

## Reduction in PPP Loan Forgiveness

**The following is subject to additional SBA guidance and clarification of the new PPP SBA 7(a) loan program.**

Amount Eligible for Forgiveness – an amount equal to the sum of the following costs incurred and payments made during the eight-week period beginning on the date of the origination of the loan:

- Payroll costs (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 for provision of group health care benefits (including insurance premiums), payment of retirement benefits, payment of state or local tax assessed on the compensation of employees);
- Payments of interest (but not principal or loan prepayment) on mortgage obligations (incurred in the ordinary course of business and in effect before February 15, 2020);
- Payments of rent (under a lease agreement in force before February 15, 2020); and
- Payment of utilities (electricity, gas, water, transportation, phone, and internet for which service began prior to February 15, 2020).

An employer with tipped employees may receive forgiveness for additional wages paid to those employees.

### Limits on Amount of Forgiveness

- Not to exceed the principal amount of the loan.

### Reductions on Amount of Forgiveness

The amount of PPP loan forgiveness is reduced if there is a reduction in (i) the number of full time employees (compared to certain prior periods), or (ii) total salary or wages of any employee is reduced by more than 25% (compared to salary or wages of the employee during the most recent full quarter during which the employee was employed before the covered period) for employees with annualized salary or wages of \$100,000 or less.

### Calculation of Reduction Based on Reduction in Number of Employees

Amounts eligible for forgiveness multiplied by (the average number of full time employees per month employed during the eight-week period beginning on the date of the origination of the loan, divided by at the option of the borrower one of the following: (a) average number of full time employees per month from February 15, 2019 through June 30, 2019, or (b) the average number of full time employees per month from January 1, 2020 through February 29, 2020, or (c) for a seasonal employer only, the average number of full time employees per month from February 15, 2019 through June 30, 2019).

### Calculation of Reduction Based on Reduction to Salary and Wages

Amount of loan forgiveness will be reduced by the amount of any reduction in total salary or wages (during the eight-week period beginning on the date of the origination of the loan) that is in excess of 25% of the total salary or wages of the employee during the most recent full quarter which the employee was employed before the eight-week period beginning on the date of the origination of the loan. For this calculation, an employee is any employee who did not receive, during any single pay period during 2019, annualized salary or wages more than \$100,000).

### **How to Avoid Reduction on Forgiveness**

Rehires or Restoration. The amount of loan forgiveness **WILL NOT BE DECREASED** for a reduction in the number of full time employees or a reduction in the salary of one or more employees (as applicable) which occurred between February 15, 2020 through April 26, 2020 **IF** the employer has eliminated by June 30, 2020, the reduction in the number of full time employees or eliminated the reduction in the salary or wages of such employees (as applicable).