

PPP Loan Forgiveness Checklist

The SBA has issued a loan forgiveness application, [which can be found here](#). Guidance on loan forgiveness is evolving and rules may change, so check back for updates. To help you maximize the forgivable amount, consider these steps:

In the 8 weeks following receipt of the loan...

- **Maintain staffing levels.**
 - Ensure that the average number of full-time equivalent employees (FTEEs) during the Covered Period or Alternative Payroll Covered Period is at least equal to the average number of FTEEs during the period from February 15 through June 30, 2019, or January 1 through February 29, 2020. If the number of FTEEs is lower during the Covered Period or Alternative Payroll Covered Period than during these two time periods, the amount of loan forgiveness may be reduced proportionately.*
- ***If applicable, reverse any reductions in staffing levels by June 30, 2020.**
 - FTEE reductions occurring between February 15 and April 26, 2020 will not be considered in reducing the loan forgiveness amount if they are reversed by June 30, 2020. However, if the staffing reduction was made outside the February 15 to April 26 timeframe, the forgivable amount may still be reduced even if the staffing reduction is reversed by June 30, 2020.
- **Maintain pay levels.**
 - Where possible, avoid reducing any employee's average annual salary (for salaried employees) or average hourly wages (for hourly employees) by 25% or more during the Covered Period or Alternative Payroll Covered Period compared to the period of January 1 through March 31, 2020. If any employee's pay is reduced by 25% or more, repayment of a corresponding part of the loan may be required.**

Note: When comparing wage levels to determine if your loan forgiveness amount will be reduced, employees who earned wages or a salary at an

annualized rate of more than \$100,000 in any pay period of 2019 aren't considered.

- ****If applicable, reverse any reduction to an employee's pay by June 30, 2020.**
 - If (a) a given employee's wage levels (annual salary level for salaried employees and hourly wages for hourly employees) between February 15 and April 26, 2020, are lower than as of February 15 and (b) you restore the wage levels by June 30, 2020 to be same or higher than as of February 15, 2020, there will be no reduction in forgiveness based on that employee's wage levels. However, if the pay reduction was made outside the February 15 to April 26 timeframe, the forgivable amount may still be reduced even if the pay reduction is reversed by June 30, 2020.
- **Only use the PPP loan for permitted uses:**
 - Payroll costs (as described below);
 - Interest on mortgage obligations, incurred before February 15, 2020;
 - Rent, under lease agreements in force before February 15, 2020; and
 - Utilities, for which service began before February 15, 2020.
- **Spend the loan proceeds, or incur qualifying costs, within 8 weeks of loan receipt. Alternatively, if you pay your employees on a biweekly or more frequent schedule, you may elect an 8-week period beginning on the first day of the first pay period following disbursement of the loan for qualifying payroll costs only.**
- **Use at least 75% on payroll costs during the Covered Period or Alternative Payroll Covered Period. Payroll costs include:**
 - Employee gross pay including salary, wages, commissions, and tips, capped at \$15,385 for the Covered Period or Alternative Payroll Covered Period (which represents the 8-week value of the annualized \$100,000 cap).
 - All employer state and local taxes paid on employee gross pay, such as state unemployment insurance and employer-paid state disability insurance (in applicable states).
 - Employer healthcare benefits, including insurance premiums.
 - Employer-paid retirement benefits, including defined-benefit or defined-contribution retirement plans and employer 401(k) contributions.

If less than 75 percent of loan is used on payroll costs, some of the loan (and

interest) may not be forgiven and might need to be repaid. For example, a small business received a loan for \$40,000, and during the applicable 8-week period, its payroll costs are \$24,000. If the employer paid \$12,000 on other Loan Uses described above, only \$8,000 of the nonpayroll costs can be taken into account for loan-forgiveness purposes because 75% of the forgiveness amount must be for payroll costs. This would leave an additional \$8,000 (plus interest) to be repaid by the employer.