One of the key benefits of the Paycheck Protection Program (PPP) is the opportunity to have your loan forgiven. But forgiveness is not automatic. It depends on many factors. Here are four essential steps to help you take full advantage of this benefit.

**Make sure your PPP funds are used only for approved purposes**
You may need to repay your loan if you use less than 75% of the money for payroll, and 25% of it is used for mortgage interest, rent or utility payments during the eight weeks following receipt of the loan proceeds. Your bank will most likely adhere to these guidelines because it will be repaid by the Small Business Administration (SBA) based on this formula.

**Maintain your staff and payroll**
The purpose of the Paycheck Protection Program is to help keep people employed. The loan forgiveness amount is reduced if:

- You decrease the number of full-time employees
- You cut wages by more than 25% for any employee who made less than $100,000 in 2019

You have until June 30, 2020 to restore any reductions in full-time staff or compensation made between February 15, 2020 and April 26, 2020.

**Keep proper documentation to substantiate costs**
As part of the loan forgiveness process, you have to provide:

- Verification of the number of full-time employees, pay rates for the covered period, and payroll tax filings reported to the IRS as well as state income, payroll, and unemployment insurance filings
- Canceled checks, receipts, or other proof of payment of eligible expenses
- Certification that the documentation presented is true and correct and that the loan was used to retain employees, pay rent/mortgage, or cover utilities
- Any other documentation as requested by the SBA

**File your loan forgiveness application with your bank**
After the eight weeks, you can submit an application with supporting documentation to request forgiveness. Your bank has 60 days from the day it receives your application to decide how much of your PPP loan, if any, will be forgiven.

We’re Here to Help
Navigating the nuances of the Paycheck Protection Program can be challenging, especially since new guidance is still being released. We understand these nuances and can guide you through the process to help maximize your loan forgiveness. Contact a Cerity Partners advisor to learn more.

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