

# SIX STEPS TO PPP LOAN FORGIVENESS

## 1 Track eligible costs

incurred and paid during the 8- or 24-week period following the loan funding.



- Payroll costs
  - Gross compensation limited to an amount annualized to \$100,000 per employee. This works out to a max of \$15,384.62 per employee under an 8-week covered period, or \$46,153.86 under a 24-week covered period. If using a 24-week covered period, owner-employee replacement compensation is limited to \$20,833.
  - Payment for leave; Separation or dismissal allowances; Employee benefits; Group health care coverage; Vacation Pay; State and local tax payments that you make – e.g., state unemployment taxes.
- Mortgage interest for mortgages in effect prior to 2/15/20.
- Rent under a lease in effect prior to 2/15/20.
- Utility costs for services established prior to 2/15/20.

## 2 Use Payroll Costs to establish forgiveness floor

- 60% of your expenditures eligible for forgiveness must have been on Payroll Costs.
- *Planning Tip:* Plan to spend at least 60% of PPP loan proceeds on Payroll Costs to maximize loan forgiveness.



## 3 Calculate maximum potential loan forgiveness

- Taking into account the forgiveness floor, the maximum potential forgiveness is equal to the amount spent on all eligible costs.

## 4 Calculate any decrease in FTEs for the 8- or 24-week covered period

- First, determine the average number of full-time equivalent employees you had per month:
  - The 8- or 24-week period following your initial loan disbursement, (A)
  - 2/15/19 to 6/30/19, (B1)
  - and January 1, 2020 to February 29, 2020. (B2)
- In calculating "A" you may add back as retained employees any worker you did not replace who voluntarily resigned, voluntarily requested and received a reduction in hours, was fired for cause, or rejected your offer to rehire for the same salary/wage and number of hours as before you laid them off.
- If you get a number  $\geq 1$ , you successfully maintained your headcount and meet this requirement.
- If you get a number  $< 1$ , you did not maintain your headcount and your forgivable expenses will be reduced proportionately.
- E.g., a 10% drop in FTEs results in a 10% decrease in the amount of the loan forgiveness.



## 5 Calculate any reduction in payroll for the 8- or 24-week covered period

- You must maintain at least 75% of total salary per employee.
- This requirement will be individually assessed for every employee that did not receive more than \$100,000 in annualized pay in 2019.
- If the employee's pay over the 8- or 24-week covered period is  $< 75\%$  of the pay they received during the most recent quarter in which they were employed, the eligible amount for forgiveness will be reduced by the difference between their current pay and 75% of the original pay.

## 6 Consider any rehiring or wage restoration

- You can rehire any staff that were laid off or put on furlough and reinstate any pay that was decreased by more than 25% to meet the requirements for forgiveness. You have until 6/30 to do so

