PPP Loan Forgiveness for Employers

As of 5/20/2020

As businesses who received a Paycheck Protection Program (PPP) loan look forward to maximizing their loan forgiveness, the following outlines the steps to take for calculating the amount of the PPP loan eligible for forgiveness. Look over these steps now to prepare for maximum loan forgiveness at the end of the 8-week covered period.

Step 1

Track total eligible costs incurred and paid during the 8-week period following the loan funding

- Payroll costs*
    - Compensation to employees including items such as:
        - Salary, wages, commissions or similar
        - Cash tips or the equivalent
        - Payment for leave
        - Allowance for separation or dismissal
        - Housing allowance or stipend
        - Payments for group health care benefits, including group health care coverage
        - Payment of any retirement benefits
        - Payment of state and local taxes assessed on the compensation of employees
- Mortgage interest on real or personal property
    - For mortgages in effect prior to 2/15/2020
- Rent/lease payments for real or personal property
    - For leasing agreements in effect prior to 2/15/2020
- Utilities
    - Includes payment for expenses such as electricity, gas, water, transportation, telephone, or internet access.
    - Service must have been established prior to 2/15/2020

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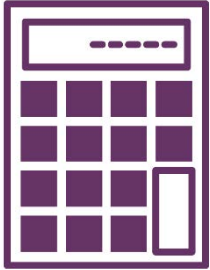
Step 2

Calculate any reduction in payroll > 25% of prior quarter

- For any employee who did not receive, during any single pay period during 2019, wages/salary at an annualized rate of pay more than $100K.
- Did their average annual salary or hourly wage during the covered period decrease by more than 25% from the previous full quarter? Reduce forgivable amount by the reduction that exceeds 25%.
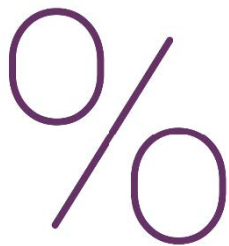
Step 3

Calculate any % decrease in FTEs from 8-week covered period versus the following periods:

- February 15 through June 30, 2019 or, at the borrower's election, January 1 through February 29, 2020
- Seasonal businesses will use February 15 to June 30, 2019; between January 1 and February 29, 2020 or any consecutive 12-week period between May 1, 2019 and September 15, 2019

Step 4

Calculate any adjustment because FTEs and salary/wages were restored by June 30

- If "restore" criteria are met, the decreases in loan forgiveness calculated in steps 3 and 4 are ignored.

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Step 5
Calculate payroll costs for forgiveness floor
- 75% of eligible costs are to be used for payroll
- If less than 75%, the forgiveness is reduced

*Additional considerations
- As a reminder, the CARES ACT excludes from payroll costs:
    - Annualized salaries greater than $100K
    - Taxes imposed or withheld under chapter 21, 22, or 24 of the IRC of 1986 (e.g. the employer's share of FICA and Medicare are not included as payroll costs)
    - Compensation of an employee whose principal place of residence is outside the US
    - Qualified sick or family leave for which a credit is allowed under §7002 or §7004 of the FFCRA
    - Payments to independent contractors
- Payroll providers are developing PPP-compliant reports to track both payroll and benefits
- Some lenders are requiring that PPP loan proceeds be put into a separate bank account. When the application for loan forgiveness is completed, documentation such as payroll reports, payroll tax returns, canceled checks, receipts, account statements or other documentation of

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payment will be required to be retained for six years. Disbursing eligible costs from a separate account may assist in the documentation process.

- On May 15, 2020, the Treasury released the [Paycheck Protection Program Loan Forgiveness Application](). For assistance with the application, consider using our [PPP Loan Forgiveness Calculator]().

- Additional guidance may be issued by the SBA so please revisit this document regularly for updates.

- The loan forgiveness for self-employed borrowers is different. Please see the separate resource for applicable steps.