



SBA PPP LOAN FORGIVENESS

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HOW MUCH CAN I RECEIVE FROM SBA FOR MY PPP LOAN?

The SBA PPP Loan amount is 2.5x the amount of your monthly average labor cost. Below is how that figure is determined.

- Take your annual payroll labor cost (reduced to \$100K max for all staff compensated over \$100K annually).
- Add in the annual costs of employer paid Medical Benefits, Retirement Cost and State Unemployment Tax (SUTA) taxes.
- The sum of #1 and #2, divided by 12, then multiplied by 2.5 will equal your qualified SBA PPP Loan amount.

WHAT COSTS QUALIFY FOR FORGIVENESS OF MY PPP LOAN IF PAID DURING THE COVERED PERIOD?

- All salary and wages including commissions (subject to \$100K pro-rated annual limit for each staff)
- Employer paid retirement benefits paid to employees
- State unemployment tax paid
- Employer paid group health benefits

Other included costs *(may not exceed 25% of the total loan amount or the excess above 25% will impact the forgiveness)*

- Rent costs under an agreement prior to Feb 15, 2020
- Utility costs for services beginning prior to Feb 15, 2020 (electricity, gas, water, transportation, telephone, internet)
- Mortgage interest paid on mortgages incurred before February 15, 2020.

WHAT ARE THE RULES ON HOW MUCH OF MY PPP LOAN WILL BE FORGIVEN?

If the company experiences a reduction of its **workforce** or a **reduction of salaries and wages** during a certain defined period, the amount of the loan forgiveness is reduced. Here is how it works:

Workforce Reduction

- The amount of the loan forgiveness is reduced by the quotient of the following: Monthly average full time equivalent (FTE) employees during the Covered Period* divided by the monthly average FTE employees of either February 15, 2019 – June 30, 2019 [or] January 1, 2020 – February 29, 2020.

Example: ABC Company receives a PPP loan. After the Covered Period, ABC Company determines its potential loan forgiveness amount is \$100,000. The average number of FTEs during the Covered Period (the 8 weeks post-loan origination) is 100. The average number of FTEs from February 15, 2019 – June 30, 2019 is 200. The quotient of 50% (calculated as: $100 / 200$) is multiplied by the loan forgiveness amount of \$100,000. In other words, the amount of loan forgiveness is \$50,000.

Salary Reduction

- In addition to workforce reduction, a salary reduction may also cause a reduction in the loan amount forgiven.
- The amount of loan forgiveness is reduced by any reduction in the salary of certain employees (only employees that earned less than an annualized rate of \$100,000 a year during 2019 are counted) that is in excess of 25% of the total salary of the employee during the most recent full quarter during which the employee was employed.

Example: XYZ Company receives a PPP loan. After the Covered Period, XYZ Company determines that its potential loan forgiveness amount is \$100,000. Employee A worked for XYZ Company last year. Employee A has a salary of \$80,000. During the first quarter of 2020, Employee A's salary was \$20,000. If XYZ Company reduces Employee A's salary by more than \$5,000 a quarter (more than 25% based on most recent full quarter salary, calculated), the amount in excess of \$5,000 must reduce the loan forgiveness.

Relief for Re-Hiring

- If the business is able to re-hire employees and restore salaries by June 30, 2020, the business is not required to reduce the loan forgiveness.
- It is important to note that furloughing or laying off employees prior to the PPP does not prohibit a business from applying or receiving a loan. However, the amount of the forgiveness may be substantially diminished.

*Covered Period – the 8-week period after receiving the PPP loan