

**Who will make the decision about forgiveness for the PPP loan? Is that done on a bank level?  
Does the bank have to send that up to SBA for the decision?**

These questions and many others are coming from accountants that are helping many people with the PPP fund usage. Most of those allowable expenses under tax guidelines are not addressed in the PPP guidelines, especially regarding health insurance and such. We are advising PPP recipients to put that money in a separate account if it's not too much trouble to make tracking for forgiveness clear. One of the major issues for the restaurants: they don't want to use the PPP as it was intended—but rather to keep the lights on. If that is the case, the only penalty is that the loan will not be forgiven and they will have to pay it back at 1% interest.

Based on the language in the "final interim rule" subject firms could be doing more than simply incurring an additional debt. Per the agency's guidelines, the stated uses include:

- payroll
- costs related to health insurance, sick leave, medical, or family leave, and insurance premiums
- mortgage interest payments
- rent payments
- utility payments
- interest payments on any other debt incurred before 2/15/2020
- refinancing of an EIDL

The guidelines also state that "the limitation on use of the loan funds will help ensure that the finite appropriations available for these loans are directed towards payroll protection..."

Furthermore, the applicant business was required to make representations and certifications in the application form that constrains them to use the funds for the purposes outlined above. If they are found to have used the proceeds for other purposes, they could be subject to further action by the agency as outlined below:

"If you use PPP funds for unauthorized purposes, SBA will direct you to repay those amounts. If you knowingly used the funds for unauthorized purposes, you will be subject to additional liability such as charges for fraud. If one of your shareholders, members, or partners use PPP funds for unauthorized purposes, SBA will have recourse against the shareholder, member, or partner for the unauthorized use."

The most significant unknown at this time is the level of oversight lenders will be charged with providing with this process. If a lender overlooks or misses an issue that is subsequently found by the SBA, the 100% guaranty could be in danger, and the SBA could take action against the lending institution.

Source:

**Central Virginia Small Business Development Center**