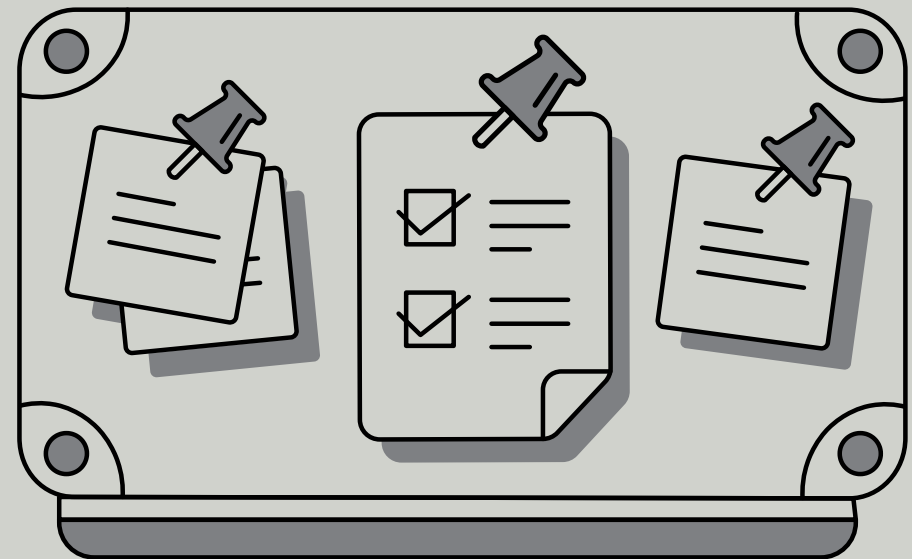


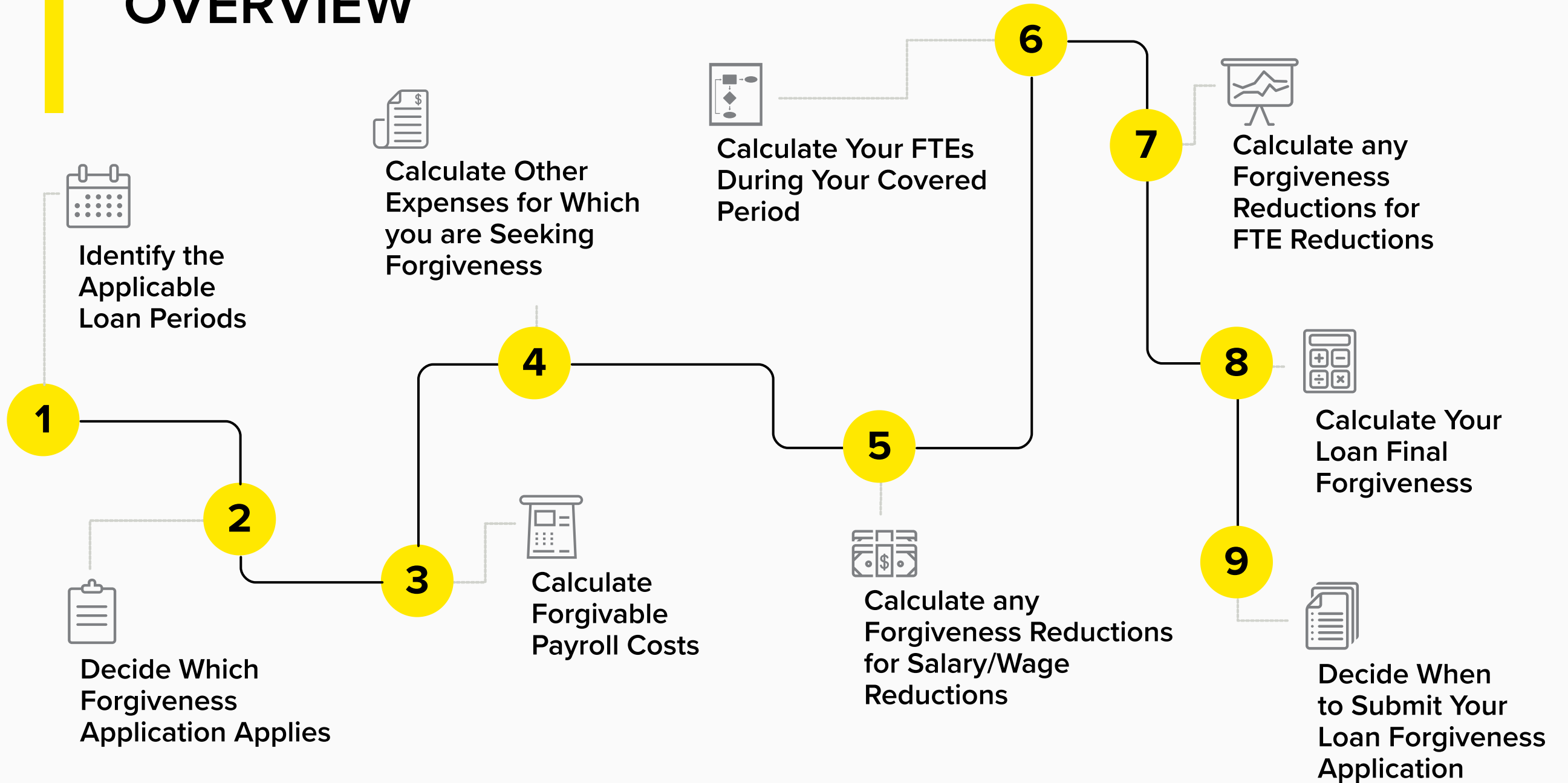
EMPLOYER GUIDELINES

Nine Step Guide to PPP Loan Forgiveness

For more information on calculating loan forgiveness, including the documentation requirements, see our [PPP Guidance](#) and the applicable instructions for the loan forgiveness application that applies to your business.



OVERVIEW





STEP ONE

Identify the Applicable Loan Periods

STEP 1: IDENTIFY THE APPLICABLE LOAN PERIODS

Did you submit your loan application for forgiveness before December, 27 2020?



YES:

Your Covered Period is either 8 weeks or 24 weeks, at your election, starting with the day you received your loan proceeds. If selecting a different Covered Period would result in full loan forgiveness, you may be able to withdraw and resubmit your loan forgiveness application.



NO:

Your Covered Period is any period between 8 and 24 weeks that you choose.

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STEP TWO

Decide Which Forgiveness Application Applies

STEP 2: DECIDE WHICH FORGIVENESS APPLICATION APPLIES

A. Is the amount of your loan \$150,000 or less?



YES:

You can use Form 3508S Forgiveness Application. [Go to Step 3.](#)



NO:

[Continue to B.](#)

B. Did you reduce annual salary or hourly wages of any employee (not counting anyone who made more than the equivalent of \$100,000 annualized in any pay period in 2019) by more than 25% during your Covered Period compared to the most recent full calendar quarter before your Covered Period?



YES:

You must use the full Loan Forgiveness Application. [Go to Step 3.](#)



NO:

[Continue to C.](#)

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STEP 2:

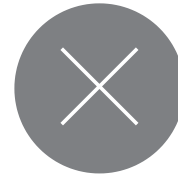
DECIDE WHICH FORGIVENESS APPLICATION APPLIES

- C. Did you reduce the number of employees or average paid hours between January 1, 2020 and the end of your Covered Period? *In answering this question, ignore (1) anyone who was employed on February 15, 2020 who refused to return if you could not hire a suitable replacement by December 31, 2020 (or, for a loan made after December 27, 2020, the last day of your Covered Period) and (2) any reductions in hours that you offered to restore and the employee refused.*



YES:

Continue to D.



NO:

You can use the **EZ Forgiveness Application**.
Go to Step 3.

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STEP 2:

DECIDE WHICH FORGIVENESS APPLICATION APPLIES

- D. Were you unable to operate during your Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 (or, for a loan made after December 27, 2020, requirements imposed or guidance issued between March 1, 2020 and the last day of your Covered Period) by the Secretary of Health and Human Services, the Director of the Centers for Disease Control, the Occupational Health and Safety Administration, or state or local public health officials for COVID-19 health and safety requirements for employees and/or customers?



YES:

You can use the [EZ Forgiveness Application](#).

[Go to Step 3.](#)



NO:

You must use the full [Loan Forgiveness Application](#).

[Go to Step 3.](#)

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STEP THREE

Calculate Forgivable Payroll Costs

STEP 3:

CALCULATE FORGIVABLE PAYROLL COSTS

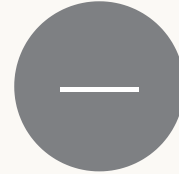
A. Calculate the includable cash compensation for each employee other than owner-employees/self-employed individuals/general partners.

i.



Add the amount of the following for each individual that was incurred or paid during your Covered Period:

- the gross amount of salary, wage, commission, hazard pay, bonuses, or similar compensation;
- payment of cash tips or equivalent;
- payment for vacation, parental, family, medical, or sick leave;
- allowance for dismissal or separation;



Do not include:

- any payments made to your independent contractors;
- payroll, FICA, and other federal taxes imposed or withheld from employee compensation (you should not deduct federal taxes withheld from payroll calculations, but also cannot add the employer tax amounts);
- any compensation of an employee whose principal place of residence is outside of the United States;
- qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (FFCRA); or
- qualified family leave wages, for which a credit is allowed under section 7003 of the FFCRA.

*Step 3A continued
on next slide*



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STEP 3:

CALCULATE FORGIVABLE PAYROLL COSTS

A. Calculate the includable cash compensation for each employee other than owner-employees/self-employed individuals/general partners.

Payments incurred or paid during the Covered Period means amounts actually paid during the Covered Period or incurred based on services rendered during the Covered Period and paid on or before the next regular pay date or, for other payroll expenses discussed below, paid on or before the due date of the bill.

- ii. To determine the maximum cash compensation for each employee during the Covered Period, multiply the length of your Covered Period by \$1,923 (e.g., \$15,385 for an 8-week Covered Period, \$46,154 for a 24-week Covered Period). Did you pay anyone more than the maximum?



YES:

Exclude any amounts over those limits from the cash compensation of each employee.



NO:

Include all amounts paid to the employee during the Covered Period.

Step 3A continued
on next slide



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STEP 3:

CALCULATE FORGIVABLE PAYROLL COSTS

A. Calculate the includable cash compensation for each employee other than owner-employees/self-employed individuals/general partners.

iii. Did you pay any employee cash compensation equivalent to an annualized amount of \$100,000 in any pay period in 2019 (\$1,923 per week)?



YES:

If you are using the Full Forgiveness Application, insert the includable cash compensation for each such employee on Schedule A Worksheet Table 2. Insert the includable cash compensation of all other employees on Schedule A Worksheet Table 1.



NO:

If you are using the Full Loan Forgiveness Application, insert the includable cash compensation for each employee on Schedule A Worksheet Table 1.

Step 3A continued
on next slide



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STEP 3: CALCULATE FORGIVABLE PAYROLL COSTS

A. Calculate the includable cash compensation for each employee other than owner-employees/self-employed individuals/general partners.

iii. Total the includable cash compensation for each employee.



USING THE FULL LOAN FORGIVENESS APPLICATION:

Total the amounts on Schedule A Worksheet Table 1 and insert on PPP Schedule A Line 1. Total the amounts on Schedule A Worksheet Table 2 and insert on PPP Schedule A Line 4.



USING THE EZ FORGIVENESS APPLICATION OR 3508S APPLICATION:

[Go to C.](#)

If you have owner-employees or general partners, [Go to B.](#) If not, [Go to C.](#)

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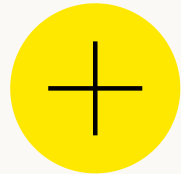
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STEP 3:

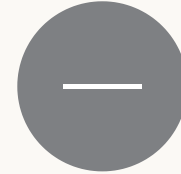
CALCULATE FORGIVABLE PAYROLL COSTS

B. Calculate the includable cash compensation for owner-employees, independent contractors, general partners.



Add the amount of the following that was incurred or paid during your Covered Period:

- the gross amount of salary, wage, commission, hazard pay, bonuses, or similar compensation;
- payment of cash tips or equivalent;
- payment for vacation, parental, family, medical, or sick leave;
- allowance for dismissal or separation;



Do not include:

- payroll, FICA, and other federal taxes imposed or withheld from employee compensation (you should not deduct federal taxes withheld from payroll calculations, but also cannot add the employer tax amounts);
- any compensation of an owner-employee or general partner whose principal place of residence is outside of the United States;
- qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (FFCRA); or
- qualified family leave wages, for which a credit is allowed under section 7003 of the FFCRA.

Step 3B continued
on next slide



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STEP 3:

CALCULATE FORGIVABLE PAYROLL COSTS

B. Calculate the includable cash compensation for owner-employees, independent contractors, general partners.

Apply the following caps to the cash compensation:

- 1** The lesser of 2.5 months of 2019 or 2020 compensation (to a maximum of \$20,833 per individual in total across all businesses) or the prorated amount based on the length of the Covered Period (e.g., 8/52 of the compensation during the applicable period for an 8-week Covered Period to a maximum of \$15,385 or 10/52 for a 10-week Covered Period to a maximum of \$19,231). Use 2019 compensation for a First Draw Loan made in 2020. Use 2020 compensation for a First Draw Loan made in 2020 or a Second Draw Loan.
- 2** S-corporation owner-employees are capped by the prorated amount of their 2019 (or 2020) employee cash compensation and employer retirement contributions made on their behalf. However, employer health, life, disability, vision and dental insurance contributions made on their behalf cannot be separately added.
- 3** C-Corporation owner-employees are capped by the prorated amount of their 2019 (or 2020) employee cash compensation and employer retirement, health, life, disability, vision and dental insurance contributions made on their behalf.
- 4** Schedule C or Schedule F filers are capped by the amount of their owner compensation replacement, calculated based on 2019 (or 2020) net profit.
- 5** General partners are capped by the amount of their 2019 (or 2020) net earnings from self-employment (reduced by claimed section 179 expense deduction, unreimbursed partnership expenses, and depletion from oil and gas properties) multiplied by 0.9235.
- 6** No additional forgiveness is provided for retirement, health, life, disability, vision, or dental insurance contributions for self-employed individuals, including Schedule C or F filers and general partners, as such expenses are paid out of their net self-employment income.
- 7** Total the amount of includable cash compensation to owner-employees/self-employed individuals/general partners. If you are using the full Loan Forgiveness Application, insert the total on their behalf on Schedule A Line 9.

Continue to C.

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STEP 3:

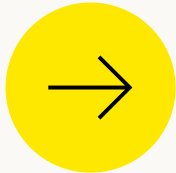
CALCULATE FORGIVABLE PAYROLL COSTS

C. Calculate the Total Payroll Costs.

- i. Total the amount incurred or paid during the Covered Period for employer contributions for group health care or group life, disability, vision, or dental insurance, including insurance premiums or contributions to self-insured employer-sponsored group health plans. *Do not include employer health-insurance contributions made on behalf of a self-employed individual, general partner, or owner-employee of an S-corporation.*



If you are using the full Loan Forgiveness Application, insert total on Schedule A Line 6.

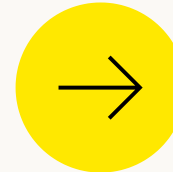


Continue to ii.

- ii. Total the amount incurred or paid during the Covered Period for employer contributions for employee retirement plans. *Do not include retirement contributions made on behalf of a self-employed individual or general partner.*



If you are using the full Loan Forgiveness Application, insert total on Schedule A Line 7.



Continue to iii.

Step 3C continued
on next slide



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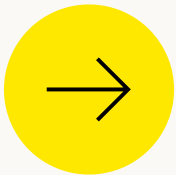
STEP 3: CALCULATE FORGIVABLE PAYROLL COSTS

C. Calculate the Total Payroll Costs.

- iii. Total the amount you incurred or paid during the Covered Period for employer state and local taxes on employee compensation (e.g., state unemployment insurance tax). *Do not include taxes withheld from employee earnings.*



If you are using the full Loan Forgiveness Application, insert total on Schedule A Line 8.

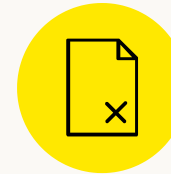


Continue to iv.

- iv. Total your includable payroll costs by adding the includable cash compensation for all employees, owner-employees/independent contractors/general partners, health insurance contributions, retirement contributions, and state and local taxes. *The total includable payroll costs cannot exceed the total amount of your PPP loan. If the amount of includable payroll costs is greater than your loan amount, use the amount of your loan as the amount of payroll costs.*



If you are using the full Loan Forgiveness Application, insert on Schedule A Line 10 and on the Loan Forgiveness Application Line 1.



If you are using the EZ Forgiveness Application, insert on Line 1.



If you are using the 3508S Application, insert on the line for the amount spent on payroll costs.

**Step 3C continued
on next slide**



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STEP 3: CALCULATE FORGIVABLE PAYROLL COSTS

C. Calculate the Total Payroll Costs.

If the amount of your payroll costs is less than your total loan amount, **Go to Step 4.**

If the amount of your payroll costs is greater than your total loan amount and you are using the full Loan Forgiveness Application, **Go to Step 5.**

If the amount of your payroll costs is greater than your total loan amount and you are using the EZ Forgiveness Application or the 3508S Forgiveness Application, **Go to Step 8.**

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STEP FOUR

Calculate Other Expenses for Which You Are Seeking Forgiveness

STEP 4: CALCULATE OTHER EXPENSES FOR WHICH YOU ARE SEEKING FORGIVENESS

Incurred or paid means any amounts actually paid during your Covered Period or incurred during the Covered Period and paid on or before the next due date. *For example, your Covered Period begins on June 1 and ends on July 26. You pay your May and June electricity bill during the Covered Period and your July electricity bill on August 10, which is the next regular billing date. You may include the amounts paid for your May and June electricity bills, because they were paid during the covered period. In addition, you may include the portion of your July electricity bill through July 26 (the end of the Covered Period), because it was incurred during the covered period and paid on the next regular billing date.*

- a** Total the amount of mortgage interest you paid or incurred during your Covered Period for any business mortgage obligation on real or personal property incurred before February 15, 2020. Do not include prepayments. Insert on Line 2 of the full Loan Forgiveness Application or EZ Forgiveness Application.
- b** Total the amount of business rent or lease payments you paid or incurred during your Covered Period pursuant to lease agreements in effect before February 15, 2020. Insert on Line 3 of the full Loan Forgiveness Application or EZ Forgiveness Application.
- c** Total the amount of business utility payments for water, gas, electricity, telephone, internet, and transportation you paid or incurred during the Covered Period for utility service that began before February 15, 2020. Insert on Line 4 of the full Loan Forgiveness Application or EZ Forgiveness Application.
- d** Total the amount of covered operations expenditures during your Covered Period, which are payments for any business software or cloud computing service that facilitates business operations, product or service delivery, the processing, payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records and expenses. Insert on Line 5 of the full Loan Forgiveness Application or EZ Forgiveness Application.

Step 4 continued
on next slide



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STEP 4: CALCULATE OTHER EXPENSES FOR WHICH YOU ARE SEEKING FORGIVENESS

- e** Total the amount of your covered property damage costs during the Covered Period, which are costs related to property damage and vandalism or looting due to public disturbances that occurred during 2020 that were not covered by insurance or otherwise compensated. Insert on Line 6 of the full Loan Forgiveness Application or EZ Forgiveness Application.
- f** Total the amount of your covered supplier costs during the Covered Period, which are expenditures you made to a supplier for goods that are essential to your operations and made pursuant to a contract or purchase order in effect before the Covered Period, or during the Covered Period for perishable goods. Insert on Line 7 of the full Loan Forgiveness Application or EZ Forgiveness Application.
- g** Total the amount of your covered worker protection costs during the Covered Period, which are capital or operating expenditures to adapt the business to comply with federal, state or local COVID protection standards in effect from March 1, 2020 through the end of the national emergency. These expenses may include: physical changes to the environment such as drive-through windows, ventilation systems, physical barriers, expansions of business space; adding health screening capability; purchase of personal protective equipment. Do not include the purchase of real property. Insert on Line 8 of the full Loan Forgiveness Application or EZ Forgiveness Application.

If you are using the full Loan Forgiveness Application, **Go to Step 5.**

If you are using the EZ Forgiveness Application or the Form 3508S Application, **Go to Step 8.**

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STEP FIVE

Calculate Any Forgiveness Reductions for Salary/Wage Reductions

STEP 5: CALCULATE ANY FORGIVENESS REDUCTIONS FOR SALARY/WAGE REDUCTIONS

A. Did you reduce the average annual salary (for salaried employees) or hourly rate (for hourly employees) during your Covered Period for any employee listed on your Schedule A Worksheet Table 1 by more than 25% compared to that employee's average annual salary/hourly rate from the last completed calendar quarter before your Covered Period?

- Do not compare cash compensation. Compare only the employee's average annual salary or average hourly rate during the two periods. If you did not change the employee's salary or hourly rate during the applicable quarter or during your Covered Period, you do not need to calculate the average, you can just use the employee's rate.
- For example, an employee was paid a weekly salary of \$1,000 during Q1 2020. During the Covered Period, the employee's salary was reduced to an average of \$750 per week. The employee did not suffer a salary reduction of more than 25%.
- An employee was paid an hourly rate of \$10 during Q1 2020. During the Covered Period, the employee's hourly rate was reduced to an average of \$7. The employee has suffered a salary reduction of more than 25%.
- Do not include any employees who are listed on Schedule A Worksheet Table 2 (employees who earned the equivalent of \$100,000 annualized in any pay period in 2019).
- Do not include the effect of changing the number of hours the employee works—that will be covered in Step 6. For example, an employee worked 40 hours per week during Q1 2020 and was paid \$10 per hour, but only worked 20 hours per week during the Covered Period and was still paid \$10 per hour. The employee has not suffered a decrease in their hourly rate.

Step 5A continued
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STEP 5: CALCULATE ANY FORGIVENESS REDUCTIONS FOR SALARY/WAGE REDUCTIONS

- A. Did you reduce the average annual salary (for salaried employees) or hourly rate (for hourly employees) during your Covered Period for any employee listed on your Schedule A Worksheet Table 1 by more than 25% compared to that employee's average annual salary/hourly rate from the last completed calendar quarter before your Covered Period?

For more information, see the Salary/Hourly Wage Reduction calculation worksheet on page 5 of the Loan Forgiveness Application Instructions.



YES:

Continue to B.



NO:

Go to Step 6.

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STEP 5: CALCULATE ANY FORGIVENESS REDUCTIONS FOR SALARY/WAGE REDUCTIONS

- B. Determine if you qualify for the salary/wage reduction safe harbor for each employee for whom there was a reduction of more than 25%.**

If you reduced employees' salary/wage rates between February 15, 2020 and April 26, 2020 (the reduction window), you may still be able to qualify for the full amount of forgiveness to which you would otherwise be entitled if the reduction in average annual salary/hourly wage for each employee compared to February 15, 2020 has been restored no later than December 31, 2020 (or, for a loan made on or after December 27, 2020, not later than the last day of the Covered Period).

Reductions in salary/wage rates of more than 25% occurring after April 26, 2020 cannot be “saved.”

Step 5B continued
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STEP 5: CALCULATE ANY FORGIVENESS REDUCTIONS FOR SALARY/WAGE REDUCTIONS

B. Determine if you qualify for the salary/wage reduction safe harbor for each employee for whom there was a reduction of more than 25%.

- i. Is the employee's average salary/hourly rate between February 15, 2020 and April 26, 2020 less than it was on February 15, 2020?

For example, an employee's salary was \$1,000 per week in Q1 2020. On May 1, 2020, the employee's salary was reduced to \$700 and stays at \$700 through the Covered Period. The employee's salary has been reduced by more than 25% outside of the reduction window. The employer's loan forgiveness must be reduced based on the salary reduction for this employee and the safe harbor does not apply.



YES:

Continue to ii.



NO:

The safe harbor does not apply. **Go to C** to calculate the amount of forgiveness reduction.

**Step 5B continued
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STEP 5: CALCULATE ANY FORGIVENESS REDUCTIONS FOR SALARY/WAGE REDUCTIONS

B. Determine if you qualify for the salary/wage reduction safe harbor for each employee for whom there was a reduction of more than 25%.

- ii. Is the employee's average salary/hourly rate as of December 31, 2020 (or, for a loan made on or after December 27, 2020, the last day of the Covered Period), equal to or greater than it was on February 15, 2020?

For example, an employee's salary was \$1,000 per week on February 15, 2020. On March 15, 2020, the employee's salary was reduced to \$700 and stays at \$700 through the Covered Period. The employee's salary has been reduced by more than 25% during the reduction window. As of December 31, 2020, the employee's salary is restored to \$1,000 per week.

The regulations do not have a minimum amount of time the salary/hourly rate reduction must remain in place to qualify for this safe harbor so long as the salary/wage rate is in effect on the pay period that includes December 31, 2020 (or, for a loan forgiveness application made on or after December 27, 2020, the last day of the Covered Period).



YES:

You have qualified for the safe harbor for that employee. Repeat for each employee. If you qualify for the safe harbor for all employees whose salary/hourly rate was reduced by more than 25%, **Go to Step 6.**



NO:

The safe harbor does not apply for that employee. **Go to C** to calculate the amount of loan forgiveness reduction for that employee.

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STEP 5: CALCULATE ANY FORGIVENESS REDUCTIONS FOR SALARY/WAGE REDUCTIONS

C. Calculate the amount of the loan forgiveness reduction for each applicable employee.

- i. Take 75% of the employee's average annual salary/hourly rate in the last full calendar quarter before the Covered Period and subtract the employee's average annual salary/hourly rate during the Covered Period. This the amount that will be used to calculate the amount of loan forgiveness reduction for that employee.

Step 5C continued
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STEP 5: CALCULATE ANY FORGIVENESS REDUCTIONS FOR SALARY/WAGE REDUCTIONS

C. Calculate the amount of the loan forgiveness reduction for each applicable employee.

ii. If the employee is an hourly employee, multiply the hourly amount in (i) by the average number of hours the employee worked in the last completed calendar quarter before the Covered Period.

1 Multiply that amount by the number of weeks in the Covered Period.

2 Enter that amount in Schedule A Worksheet Table 1 as the Salary/Hourly Wage Reduction for that employee.

For example, an employee was reduced from \$10 per hour during Q1 2020 to \$7 per hour during the Covered Period. \$.50 of that reduction counts against loan forgiveness ($\$7.50 - \$7.00 = \$.50$). The employee works 40 hours a week during Q1 2020. The amount of forgiveness reduction is \$20 per week ($40 \times \$.50 = \20). The total amount of loan forgiveness reduction is 20 times the amount of weeks in your Covered Period.

Step 5C continued
on next slide



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STEP 5: CALCULATE ANY FORGIVENESS REDUCTIONS FOR SALARY/WAGE REDUCTIONS

C. Calculate the amount of the loan forgiveness reduction for each applicable employee.

iii. If the employee is a salaried employee, multiply the amount in (i) by the number of weeks in your Covered Period.

1 Divide by 52. (Alternatively, convert the amount in (i) to a weekly amount by dividing by 52 and then multiply by the length of the Covered Period).

2 Enter that amount in Schedule A Worksheet Table 1 as the Salary/Hourly Wage Reduction for that employee.

For example, an employee was reduced from \$1,000 per week during Q1 2020 to \$700 per week during the Covered Period. \$50 of the reduction counts against the loan forgiveness ($\$750 - \$700 = \$50$). The total amount of loan forgiveness reduction is 50 times the number of weeks in your Covered Period.

iv. Total the reductions for each employee from the Schedule A Worksheet Table 1 in Box 3. Enter the total on Schedule A Line 3 and Line 9 of the Loan Forgiveness Application.

Continue to Step 6.

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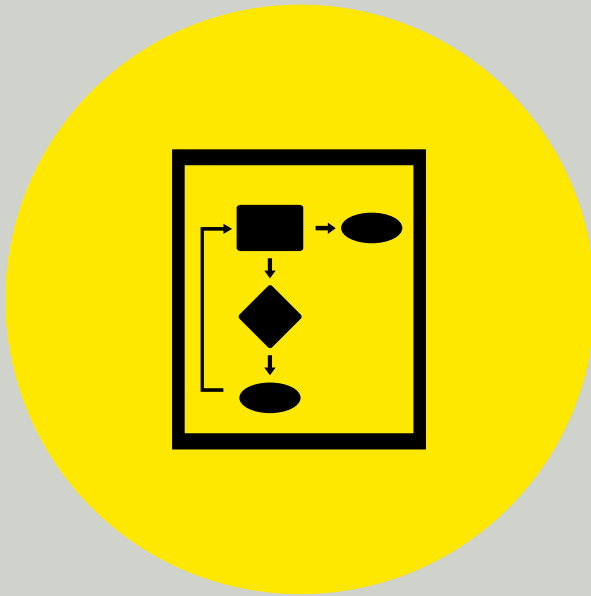
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STEP SIX

Calculate Your FTEs During Your Covered Period

STEP 6: CALCULATE YOUR FTES DURING YOUR COVERED PERIOD

- A. For each employee who is paid during your Covered Period, calculate the employee's average FTE.

No employee can be assigned more than 1 FTE, even if they work more than 40 hours per week.

In order to calculate the average number of hours per week, average the number of hours in each pay period and convert to a weekly average. Salaried employee hours can be calculated based on their scheduled hours if their actual hours worked are not tracked.

You can choose to use one of two methods to calculate each employee's average FTE:

- 1 Divide the average number of hours paid to that employee per week by 40 and round to the nearest tenth, or
- 2 Assign 1.0 FTE if the employee works 40 hours a week or more and 0.5 if the employee works less than 40 hours per week.

Step 6A continued
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STEP 6: CALCULATE YOUR FTES DURING YOUR COVERED PERIOD

A. For each employee who is paid during your Covered Period, calculate the employee's average FTE.

The same method must be used to calculate the FTEs for all employees who are paid in the Covered Period, including those who made more than \$100,000 annualized in any pay period in 2019.

The method you choose can be strategic if you have a large number of employees who work fewer than 40 hours per week or if your number of FTEs has decreased, as discussed in Step 7, because you can lose forgiveness proportionally based on the decrease in your number of FTEs. You can run the calculations both ways before you decide which one to use.



Once the calculation is complete, enter the average FTE for each employee on the Schedule A Worksheet in Table 1 and Table 2.

Total the average FTEs for Schedule A Worksheet Table 1 in Box 2 and enter on Schedule A Line 2.

Total the average FTEs for Schedule A Worksheet Table 2 in Box 5 and enter on Schedule A Line 5.

Continue to B.

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STEP 6: CALCULATE YOUR FTES DURING YOUR COVERED PERIOD

B. Did you reduce your number of employees or the average paid hours of employees between January 1, 2020 and the end of your Covered Period?



YES:

[Go to Step 7.](#)



NO:

Enter 1.0 on Line 13 of Schedule A and
[Go to Step 8.](#)



NOT SURE:

[Go to Step 7.](#)

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STEP SEVEN

Calculate Any Forgiveness Reductions for FTE Reductions

STEP 7: CALCULATE ANY FORGIVENESS REDUCTIONS FOR FTE REDUCTIONS

Your maximum amount of forgiveness will be reduced by the proportionate loss in your number of FTEs during your Covered Period compared to a pre-loan measuring period unless a safe harbor applies.

For example, if you had 100 FTEs during your measuring period and 90 FTEs during your Covered Period, your loan forgiveness will be reduced by 10% unless you qualify for one of the safe harbors discussed below.



STEP 7: CALCULATE ANY FORGIVENESS REDUCTIONS FOR FTE REDUCTIONS

A. Calculate your FTEs during the measuring period.

Use the same method to calculate the average number of FTEs in the measuring period that you used to calculate your average FTEs during your Covered Period in Step 6.

Choose one of the following measuring periods to calculate your average number of FTEs:

- 1 January 1, 2020 to February 29, 2020, or
- 2 February 15, 2019 to June 30, 2019, or
- 3 If you are a seasonal employer, you can use either of these time periods or any consecutive 12-week period between February 15, 2019 and February 15, 2020 to measure your FTEs.

Continue to B.

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STEP 7: CALCULATE ANY FORGIVENESS REDUCTIONS FOR FTE REDUCTIONS

B. Compare your Covered Period and measuring period FTEs.

i. Exclude the following when you are determining if there has been a reduction in FTEs between the Covered Period and the measuring period (*i.e.*, you can count each person as if they worked at their pre-reduction level during the Covered Period if any of these are true for that person):

- 1 Any employee who (1) was employed on February 15, 2020, (2) refused your written offer of rehire, and (3) for whom you have not been able to hire a qualified replacement by December 31, 2020 (or, for a loan made on or after December 27, 2020, not later than the last day of the Covered Period).
- 2 Any employee to whom you made a good-faith, written offer to restore an employee's hours, and salary or wage rate during the Covered Period and the employee rejected the offer.
- 3 During your Covered Period, the employee:
 - a. voluntarily resigned,
 - b. was fired for cause, or
 - c. voluntarily requested and received a reduction in hours.

In each of these cases, the employee does not count as an FTE reduction only if the position was not filled by a new employee.

You must report the employee's refusal of a written offer of employment to the local unemployment authorities within 30 days.

Step 7B continued
on next slide



STEP 7: CALCULATE ANY FORGIVENESS REDUCTIONS FOR FTE REDUCTIONS

B. Compare your Covered Period and measuring period FTEs.

- ii. Are your average FTEs in the Covered Period equal to or greater than your average FTEs during the measuring period you chose applying the exceptions in (i)?



YES:

Enter 1.0 on Schedule A Line 13 and **Go to Step 8.**



NO:

Go to C to determine if a safe harbor applies.

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STEP 7: CALCULATE ANY FORGIVENESS REDUCTIONS FOR FTE REDUCTIONS

C. Determine if you qualify for the safe harbor for decreased business activity.

Were you unable to operate between February 15, 2020 and the end of the Covered Period at the same level of business activity you had on February 15, 2020 due to compliance with regulations and guidance issued by the Secretary of Health and Human Services, the CDC, or OSHA during the period March 1 to December 31, 2020 (or, for a loan made on or after December 27, 2020, not later than the last day of the Covered Period) related to employee or public health or safety under COVID-19?

This includes compliance with state and local public health requirements.



YES:

This safe harbor applies, enter 1.0 on Schedule A Line 13 and **Go to Step 8.**



NO:

Go to D.

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STEP 7: CALCULATE ANY FORGIVENESS REDUCTIONS FOR FTE REDUCTIONS

D. Determine if you qualify for the safe harbor for job restoration.

If you reduced FTEs between February 15, 2020 and April 26, 2020 (the reduction window), you may still be able to qualify for the full amount of forgiveness to which you would otherwise be entitled if the reduction in FTEs has been restored by December 31, 2020 (or, for a loan made on or after December 27, 2020, not later than the last day of the Covered Period).

Reductions in FTEs occurring after April 26, 2020 cannot be “saved” under this provision.

Unlike the loan forgiveness reductions based on changes in employee’s salary/wages, the reduction for FTEs and the savings provision for job restoration is based on the entire workforce, not on an individual basis.

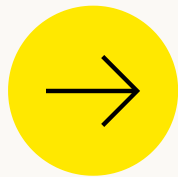
Step 7D continued
on next slide



STEP 7: CALCULATE ANY FORGIVENESS REDUCTIONS FOR FTE REDUCTIONS

D. Determine if you qualify for the safe harbor for job restoration.

- i. Are your total average FTEs between February 15, 2020 and April 26, 2020 less than it was for the pay period that includes February 15, 2020 using the same method to calculate FTEs?



YES:

Continue to ii.



NO:

The safe harbor does not apply. **Go to E** to calculate the amount of forgiveness reduction.

- ii. Are your total FTEs as of December 31, 2020 (or, for a loan made on or after December 27, 2020, the last day of the Covered Period), equal to or greater than they were on February 15, 2020?

The regulations do not have a minimum amount of time the FTE restoration must remain in place to qualify for this safe harbor so long as the number of FTEs is at that level for the pay period that includes December 31, 2020 (or, for a loan made on or after December 27, 2020, the last day of the Covered Period).



YES:

You have qualified for the safe harbor. Enter 1.0 on Schedule A Line 13 and **Go to Step 8.**



NO:

The safe harbor does not apply. **Go to E** to calculate the amount of loan forgiveness reduction.

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STEP 7: CALCULATE ANY FORGIVENESS REDUCTIONS FOR FTE REDUCTIONS

E. Calculate the proportion of loan forgiveness reduction.

- 1 Enter your average FTEs during your chosen measuring period in (a) on Schedule A Line 11.
- 2 Total your average FTEs during the Covered Period by adding Schedule A Line 2 and Schedule A Line 5. Enter on Schedule A Line 12.
- 3 Calculate the proportionate loan forgiveness reduction by dividing Schedule A Line 12 (Covered Period FTEs) by Schedule A Line 11 (measuring period FTEs). Enter the quotient on Schedule A Line 13 and Line 11 of the Loan Forgiveness Application.

Continue to Step 8.

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STEP EIGHT

Calculate Your Loan Final Forgiveness

STEP 8: CALCULATE YOUR LOAN FINAL FORGIVENESS

A. Using the 3508S Forgiveness Application.

- i. Total your includable payroll costs from Step 3 and non-payroll costs from Step 4. Insert on the line for Requested Loan Forgiveness Amount.

The total amount cannot exceed the amount of the loan. If it does, enter the amount of the loan.

If you spend less than 60% of the loan amount on includable payroll costs, the amount of forgiveness is capped.

Continue to Step 9.

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STEP 8:

CALCULATE YOUR LOAN FINAL FORGIVENESS

B. Using the EZ Loan Forgiveness Application.

i. Calculate your potential forgiveness amount.

- 1 Total your includable payroll costs and non-payroll costs by adding Lines 1 through 8 of the EZ Forgiveness Application.
- 2 Enter the total on Line 9.

The total amount cannot exceed the amount of the loan. If it does, enter the amount of the loan on Line 8.

- 3 Enter the amount of the loan on Line 10.

Step 8B continued
on next slide



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STEP 8:

CALCULATE YOUR LOAN FINAL FORGIVENESS

B. Using the EZ Loan Forgiveness Application.

- ii. Determine if the forgiveness amount is capped based on the amount spent on payroll costs. *If you spend less than 60% of the loan amount on includable payroll costs, the amount of forgiveness is capped.*

1 Divide the total includable payroll costs from Line 1 of the EZ Forgiveness Application by .60.

2 Enter this amount on Line 11 of the EZ Forgiveness Application.

- iii. Calculate your forgiveness amount.

1 Compare the potential forgiveness amount (Line 9), the total amount of your loan (Line 10) and 60% requirement (Line 11).

2 Your forgiveness amount is the smallest of the three numbers. Enter it on Line 12 of the EZ Forgiveness Application.

Continue to Step 9.

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STEP 8:

CALCULATE YOUR LOAN FINAL FORGIVENESS

C. Using the Full Loan Forgiveness Application.

i. Calculate the total amount spent using loan proceeds.

- 1 Total your includable payroll costs and non-payroll costs by adding Lines 1 through 8 of the Loan Forgiveness Application. **The total amount cannot exceed the amount of the loan.**

ii. Apply any salary/wage reductions.

- 1 Subtract the total amount of salary/wage reductions from Step 5 (Line 9 of the Loan Forgiveness Application) from the total amount spent using loan proceeds.
- 2 Enter that amount on Line 10 of the Loan Forgiveness Application.

iii. Apply any FTE reductions.

- 1 Multiply the FTE reduction quotient from Step 7 (Line 11 of the Loan Forgiveness Application) and the total in (i) (Line 10 of the Loan Forgiveness Application).
- 2 This is your modified total potential loan forgiveness amount. Enter this on Line 12 of the Loan Forgiveness Application.

Step 8C continued
on next slide



STEP 8:

CALCULATE YOUR LOAN FINAL FORGIVENESS

C. Using the full Loan Forgiveness Application.

- iv. Determine if the forgiveness amount is capped based on the amount spent on payroll costs.
If you spend less than 60% of the loan amount on includable payroll costs, the amount of forgiveness is capped.
 - 1 Divide the total includable payroll costs from Line 1 of the Loan Forgiveness Application by .60.
 - 2 Enter this amount on Line 14 of the Loan Forgiveness Application.
- v. Calculate your forgiveness amount.
 - 1 Enter the loan amount on Line 13 of the Loan Forgiveness Application.
 - 2 Compare the modified total potential forgiveness amount (Line 12), the total amount of your loan (Line 13) and 60% requirement (Line 14).
 - 3 Your forgiveness amount is the smallest of the three numbers. Enter it on Line 15 of the Loan Forgiveness Application.

Continue to Step 9.





STEP NINE

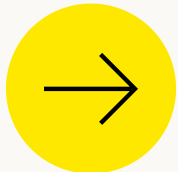
Decide When to Submit Your Loan Forgiveness Application

STEP 9: DECIDE WHEN TO SUBMIT YOUR LOAN FORGIVENESS APPLICATION

If your loan is \$2 million or more, it will be audited by the SBA. In connection with your loan forgiveness application, your lender will ask you to complete a Loan Necessity Questionnaire **Form 3509** (for-profit borrowers) or **Form 3510** (non-profit borrowers) and submit additional documentation. Take this opportunity to provide an explanation of the conditions that led you to apply for the loan, including narrative commentary where appropriate.

If you are concerned about your answers to any aspect of the form, consult counsel before submitting. Because you will have limited time to submit the form, gather the documentation needed in advance whenever possible.

A. Have you spent all of the loan funds?



YES:

Continue to B.



NO:

Consider whether you want to wait and spend the additional funds.

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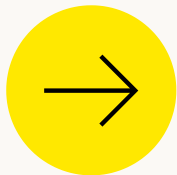
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STEP 9: DECIDE WHEN TO SUBMIT YOUR LOAN FORGIVENESS APPLICATION

B. Do you currently have a reduction in forgiveness for salary/wage reductions as a result of the calculations in Step 5?



YES:

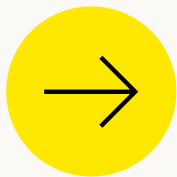
Continue to i.



NO:

Go to C.

i. Did the reductions in salary/wage rate occur during the reduction window before April 26, 2020?



YES:

Continue to ii.



NO:

Go to C.

ii. Can you restore those reductions in salary/wage rate on or before the last day of the Covered Period for loans made after December 27, 2020?



YES:

Consider whether to wait until you qualify for the safe harbor before you submit your loan forgiveness application. The deadline is 10 months after the end of your Covered Period.



NO:

Go to C.

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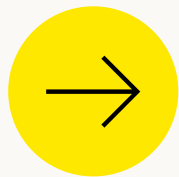
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STEP 9: DECIDE WHEN TO SUBMIT YOUR LOAN FORGIVENESS APPLICATION

C. Do you currently have a reduction in forgiveness for FTE reductions as a result of the calculations in Step 7?



YES:

Continue to i.



NO:

Go to D.

- i. Do you expect to qualify for one of the safe harbors in Step 7 by the applicable deadline (e.g., you restore your FTEs, your business activity is diminished due to compliance with public health orders, or individuals have refused to return and you are unable to hire replacements)?



YES:

Consider whether to wait until you qualify for the safe harbor before you submit your loan forgiveness application. The deadline is 10 months after the end of your Covered Period.



NO:

Go to D.

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STEP 9: DECIDE WHEN TO SUBMIT YOUR LOAN FORGIVENESS APPLICATION

D. Do you plan to make reductions in FTEs/employee hours or salary/wage rates after your loan funds are exhausted?



YES:

Consider submitting the loan forgiveness application before you make those reductions, particularly if you are not currently subject to reductions in loan forgiveness, or at least be sure to choose a Covered Period that ends before you make those reductions.



NO:

Submit the loan application when you are ready. The deadline is 10 months after the end of your Covered Period.

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Questions?

For questions on PPP loan forgiveness, contact Shannon D. Farmer, Brian D. Pedrow, Brent R. Heberlee, or Franc Del Fosse.