

June 2, 2020

Profit Sharing Contributions and PPP Loan Forgiveness

Many of you may have received Paycheck Protection Program (PPP) Loans. Once the loan has been received the next step is spending the proceeds on eligible expenses in the proper timeframe to achieve forgiveness of the loan. In order to maximize the forgiveness, consider making a contribution to your profit sharing plan during your window for forgiveness. While the rules are very technical, here are highlights as to why we believe profit sharing contributions paid during the timeframe should be included in the forgiveness calculation.

- Contributions to a profit sharing plan are eligible payroll expenses. To include these expenses in the forgiveness calculation they need to be made at the proper time which is generally within 8 weeks of receiving the loan proceeds. For businesses that only pay people on a bi-weekly or more frequent pay period there is another option where the 8 weeks start with the first payroll period beginning after you have received the loan proceeds.
- As a general rule payroll expenses paid within the selected 8 week period can qualify for forgiveness. Amounts paid outside of this period generally will not. To qualify profit sharing contributions for your PPP loan forgiveness calculation you may want to make the contributions to your plan during the selected 8 week period.
- The rules as drafted would apply to amounts that are paid within the 8 weeks even if they are for periods before the 8 weeks. If you have a contribution due for the prior year that you have not made yet you may want to make these during the 8 week period.
- Contributions for the current year that you want to include in the forgiveness calculation could also be made within the 8 week period. If you want to make contributions for the current year before you have determined the allocation to employees you may want to make sure this can be done as part of your plan and what investments are appropriate.

These rules are in flux. There are even law changes in process that could extend the time period to 24 weeks. It is important to watch these changes and coordinate with your advisors so that your profit sharing contributions can qualify for PPP loan forgiveness.