've been talking with clients about preparing for forgiveness. It's going to come upon you very quickly here," Lozano said. "You got the money on Thursday and that clock currently starts ticking right away for that eight-week period."

Here is Lozano's best advice for businesses about how to get that loan forgiveness.

Lay out a plan: Businesses should figure out a plan for how to spend the money. Lozano suggested writing it out on an eight-week calendar to help make sure a business can spend all the money it can within that period.

Set up a new bank account: When companies go for forgiveness, Lozano thinks it would be a good idea to segregate this money into a separate bank account.

"Don't co-mingle it with your operating funds," he said. "When you're ready to use it, transfer it into operating account, document what the transfer was for and it will give you a nice audit trail to say this is what we spent it on."

Create a spreadsheet: Lozano recommends creating a log or spreadsheet to track each time a business spends money on the allowable expenses. Businesses should date what it was for, the amount and make a copy of whatever documentation proves the expense.

"Everybody's got an accounting system, but to go back and dig through your general ledger if you're continuing to operate will make it more difficult and complex," Lozano said. "Log it on a spreadsheet, you won't have that many items on an eight-week period."

Make copies of all important documents: He suggests making a copy of checks and invoices and keeping it in a "forgiveness folder."

"So when you get done with that eight-week period, you have all the information you need to hand in for forgiveness and you're not trying to scramble back through a file cabinet after June 30 to figure out what to make copies of," Lozano said.

Work with your payroll company: If a company's payroll doesn't cut off specifically at the end of the eight week period, Lozano suggests asking the payroll company to create a special payroll run that ends with the eight weeks. For example, instead of having a payroll period that keeps going when the eight weeks end, it can cut off the last day payroll is eligible.

"It will cost people a couple dollars for an extra payroll run, but it is worth it," Lozano said. "Or ask them for a specific report that shows what payroll through a specific date is."

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