

SBA Makes Further Changes To PPP Rules In August 4th FAQs



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On August 4th, the SBA released further guidance on PPP program questions after consultation with the Department of Treasury. The guidance was provided to supplement the PPP Interim Final Rules that were reviewed by my article [posted here](#).

These FAQs provide further disappointment for small business owners who would otherwise be able to receive forgiveness for what they pay themselves for services rendered, but do not prevent compensation paid to related parties, such as a spouse, to be counted.

We will be further dissecting and analyzing these pronouncements, and will schedule and present a 30-minute webinar on this in the near future. You can email info@gassmanpa.com to be registered for the webinar or a free replay by simply putting “FAQ Webinar” in the RE: line.

Compensation Limitation For Owners Applies Cumulatively Across All Businesses

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These rules provide that the maximum amount of compensation that can be counted towards forgiveness for an individual with any ownership interest in an S corporation, C corporation, partnership or sole proprietorship (Schedule C business) cannot exceed the lesser of \$20,833 or 20.833% of their 2019 compensation, and this cap applies cumulatively to all companies that the owner/employee is paid by. The allocation of this will be as selected by the borrower companies.

This puts significant pressure on small businesses to have at least 60% of loan amounts spent on combined payroll of both owners and non-owner employees, and is a significant limitation that was not contemplated in the original CARES Act.

The \$20,833 / 20.833% presumes a “Covered Period” of 10.6 weeks or more. A borrower that elects to use an 8 week Covered Period will be limited to the lesser of \$15,385 or 15.385%.

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