



# UPDATED GUIDANCE ISSUED TO HELP CLARIFY AND SIMPLIFY COVID ASSISTANCE

**PAYCHECK PROTECTION PROGRAM CHANGES THAT HELP  
STREAMLINE FORGIVENESS FOR LOANS \$150,000 OR LESS**

..... • PREPARED BY .....  
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On July 28, 2021, the U.S. Small Business Administration (SBA) issued a new interim final rule (IFR) that helps simplify and speed up the forgiveness process for loans of \$150,000 or less.

The SBA recently launched a new application portal allowing borrowers to apply for forgiveness directly with the SBA, instead of having to go through their lender. The PPP Direct Forgiveness Portal can be accessed at [directforgiveness.sba.gov](https://directforgiveness.sba.gov). Lenders must opt in to use the portal, and it is only for borrowers with loans of \$150,000 or less. This new streamlined portal simplifies forgiveness for millions of businesses.

The SBA has created a Direct Forgiveness Portal User Guide which can be found here: [Paycheck Protection Program: Direct Forgiveness Portal User Guide](#). In addition to this new portal, the SBA has set up a PPP customer service team to answer questions and directly assist borrowers with their forgiveness applications. Borrowers can ask for assistance, Monday through Friday, from 8 a.m. to 8 p.m. by calling (877) 552-2692.

Included in the IFR is a COVID Revenue Reduction Score, as described below, which can be used at the time of forgiveness to document the required revenue reduction for second draw PPP loans. In order to be eligible for a second round PPP loan, borrowers had to experience a revenue reduction of not less than 25 percent during one quarter of 2020 compared to the same quarter in 2019. Second round borrowers were required to certify this revenue reduction on the loan application. In order to help streamline forgiveness of second round PPP loans of \$150,000 or less, the SBA now allows lenders to use a COVID Revenue Reduction Score to document the borrower's revenue reduction, if they did not submit documentation of revenue reduction at the time of the loan application.

The COVID Revenue Reduction Score was developed by an independent third-party SBA contractor. The score uses a variety of inputs such as industry, geography, and business size. Each second draw PPP loan of \$150,000 or less will be assigned a score, which will be visible to lenders to use on an optional basis as an alternative to document revenue reduction. As long as the score meets or exceeds the value required for validation of the borrower's revenue reduction, use of the score will satisfy the requirement for revenue reduction verification.

The IFR also extends the deferment period for PPP borrowers who appeal final SBA loan review decisions. Previously, the rule for appeals of final SBA loan review decisions on PPP loans provided that appeals by PPP borrowers of any final SBA loan review decision do not extend the deferment period of PPP loans; borrowers had to begin making payments of principal and interest on the remaining balance of their PPP loans when the SBA remitted the loan forgiveness amount to the PPP lender. Now, a PPP borrower's timely appeal of a final SBA loan review decision will extend the deferment period for the PPP loan until the SBA issues a final decision on the appeal.

The SBA also discontinued use of the loan necessity questionnaire. They updated the Frequently Asked Questions and added question number 69 to address why they removed the questionnaire. Basically, the reason it was discontinued was to streamline the loan forgiveness process. The full list of FAQs can be found here:

<https://www.sba.gov/sites/default/files/2021-07/FINAL%20FAQ%20Update%207.29.21-508.pdf>

## **New Employee Retention Credit (ERC) Guidance**

The IRS recently issued Notice 2021-49 that includes guidance on the extension and modification of the ERC. The notice applies to wages paid in the third and fourth quarters of 2021, but also includes a section that addresses “miscellaneous issues” applicable for ERC in 2020 and 2021. The main points of the Notice are as follows:

- Clarification in regard to the size of an employer. The ERC only includes full-time employees, identified as those employees who work 30 hours per week or 130 hours per month. In addition, once an employer qualifies for the ERC, qualified wages include those paid to all employees not just full-time employees.
- Clarification of wages paid to relatives of shareholders or partners.
  - If a greater than 50 percent shareholder or partner has a living “relative,” then the shareholder’s or partner’s wages are not qualifying wages.
  - “Relatives” include children, grandchildren, siblings, stepsiblings, parents, grandparents, stepparents, nieces, nephews, aunts, uncles, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law, or a dependent of the taxpayer who lives in the same household.
  - If a greater than 50 percent shareholder or partner has no living “relative,” then the shareholder’s or partner’s wages are qualifying wages.
  - Even though spouses are not included in the list of “relatives,” if a greater than 50 percent shareholder or partner has a living relative, and such relative is also related to the spouse, then the spouse’s wages are not qualifying wages.
  - If a greater than 50 percent shareholder or partner has no living “relative,” then the shareholder’s or partner’s spouse’s wages paid are qualifying wages.
- Clarification that the same tips that are treated as wages may be used to support the ERC and the tip credit under §45B.

The IRS also recently issued revenue procedure 2021-33, which released a safe harbor that permits a taxpayer to exclude certain items from gross receipts for purposes of determining eligibility to claim the ERC. The following are excluded from gross receipts for purposes of ERC eligibility: (1) The amount of the forgiveness of a Paycheck Protection Program loan, (2) a grant under section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, enacted as Title III of Division N of the CAA and (3) a restaurant revitalization grant under section 5003 of the American Rescue Plan Act of 2021.

## CONTACT US

Zinner & Co. LLP, is here to help. If you need assistance or have questions on PPP loan forgiveness or ERC, please contact any member of your Zinner & Co. Client Service Team to discuss how we can help.



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## ABOUT ZINNER

In 1938, Harry Zinner had a vision for long term success. He founded a Cleveland-based bookkeeping firm that focused on integrity, commitment and a pledge to help individuals, not-for-profit organizations and closely-held companies grow and prosper, not just for today, but for decades to follow.

Today, Zinner & Co. provides tax, accounting and management advisory services to guide businesses from startup to succession planning and help individuals create a solid financial foundation.

Our Beachwood, Ohio office is home to a dedicated team of CPAs and management advisors that provide a full slate of services beyond traditional tax and accounting. Contact us to discover how we can help you achieve your greatest financial potential.

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