

CARES Act: Paycheck Protection Program Best Practices for Accountability and Maximizing Your Loan Forgiveness

Key Provisions

- A minimum of 75% must be spent on payroll and benefits as defined by the program.
- You can only use up to 25% of the SBA/PPP loan on occupancy/utilities expenses.
- You have 8 weeks from the time you receive funding to use towards allowable costs to stay within the forgiveness period.

Best Practices for Accountability and Maximizing Your Loan Forgiveness

- Set up a separate bank account for the funds to be deposited into so that you keep the SBA/PPP funding segregated (not required, but a best practice).
- Work with your payroll provider to ensure that they are properly coding payroll to match the CARES Act provisions that include expansion of the Family Leave Act. They should calculate your payroll segregate with new CARES Act coding that you can use for reconciling that allowable payable accounting for the various payroll tax credits, etc.
- After you process payroll, complete a reconciliation schedule that outlines the allowable/approved payroll/benefits, etc.
- Do a funds transfer for the amount that equals the allowable payroll/benefits per reconciliation schedule from the SBA/PPP funds account to your general operating account.
- Create a monthly schedule of allowable rent/lease/mortgage and related utilities.
- Once a month or as appropriate, transfer funds from SBA/PPP account to ministry operating bank account.
- Keep a copy of the interbank funds transfer with the supporting documentation.
- Create and maintain these packets of information for each transfer.

5 Factors That Could Cause You to Have Less Than 100% of Your Loan Forgiven:

1. If you also obtained an Economic Injury Disaster Loan (EIDL) advance, then that amount must be subtracted from the loan forgiveness amount.
2. The SBA interim rule requires 75% of loan proceeds to be used on payroll costs.
3. Wages paid to an employee for Expanded Family Medical Leave Act paid leave or Emergency Paid Sick Leave for which you received the allowable credit under the FFCRA are not includible in your payroll costs.
4. The headcount reduction factor.
5. The salary wage reduction amount.

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