

Paycheck Protection Program (PPP)

Loan Forgiveness and the Indirect Cost Rate (ICR)



BACKGROUND

Paycheck Protection Program (PPP) loans are a US Small Business Administration – backed loan to help businesses keep their workforce employed during the COVID-19 pandemic. These loans are approved for certain expenses like payroll, payroll taxes, rent, mortgage interest, and utilities. Borrowers may be eligible for PPP loan forgiveness for all or a part of their loan.

HOW COULD THE LOAN FORGIVENESS AFFECT MY ICR?

Architectural and Engineering firms that received a PPP loan may have to adjust their indirect cost rates if their loan is forgiven, to provide the corresponding credit to the Federal government. Any amount of PPP loans which are forgiven may need to be reflected in the ICR schedule as a credit to the applicable accounts to which the loan amounts were applied in accordance with the loan forgiveness application and 48 CFR 31.201-5. If reducing your ICR based on a forgiven PPP loan results in an undue burden or economic hardship for your firm, you may be asked to provide additional information to determine treatment of the credit.

WHAT IF I ELECT TO PAY BACK THE LOAN RATHER THAN SEEK FORGIVENESS?

No credit is required for a PPP loan if a firm chooses to make payments on the loan or pay it all back at one time.

IS THERE ANY PART OF THE FORGIVEN LOAN THAT IS EXEMPT FROM IMPACTING MY ICR?

Forgiven PPP loan funds used for otherwise unallowable indirect costs or direct costs for private clients, may be exempt and therefore not part of an adjustment to the ICR. The Internal Audit Office would need to verify this information, but it is possible to reduce the required credit.

IF I APPLY FOR FORGIVENESS WHEN WILL THIS AFFECT MY ICR?

If the PPP loan is forgiven in 2020 or early 2021 and recognized on the 2020 financials, the forgiveness will affect the FY2020 ICR. However, if the firm waits to apply for forgiveness until after the 2020 financials are closed it will affect the FY2021 or future ICR.

WHO DO I TALK TO IF I HAVE MORE QUESTIONS?

Please contact Schatzie Harvey at 360-705-7006 or HarveyS@wsdot.wa.gov if you have questions about how the PPP loan forgiveness may affect your indirect cost rate. Also visit the WSDOT Internal Audit Office [webpage](#) for upcoming guidance on this topic.