

GENERAL PPP LOAN FORGIVENESS GUIDELINES

Payroll Costs Eligible for Loan Forgiveness:

1. "Covered period" is up to 24 weeks
2. In general, payroll costs paid or incurred during the covered period are eligible for forgiveness.
3. Borrowers may seek forgiveness for payroll costs for the applicable covered period beginning on either:
 - a. the date of disbursement of the borrower's PPP loan proceeds from the Lender (i.e., the start of the covered period); or
 - b. the first day of the first payroll cycle in the covered period (the "alternative payroll covered period").
4. Payroll costs are considered paid on the day that paychecks are distributed or the borrower originates an ACH credit transaction.
 - a. Payroll costs incurred during the borrower's last pay period of the covered period or the alternative payroll covered period are eligible for forgiveness if paid on or before the next regular payroll date; otherwise, payroll costs must be paid during the covered period (or alternative payroll covered period) to be eligible for forgiveness.
 - b. Payroll costs are generally incurred on the day the employee's pay is earned (i.e., on the day the employee worked).
 - c. For employees who are not performing work but are still on the borrower's payroll, payroll costs are incurred based on the schedule established by the borrower (typically, each day that the employee would have performed work).
5. A borrower with a bi-weekly (or more frequent) payroll cycle may elect to use an alternative payroll covered period that begins on the first day of the first payroll cycle in the covered period and continues for 24 weeks.
 - a. If payroll costs are incurred during this alternative payroll covered period, but paid after the end of the alternative payroll covered period, such payroll costs will be eligible for forgiveness if they are paid no later than the first regular payroll date thereafter.

Are there caps on the amount of loan forgiveness available for owner- employees and self-employed individuals' own payroll compensation? Yes. See below:

1. Owner-employees and self-employed individuals' payroll compensation is capped at \$20,833 per individual.
2. C-corporation owner-employees are capped by the amount of their:
 - a. 2019 employee cash compensation and
 - b. employer retirement and
 - c. health insurance contributions made on their behalf.
3. S-corporation owner-employees are capped by the amount of their:
 - a. a. 2019 employee cash compensation and
 - b. employer retirement contributions made on their behalf,
 - i. but employer health insurance contributions made on their behalf **cannot be separately added** because those filers are capped by the amount of their owner compensation replacement, of their 2019 net earnings from self-employment
 1. reduced by claimed section 179 expense deduction, unreimbursed partnership expenses, and depletion from oil including Schedule C or F filers and general partners, retirement and health insurance contributions are included in their net self-employment income and therefore cannot be separately added to their payroll calculation.

Nonpayroll Costs Eligible for Loan Forgiveness:

1. A nonpayroll cost is eligible for forgiveness if it was:
 - a. paid during the covered period; or
 - b. incurred during the covered period and paid on or before the next regular billing date, even if the billing date is after the covered period.

Reductions to Loan Forgiveness Amount:

1. A borrower's loan forgiveness amount may be reduced based on:
 - a. Reductions in full-time equivalent employees or
 - b. In employee salary and wages, subject to negatively impacted business activity because of COVID or if employers have offered to restore employee hours at the same salary or wages, even if the employees have not accepted.
 - i. A borrower's loan forgiveness amount will not be reduced if a borrower has any reduction in full-time equivalent employee headcount that is attributable to an individual employee if:
 1. The borrower made a good faith, written offer to restore the reduced hours of such employee;
 2. the offer was for the same salary or wages and same number of hours as earned by such employee in the last pay period prior to the reduction in hours;
 3. the offer was rejected by such employee; and
 4. the borrower has maintained records documenting the offer and its rejection.
2. Borrowers are exempted from the loan forgiveness reduction arising from a proportional reduction in FTE employees during the covered period if the borrower is able to document in good faith the following:
 - a. An inability to rehire individuals who were employees of the borrower; and
 - b. An inability to hire similarly qualified individuals for unfilled positions.
3. Borrowers are required to inform the applicable state unemployment insurance office of any employee's rejected rehire offer within 30 days of the employee's rejection of the offer.
 - a. The documents that borrowers should maintain to show compliance with this exemption include, but are not limited to,
 - i. the written offer to rehire an individual,
 - ii. a written record of the offer's rejection, and
 - iii. written record of efforts to hire a similarly qualified individual.
4. Borrowers are also exempted from the loan forgiveness reduction arising from a reduction in the number of FTE employees during the covered period if the borrower is able to document in good faith an inability to return to the same level of business activity as the borrower was operating at before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention (CDC), or the Occupational Safety and Health Administration related to the maintenance of standards for sanitation, social distancing, or any other worker or customer. a. Specifically, borrowers that can certify that they have documented in good faith that their reduction in business activity during the covered period stems directly or indirectly from compliance with such COVID Requirements or Guidance are exempt from any reduction in their forgiveness amount stemming from a reduction in FTE employees during the covered period. Such documentation must include copies of applicable COVID Requirements or Guidance for each business location and relevant borrower financial records.