



April 1, 2020

### Terms of PPP loan forgiveness

PPP loan forgiveness is the amount expected to be expended over an eight-week period following the loan origination (the “covered period”) for the following:

- Payroll costs
- Interest (not principal) on a covered mortgage or other loan secured by real or personal property incurred before February 15, 2020
- Payments on a covered rent obligation (lease agreement in place before February 15, 2020)
- Utility costs

### Loan forgiveness reduction

Loan amount forgiven is limited to the eligible amount times the percentage obtained by dividing:

- The average number of FTEs per month employed during the covered period; by the lessor of, and at the borrower’s option:
- The average number of FTEs per month employed during the period February 15, 2019, through June 30, 2019, or
- The average FTEs during the period January 1, 2020, through February 29, 2020.

Reduction in rate of compensation: For any employee who earned less than \$100,000 in 2019 on an annualized basis, the loan forgiveness amount is reduced dollar for dollar for any reduction in wages paid during the covered period that is more than 25% of the wages paid to that employee in the most recent full quarter before the covered period.

A special provision allows, in general, for employees rehired by June 30th to be excluded from the above loan forgiveness reduction calculation.

**Planning point** – can reduce wages for anyone over \$100,000 (annualized) with no consequence

**Planning point** – you could bring back employees full-time, agree to pay them 75% of wages, and qualify for 100% loan reduction

**Question** – is 75% of wages more or less than unemployment (particularly with \$600 addition to unemployment) for the employee

There is a grace period where loan forgiveness is not impacted due to a reduction in wages paid or FTE employed between February 15<sup>th</sup> and ending April 27<sup>th</sup> (AND FOR THIS TIME PERIOD ONLY)

**Planning point** – no mention of how long you have to maintain this payroll after June 30<sup>th</sup>

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