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# PPP Forgiveness: 8 Weeks vs. 24 Weeks

The [Paycheck Protection Program Flexibility Act](#) made some significant changes to PPP loans.

One of the biggest changes was to the eight-week forgiveness period. If you were assigned a PPP loan number on or before June 5, 2020, you now have the option of taking 24 weeks to spend the funds instead of eight weeks.

Borrowers whose loan numbers were assigned after June 5 will automatically have a forgiveness period that is the shorter of:

- 24 weeks, or
- From the date of the loan to December 31, 2020.

Naturally, one of the questions that keep coming up from small business owners who took out a PPP loan is, “should I use eight weeks or 24 weeks for calculating loan forgiveness?”

## 8 weeks vs. 24 weeks

At first, having more time to spend your loan proceeds seems to make more sense. However, there are a few advantages and disadvantages of each.

### Advantages of using an 8-week forgiveness period

- **Faster forgiveness.** If you’re able to qualify for full loan forgiveness after eight weeks, you can have the forgiveness process wrapped up within the current calendar year. Extending your forgiveness period from eight to 24 weeks could lead to the loan forgiveness process extending into next year. If you apply for other loans or lines of credit during that time, you may have a hard time qualifying while the PPP forgiveness issue is up in the air.
- **Easier to meet staffing requirements.** One of the [conditions for forgiveness](#) is maintaining the number of employees on your payroll. Some small business owners may find it easier to maintain staffing levels for eight weeks than 24 weeks.

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- **Take advantage of current rules and interpretations.** The rules and guidelines for calculating PPP loan forgiveness are changing quickly and often unpredictably. The regulations in effect at the time of your application apply to your loan. If you qualify for full forgiveness after eight weeks, you may be better off applying then. If you wait an additional 16 weeks, there's no telling how the guidelines might change and whether you'll still qualify.

## Advantages of using a 24-week forgiveness period

- **More of the loan can be spent on payroll costs.** Under the old rules, you had to spend 75% of the loan on payroll costs. Under the new rules, that's been reduced to just 60%. Under the prior rules, many had trouble **rehiring employees**. By giving employers more time to spend their funds on wages, payroll taxes, and benefits, more businesses should be able to have their loans forgiven. Now, many businesses will be able to achieve full forgiveness just using payroll costs alone.

**More time to plan.** By taking advantage of the extended forgiveness period, business owners have more time to talk to their advisors and strategize ways to achieve maximum loan forgiveness.

## Can I apply for loan forgiveness early?

When the PPP Flexibility Act passed, it appeared that borrowers could choose between an eight or 24-week forgiveness period. There was nothing in the law that said business owners could elect a shorter forgiveness period (say, 12 weeks) if they ran out of funds before 24 weeks. The SBA later issued [guidance](#) declaring that PPP recipients **can** apply for loan forgiveness early.

However, there may be a disadvantage to selecting a covered period somewhere between eight and 24 weeks.

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## Can I apply for loan forgiveness early(Cont.)?

The new guidance states if you apply for forgiveness before the covered period is over, and you've reduced any employee's salary or wages by more than 25%, you must still account for the excess salary reduction for the full 24 weeks. In other words, the forgiveness amount will be reduced as if the salary reduction were in effect for the remainder of the covered period.

The new rules also update the cap on owner compensation replacement (OCR) for owner-employees and self-employed people. For those businesses that receive a loan after June 5, 2020, the OCR for the 24-week covered period is capped at 2.5 months' worth of 2019 net profit, up to a maximum of \$20,833. Currently, you're required to account for that over the entire 24 weeks—if you apply for forgiveness early, you may not be able to claim the full 24 weeks, because you can only apply for forgiveness on amounts you've spent.

For self-employed individuals without additional employees on payroll, the OCR of 2.5 months' worth of 2019 net profit will equal the loan amount, which means the loan can be fully forgiven through OCR alone.

## How to opt for the 8 vs. 24 week period

The good news is, you don't have to decide immediately whether to take eight or 24 weeks to spend the funds and calculate loan forgiveness. If your business isn't harmed by waiting, you can see where you stand after 24 weeks and determine which period is most beneficial. When you fill out your **PPP Forgiveness Application**, just select eight or 24 week by entering the appropriate dates in the Covered Period or [Alternative Payroll Covered Period](#) section.

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## How to opt for the 8 vs. 24 week period(Cont.)

Currently, the law doesn't include a deadline for small business owners to submit a forgiveness application to their lenders. However, if you haven't applied for forgiveness within 10 months of the end of your covered period, you'll have to start making payments. That essentially gives you a 10-month deadline to apply for forgiveness.

So if eight weeks just won't work for you, the Flexibility Act now allows some flexibility for achieving 100% forgiveness. However, if you can qualify for forgiveness within eight weeks, you might be better off submitting your forgiveness application right away. By giving yourself an additional 16 weeks, you run the risk of focusing too much on PPP management rather than running your business effectively. You may just want to apply for forgiveness after eight weeks and be done with it.

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