

# PPP Loan Forgiveness

As of 4/24/2020

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 PPP loan forgiveness. Look over these steps now to prepare for maximum loan forgiveness at the end of the 8-week covered period.



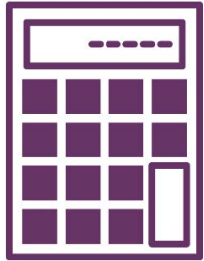
## Step 1

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

- Payroll costs\*
  - Compensation to employees including salary, wages, commissions or similar compensation.
    - Cash tips or the equivalent
    - Payment for leave
    - Allowance for separation or dismissal
    - Payments for employee benefits
    - Group health care coverage
    - Insurance premiums
    - Retirement contributions
    - 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 under a leasing agreement
  - For agreements in effect prior to 2/15/2020
- Utilities
  - Includes payment for electricity, gas, water, transportation, telephone, or internet access.
  - Service must have been established prior to 2/15/2020
- Any EIDL to be refinanced
  - Refinance is at the discretion of the borrower

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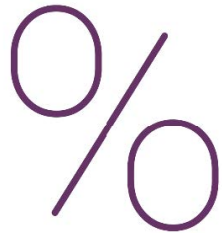
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## Step 2

### Calculate payroll costs for forgiveness floor

- 75% of eligible costs are to be used on payroll
- If less than 75%, the forgiveness is reduced by the amount under 75%



## Step 3

### Calculate any % decrease in FTEs from 8-week covered period

- For example, a 15% drop in FTEs results in a 15% decrease in the amount of the loan forgiveness.



## Step 4

### 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 and also employees whose primary place of residency is outside the US.
- Was their payroll during the cover period more than 25% less than it was the previous full quarter?  
Reduce forgivable amount by the reduction that exceeds 25%.

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## Step 5

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

- If “restore” criteria are met, steps 3 and 4 are ignored.

### **\*Additional points to consider when tracking payroll costs**

- Independent Contractors are NOT included
- Many national payroll providers have developed PPP-compliant reports to track both payroll and benefits
- A separate PPP bank account may assist in tracking costs

