Calculating PPP Loan Forgiveness 4/12/20

I have received NUMEROUS questions from folks attempting to figure out the rules and calculations related to PPP loan forgiveness. While there are still a couple of issues where the answer is not crystal clear (and where that happens, I will note it below), I am providing the most important guidance I have seen to date. Most (but not all) of this guidance can be found in this very easy to understand guide put out by the US Chamber of Commerce:

<https://www.uschamber.com/sites/default/files/023595_comm_corona_virus_smallbiz_loan_final.pdf>

1. You are eligible for forgiveness equal to the amount you spend in the 8 week period following the date of the origination of loan on: (i) payroll costs, (ii) interest on mortgages, rent, utility payments, and (iii) interest paid on other debt that existed before 2/15/20. NOTE: Not more than 25% of the forgiven amount may be for non-payroll costs.
2. The AMOUNT of forgiveness is reduced if there is a reduction (i) in the number of employees (FTEs) and/or (ii) of more than 25% in wages paid to employees.
3. To calculate this amount, these two formulas will be utilized:
   1. To calculate the reduction based on the number of employees:

Original Monthly Average Payroll Cost **multiplied** by the average number of FTEs per month for the 8 weeks beginning on the loan origination date **divided** by either (you choose) (1) average FTEs per month from 2/15/19 to 6/30/19 or (2) average number of FTEs per month from 1/120 to 2/290/20. (Seasonal employers use 2/15/19 thought 6/30/19.)

**Note:** While further guidance may be forthcoming, and none has been provided thus far under the PPP, 1 FTE under the SBA rules has been an FTE working 30 hours per week. So, if you have 2 PT employees working 15 hours per week, that in 1 FTE. FTE’s can also be stated in increments. If you have 5 employees who each work 10 hours per week (50 hours total) that would be stated as 1.667 FTEs. (50 hours divided by 30 hours). **Despite my best efforts, I have yet to see definitive information on the definition of FTE—and this is a KEY number. I will try to provide correction or confirmation once I am certain the number of hours used in an FTE for PPP purposes.**

* 1. To calculate the reduction based on reduction in salaries:

Original Monthly Average Payroll Cost **minus** the amount of any reduction in wages for most employees that is greater than 25% compared to their most recent full quarter (excluding employees who earned more than $100,000 in annualized wages for any pay period in 2019.)

**Note:**  Reductions in employment or wages that occur between February 15, 2020 and April 26, 2020 (as compared to February 15, 2020) will **NOT** reduce the amount if loan forgiveness **IF** by June 30, 2020, the borrow eliminates the reduction in employees or reduction in wages! **I will continue to research this, but this seems to suggest that so long as you are back to 100% employment levels by June 30, you will not be penalized for ANY reduction prior to April 26. Again—I will update with correction or confirmation once the answer to this issue becomes more definitive.**