Scenario 1

Anna's Childcare received a PPP loan of $70,000 on April 10, 2020. The company has 8 weeks to meet the criteria* for loan forgiveness. The timeline starts as soon as the company receives the loan+.

WEEKS:	1	2	3	4	5	6	7	8
PAYROLL COSTS:	$7,000 **	$8,000	$9,000	$7,000 + $4,000*** in rent & utilities	$8,000	$7,000	$8,000	$8,000 + $4,000 in rent & utilities

Loan received on April 10, 2020

Loan amount:	**$70,000**
Total Used on Payroll Costs:	**$62,000**
Total Used on Other Permitted Costs:	**$8,000** (rent & utilities)
Total Amount Used for Permitted Reasons During the 8 Weeks:	**$70,000** ☑
Percentage Used on Payroll Costs:	**88.57%** ☑
Percentage Used on Other Permitted Costs:	**11.43%**

In the 8 weeks after receiving the loan, Anna's Childcare didn’t reduce the number of full-time-equivalent (FTE) employees and didn’t reduce the pay of any employee****.

Amount Forgiven: **$70,000** ☑

Because the company met all the criteria for loan forgiveness, the entire $70,000 loan is eligible for forgiveness.

Scenario 2

Benny's Metalworks received a PPP loan of $44,000 on April 12, 2020. The company has 8 weeks to meet the criteria* for loan forgiveness. The timeline starts as soon as the company receives the loan+.Due to a loss of several major accounts, Benny's Metalworks reduced staffing at the end of Week 1 but kept pay levels the same for remaining employees. As a result, Benny's average number of full-time equivalent employees per month is 3 during the 8-week period from the date of the loan, down from 5 during a permissible lookback period (Benny used January through February 2020). Here's how the company uses the loan in those 8 weeks.

WEEKS:	1	2	3	4	5	6	7	8
PAYROLL COSTS:	$6,000 **	$4,000	$4,000	$4,000 + $5000 *** in rent & utilities	$4,000	$4,000	$4,000	$4,000 + $5000 in rent & utilities

Loan received on April 12, 2020		
Loan amount:	**$44,000**	
Total Used on Payroll Costs:	**$34,000**	
Total Used on Other Permitted Costs:	**$10,000**	(rent & utilities)
Total Amount Used for Permitted Reasons During the 8 Weeks:	**$44,000** ☑	
Percentage Used on Payroll Costs:	**77.27%** ☑	
Percentage Used on Other Permitted Costs:	**22.73%**	

Staff reduction: Since the company was not able to maintain staffing levels during the 8-week period from the date of the loan, the amount of loan forgiveness is reduced proportionately:

Staff reduction:

$$\frac{3 \text{ FTE employees}}{5 \text{ FTE employees}} = \mathbf{0.60}$$

Amount of Loan Eligible for Forgiveness:	**$26,400**	($44,000 x 0.60)
Amount to Be Repaid by Benny's Metalworks:	**$17,600**	(plus interest)

Note: The forgiveness amount will not be reduced by a failure to maintain staffing levels during the Covered Period or Alternative Payroll Covered Period if (a) the average FTEEs between February 15 and April 26, 2020 is lower than the FTEES as of February 15, 2020, and (b) the company restored the level of FTEEs by June 30, 2020 to be equal or higher to the FTEE levels as of February 15, 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.

Scenario 3

Lucy's Craft Brewery received a $40,000 loan on April 8, 2020. The company generally has 8 weeks to meet the criteria* for loan forgiveness. The timeline starts as soon as the company receives the loan+. Here's how the company uses the loan in those 8 weeks:

WEEKS:	1	2	3	4	5	6	7	8
PAYROLL COSTS:	$3000 **	$3000	$3000	$3000 + $8000 *** in rent & utilities	$3000	$3000	$3000	$3000 + $8000 in rent & utilities

Total Used on Payroll Costs:	**$24,000**
Total Used on Other Permitted Costs:	**$16,000**
Total Amount Used for Permitted Reasons During the 8 Weeks:	**$40,000**
Percentage Used on Payroll Costs:	**60%**
Percentage Used on Other Permitted Costs	**40%**

Lucy hasn't reduced staffing or pay during the 8 weeks, but her payroll costs ended up being lower than she anticipated because an employee was on paid leave under the Families First Coronavirus Response Act (FFCRA) *****. As a result, part of the loan may need to be repaid since, for the purposes of loan forgiveness, no more than 25 percent of the funds may be used for covered nonpayroll costs.

Maximum Amount of Covered Nonpayroll Costs the Loan Could Cover:	**$8,000**	(25% of Forgiveness Amount)
	+	
Amount Used on Payroll Costs:	**$24,000**	
	=	
Amount of Loan Eligible for Forgiveness:	**$32,000**	
Amount to Be Repaid:	**$8,000**	(plus interest)

Forgiveness Rules:

Conditions:
+ To obtain full forgiveness, loan proceeds must be spent during the 8-week period immediately following disbursement of the loan (the Covered Period). If you pay your employees on a biweekly or more frequent schedule, you may choose to select the first day of the first pay period following disbursement of the loan ("Alternative Payroll Covered Period").

* A loan may be fully forgiven if all the following three conditions are met:

- The loan proceeds are spent, or qualifying costs are incurred, within 8 weeks of receipt of the loan proceeds.
- At least 75 percent of the forgiveness amount was used for payroll costs and no more than 25 percent was used for the other permitted Loan Uses.
- Staffing and pay levels must be maintained during the 8-week period immediately following disbursement of the loan****.

Payroll Costs:
** Under the PPP, payroll costs generally 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.

Note: The definition of payroll costs excludes employer federal taxes.

Permitted Loan Uses:
*** PPP loans may be used for:

- Payroll costs;
- 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.

Staffing and Wage Levels:
**** To determine whether adequate staffing levels have been maintained, the average number of full-time equivalent employees (FTEEs) during the Covered Period or Alternative Payroll Covered Period will be compared to one of two time periods. Borrowers may either use the period from February 15 through June 30, 2019, or January 1 through February 29, 2020. If the number of FTEEs during the Covered Period or Alternative Payroll Covered Period is lower than both of these two time periods, the amount of loan forgiveness may be reduced proportionately. However, the forgiveness amount will not be reduced by a failure to maintain staffing levels during the Covered Period or Alternative Payroll Covered Period if

(a) the average FTEEs between February 15 and April 26, 2020 is lower than the FTEES as of February 15, 2020, and (b) the company restored the level of FTEEs by June 30, 2020 to be equal or higher to the FTEE levels as of February 15, 2020.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.

Repayment of the corresponding portion of the loan may be required if an employee's earnings are reduced by more than 25% during the Covered Period or Alternative Payroll Covered Period compared to the period of January 1 through March 31, 2020. However, 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. 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.

***** PPP loan proceeds may not be used to pay FFCRA paid sick or family leave wages for which a tax credit is allowed.