



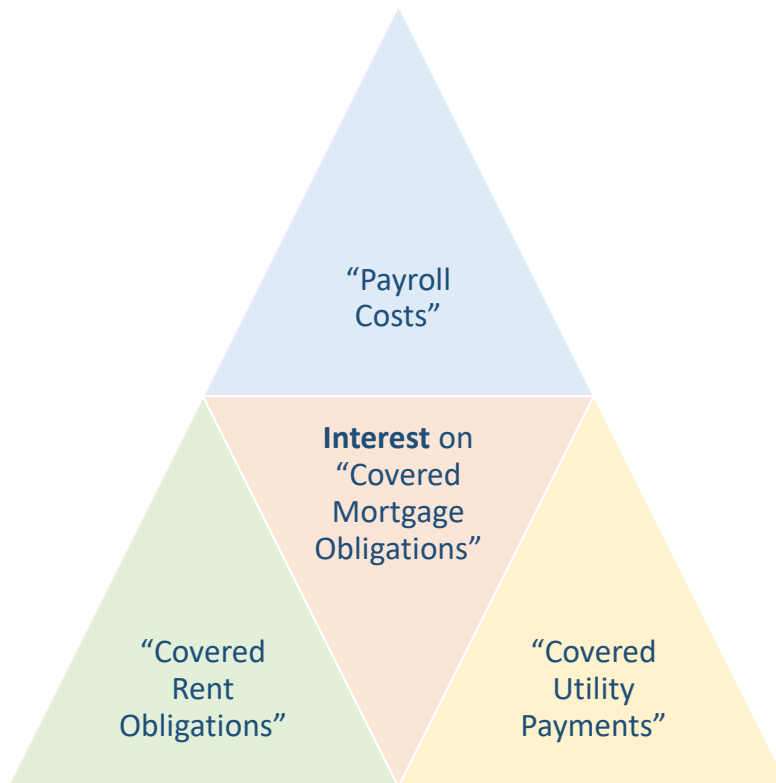
Your Business Optimized.

PPP Loan Forgiveness

PPP Loan Forgiveness -- Generally

- Allows for some portion of the covered loan payments to be forgiven
- Generally, forgiven amounts are limited to payment of qualifying expenses
- Forgiven amounts are not taxable to the small business

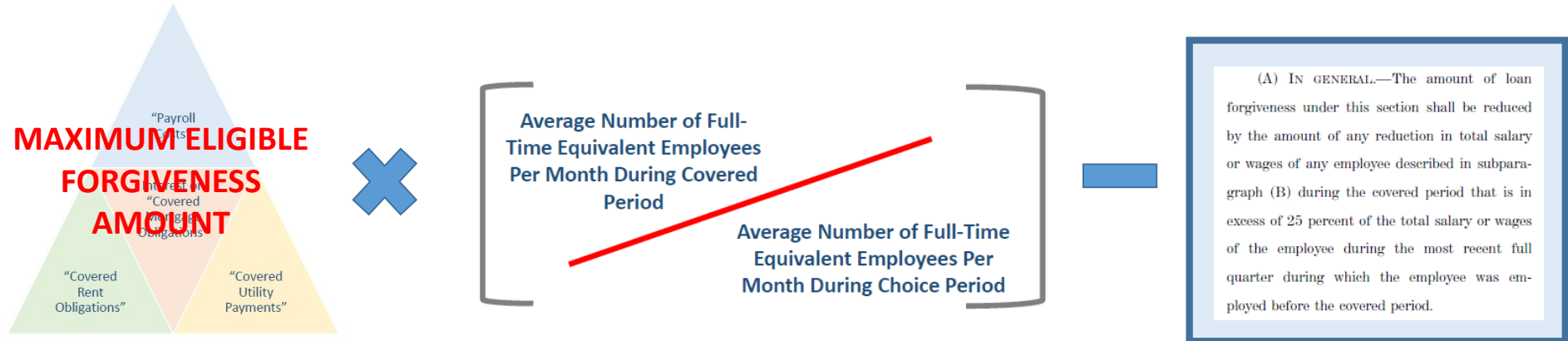
PPP Loan Forgiveness – Eligible Amount



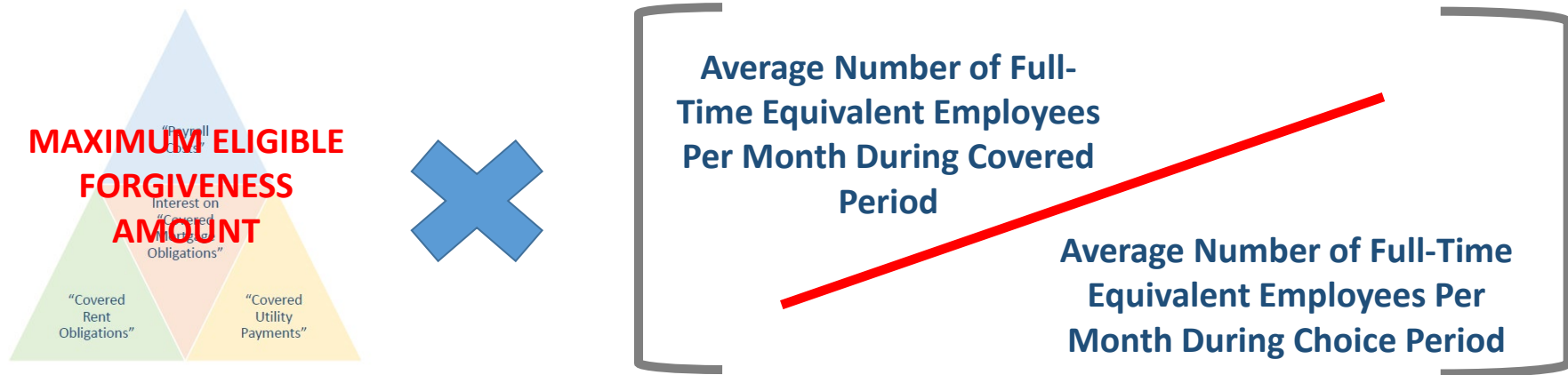
- "Payroll Costs" = As described earlier
- "Covered Mortgage Obligation" = generally debt incurred on real or personal property before February 15, 2020
- "Covered Utility Payments" = generally payment for utilities for services which began before February 15, 2020
- "Covered Rent Obligations" = rent obligated under a lease in effect before February 15, 2020

PPP Loan Forgiveness – Limits on Amount

- Forgiveness amount **REDUCED** for the following reasons:
 - Reducing the number of employees; and
 - Reducing salaries and wages



PPP Loan Forgiveness – Reduction # Employees



Covered Period = 8-week period beginning on origination date of PPP loan

Choice Period = At election of borrower, the period of either (a) February 15, 2019 to June 30, 2019, or (b) January 1, 2020 to February 29, 2020

PPP Loan Forgiveness – Reduction in Sal/Wages



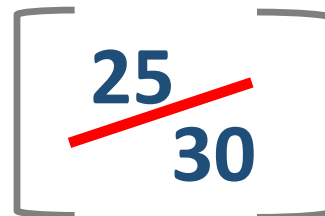
(A) IN GENERAL.—The amount of loan forgiveness under this section shall be reduced by the amount of any reduction in total salary or wages of any employee described in subparagraph (B) during the covered period that is in excess of 25 percent of the total salary or wages of the employee during the most recent full quarter during which the employee was employed before the covered period.

Covered Period = 8-week period beginning on origination date of PPP loan



(A) IN GENERAL.—The amount of loan forgiveness under this section shall be reduced by the amount of any reduction in total salary or wages of any employee described in subparagraph (B) during the covered period that is in excess of 25 percent of the total salary or wages of the employee during the most recent full quarter during which the employee was employed before the covered period.

\$300k



\$10k

- Example: Joe’s Hardware has \$300k of eligible forgiveness amount (comprised of \$230k of payroll costs, \$50k of rent obligations, \$10k of utility obligations and \$10k of interest obligations. **Thus, Joe’s Hardware begins with a maximum eligible forgiveness amount of \$300k**

Example: Joe had on average 25 full-time equivalent employees during the covered period (i.e., the 8-week period beginning on the date of his PPP loan (e.g., April 1, 2020). Joe divides this number (i.e., 25) by 30, which is the average number of full-time equivalent employees he had during his Choice Period (e.g., January 1, 2020 to February 29, 2020). This results in a quotient of 0.833. Joe multiplies this 0.833 by \$300k, for a product of \$250k. **Thus, the maximum eligible forgiveness amount has been reduced by \$50k**

Example: All of Joe’s employees are paid the same average wage and salaries- except that he has decreased Suzie’s salary by 50% because he outsourced some of her work. So, Suzie’s salary goes from \$40k for the Covered Period to \$20k as measured during the most recent full quarter. Thus, the \$250k loan forgiveness amount is reduced by another \$10k. **Thus, the final resulting forgiveness amount is \$240k**