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PPP loan forgiveness: 3 reasons local experts say you should wait before filing

Jeff Blumenthal

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Two local accountants are still urging their clients to wait before filing for Paycheck Protection Program forgiveness despite the Small Business Administration releasing a much-anticipated, streamlined application last week for loans totaling \$50,000 or less.

“There’s no reason to be one of the early birds,” said [Mitchell Gerstein](#) of Bala Cynwyd’s Isdamer & Co. “You have until 10 months after the covered period of the loan to apply and then the lenders has 60 days to review it and the SBA has 90 days. So it is a long process.”

The two-page forgiveness application includes certifications from the borrower but does not require calculations to be submitted with the application. Applicants must submit documentation verifying forgivable expenses such as payroll, rent and mortgage payments.

The SBA, in consultation with the Treasury Department, [announced the new process Thursday night](#). It said the action is expected to affect about 3.6 million borrowers. Loans of up to \$50,000 represent roughly 69% of the 5.2 million PPP loans approved but account for just 12% of the \$525 billion in dollar volume.

The agency began approving forgiveness applications and remitting payments to PPP lenders Oct. 2. The SBA and Treasury say the updated form will also ease the burden on lenders. Still Gerstein and [Jordan Kendall of Marcum](#) both says businesses would be better off waiting to see what transpires in the coming months in Congress. Here are three reasons why:

- **Avoiding technology snafus:** Waiting allows lenders and the SBA to work out any initial technology kinks that caused major issues at the start of the PPP application process in the spring.
- **A better option might come along:** Congress could still pass legislation making some PPP loans 100% forgivable in the long-awaited second Covid-19 stimulus legislation. While the simplified form is helpful, it does not guarantee forgiveness. And Gerstein said that some of his clients would not receive full forgiveness if they applied now because of how they spent the money.

As a result it behooves them to wait and see if Congress reaches an agreement on that. Lawmakers have continued to propose bills that would offer additional PPP funding for small businesses, but further stimulus may not come until after the Nov. 3 election. Gerstein admits the chances of a second stimulus including forgiveness for borrowers from the first round is not likely.

“Each week we get closer to the election, the less likely it is that they reach an agreement on a second stimulus any time soon,” Gerstein said. “And even if they do, I think the focus will be on PPP 2.0 and not automatic forgiveness for those who received PPP 1.0 loans. That’s way down on the priority list, even behind overturning the IRS on the deductible issue.

- **IRS edict on could be overturned:** On April 30, the IRS ruled out tax deductions for expenses such as payroll, rent and mortgage with forgivable PPP loans. The IRS claims it is akin to double dipping. But many Republicans and Democrats in Congress said that was not their intention when they passed the CARES Act. The only issue is that Congress would need to pass another piece of legislation clarifying that or else borrowers will not receive a tax deduction. Kendall said if Congress still hasn’t sorted that issue out by March, businesses can apply for a six-month extension. That option is far less costly than having to amend the return at a later date.

“If Congress doesn’t make a rule change, they just won’t get a deduction for PPP,” Kendall said. “I think out of all of the issues, this is the one of most concern to my clients.”