

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.

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 PEPS Administrative Qualifications section 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?

The firm may choose to credit the PPP loan forgiveness amount to the ICR in either FY 2020 or FY 2021. However, the firm must document in detail which fiscal year the PPP credit was applied.

WHAT PPP DOCUMENTATION SHOULD BE SUBMITTED WITH AQ PACKET?

All firms should disclose PPP information in the Notes and indicate it on the ICR schedule in the year the loan was received and remain in the notes through the year when the loan was forgiven. As well as, following information:

- SBA Submission form
- Amount of loan
- Covered period
- Status of loan forgiveness
- Amount of loan forgiveness
- Method used to track loan expenditures
- Breakdown of loan expenditures by category
- Payroll Protection Program (PPP) Fund Certification

WHERE DO I SUBMIT MY QUESTIONS?

If you have questions about how the PPP loan forgiveness and how it may affect your indirect cost rate, please submit all questions to the [PEPS ADMIN QUALS@txdot.gov](mailto:PEPS_ADMIN_QUALS@txdot.gov) inbox.

**PAYROLL PROTECTION PROGRAM (PPP)
FUND CERTIFICATION**

Company Name: _____

Did the company receive a PPP Loan? Yes. No. If yes, amount: \$ _____

PPP Covered Period (mm/dd/yyyy to mm/dd/yyyy): _____

Loan proceeds used for (Select all that apply): Labor \$ _____
 Rent/mortgage obligations \$ _____
 Utilities \$ _____
 Other: _____ \$ _____

Did the company receive forgiveness for PPP Loan funds? Yes No. If yes, amount: \$ _____

Date of PPP Loan forgiveness, _____, if the firm has not received forgiveness, has loan forgiveness been requested?

Yes No. If yes, the date requested _____

Loan forgiveness for (Select all that apply): Labor \$ _____
 Rent/mortgage obligations \$ _____
 Utilities \$ _____
 Other: _____ \$ _____

I, _____, certify that I am an authorized representative of the above-named company and understand:

- I. The Government may be entitled to a credit to the extent that my Company has received forgiveness of PPP loan proceeds while participating in contracts subject to Federal Acquisition Regulations Part 31 (FAR).
- II. Composition of total cost of a contract is the sum of the direct and indirect costs allocable to the contract less any credits. Federal Acquisition Regulations (FAR) 31.201-1.
- III. The applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the Government either as a cost reduction or by cash refund. Federal Acquisition Regulations (FAR) 31.201-5.
- IV. Allowable Cost and Payment, states that the Contractor shall pay to the Government any refunds, rebates, credits, or other amounts (including interest, if any) accruing to or received by the Contractor or any assignee under this contract, to the extent that those amounts are properly allocable to costs for the which the contractor has been reimbursed by the Government. Federal Acquisition Regulations (FAR) 52.216-7(h)(2).

Signature of Certifying Official

Date of Certification

Name of Certifying Official (Print)

Title of Certifying Official (Print)