

Paycheck Protection Program Quick Guide: Payroll and Loan Forgiveness

****Forgivable loans are for 8 weeks from origination, but employment retention is through June 30, 2020****

Loan size the lesser of \$10m or 2.5x Average Monthly¹ Payroll + EIDL²

To calculate monthly payroll, include these...

For business owners with employees:

- salary, wage, commission, or similar compensation
- payment of cash tip or equivalent
- payment for vacation, parental, family, medical, or sick leave
- allowance for dismissal or separation
- payment required for the provisions of group health care benefits, including insurance premiums
- payment of any retirement benefit
- payment of state or local tax assessed on employee compensation

For independent contractors or sole proprietors:

- wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the Covered Period

...and exclude these

- the portion of compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the Covered Period
- taxes for payroll, railroad retirement and income
- compensation of an employee whose principal place of residence is outside of the United States
- qualified sick and family leave wages for which a credit is allowed due to the Families First Coronavirus Response Act

- The **Covered Period** begins on February 15, 2020 and ends on June 30, 2020
- Apply no later than June 30, 2020

What can be forgiven?

Forgive these costs...

- payroll costs (*see left*)
- costs that were established before February 15, 2020
 - mortgage interest obligation
 - rent on a leasing agreement
 - utilities: electricity, gas, water, transportation, phone or internet
- additional wages paid to tipped employees
- *Note: any loan forgiveness is not to exceed the loan principal*

...for 8 Weeks from loan origination

How could forgiveness be reduced? What if I re-hire?

Based on Employees...

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Average Monthly Full Time Equivalents (FTEs) for the 8 weeks

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Based on business type:

- Established: Average FTEs 2/15 - 6/30/2019
- New: Average FTEs 1/1 - 2/29/2020
- Seasonal: Average FTEs 2/15 - 6/30/2019

..and Based on Salaries

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For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that **is greater than 25%** compared to their most recent full quarter.

Reductions in employment or wages that occur between February 15, 2020, and April 26, 2020 shall not reduce forgiveness if by June 30, 2020 the borrower eliminates the reductions by re-hiring employees or restoring wages

Re-Hires



¹ The average monthly periods are as described in the "how could forgiveness be reduced" section except for established companies which is for the full year prior to the loan origination
² EIDL = Economic Injury Disaster Loan's outstanding balance that was originated from January 31, 2020 and that is being refinanced
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