PPP Loan Forgiveness

Updated as of 06/16/20

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Definitions
# PPP Loan Forgiveness Application

<table>
<thead>
<tr>
<th>Terminology</th>
<th>Definition</th>
<th>Definition does NOT include</th>
<th>Notes</th>
<th>Notes</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPP Loan Disbursement Date</td>
<td>• Date you received PPP loan from your lender</td>
<td></td>
<td>• If you received the loan on more than one date, enter the 1st date you received PPP loan money (this date may not be the same date on the acceptance letter so check your checking account statement)</td>
<td>All</td>
<td>All</td>
</tr>
<tr>
<td>Covered Period (CP)</td>
<td>• If you received your PPP loan before June 5, 2020: you can choose to use an 8-week (56-day) period, with first date = PPP Loan Disbursement Date OR • Regardless of when you received your PPP loan, CP is a 24-week (168-day) period, with the first date = PPP Loan Disbursement Date • Last date of CP cannot be after Dec 31, 2020</td>
<td>1st date is NOT when loan was approved (e.g., loan was approved on Apr 13, but 1st date would still be when money was deposited into your account on Apr 20)</td>
<td>Some parts of the Application give you the option to use CP or APCP; however, you must specifically use CP wherever Application specifically references “Covered Period”</td>
<td>All</td>
<td>All</td>
</tr>
<tr>
<td>Alternative Payroll Covered Period (APCP)</td>
<td>• APCP exists so that you have the option to neatly align your “covered period” with the beginning of a pay period • If you received your PPP loan before June 5, 2020: you can choose to use an 8-week (56-day) period, with the first date = first pay period after PPP Loan Disbursement Date OR • Regardless of when you received your PPP loan, CP is a 24-week (168-day) period, with the first date = first pay period after PPP Loan Disbursement Date • Under no circumstance can the last date of APCP be after Dec 31, 2020 • E.g., • PPP Loan Disbursement Date = Apr 20 • 1st date of pay period = Apr 26 • 1st date of APCP = Apr 26</td>
<td>Remember: applies to PAYROLL COSTS only • Option to make things easier if your payroll frequency is biweekly or more frequent • If you use this alternative time frame, you must consistently use it through the application EXCEPT where specifically noted to use “Covered Period”</td>
<td></td>
<td>All</td>
<td></td>
</tr>
<tr>
<td>Employee (EE)</td>
<td>• Received a W-2 (salary or hourly, full-time or part-time with a consistent schedule) during CP or APCP • Principal place of residence is in the U.S. • Must have SSN</td>
<td>• Self-employed (independent contractors, sole proprietors)*** • Owner-EEs who do not receive a W-2 (application seems to indicate “minority” ownership as 20% or less*) • Partners</td>
<td>Anyone with a 1099 is considered its own business under PPP and can apply for its own PPP loan (the reason why PPP had even bothered to ask if you have any 1099-MISC forms was only to determine if your business even qualified to apply for the PPP loan)</td>
<td>Table 1 &amp; 2</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*Indicates uncertain areas that remain to be clarified **FFCRA: Families First Coronavirus Response Act, Section 7001 ***If you report business income on Schedule C of Form 1040, you can still qualify for forgiveness - please talk to your advisor

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PPP Loan Forgiveness Application

**Terminology**

**Definition**

**Definition does NOT include**

**Notes**

### Payroll Costs

**Eligible for Forgiveness**

Sum as paid to each EE by you:

1. **Cash Compensation:**
   - Gross salary, wage, commission, and similar compensation (including bonus*)
   - Payment of cash tip or equivalent
   - Payment for paid leave (vacation PTO, parental, family, medical, or sick)
   - Allowance for dismissal or separation
   - Make-whole payments to furloughed EE*

2. **Employee Benefits**
   - Payment for benefits (group healthcare/dental/vision benefits including insurance premiums)
   - Employer retirement plan contribution
   - Note: contributions on behalf of owner-employees are capped at 2.5 months’ worth of 2019 contribution amount

3. Payment of state or local tax assessed on compensation of EE

For non-EE (owner-employees, self-employed, or general partners):

- Up to $15,385 (8-week) or $20,833 (24-week) in pay for owners
- Based on 8-weeks or 24-weeks of self-employment income (2019 Form 1040 Schedule C line 31 net profit amount)

1. **Cash Compensation**
   - Qualified sick and family leave wages under FFCRA**
   - Payments to independent contractors (1099)
   - Cash compensation in excess of annualized $100K - thus cap per EE is:
     - For 8-week period: $15,385 ($100K / 52 weeks * 8-week)
     - For 24-week period: $46,154 ($100K / 52 weeks * 24-week)

2. **Employee Benefits**
   - Contributions made on behalf of self-employed individuals, general partners, or owner-employees of an S-corporation (these payments are already included in their compensation)
   - Your (employer) share of federal taxes on compensation (e.g., FICA)
   - Taxes withheld from EE earnings

- ≥60% of total loan forgiveness must be Payroll Costs
- Count ONLY ONCE any cost that was both incurred and paid
- Payroll Costs are eligible if they were:
  a) Both incurred (day that EE worked) during CP/APCP and paid (day the paycheck is distributed or the day you originate an ACH credit transaction*) during CP/APCP
  b) Incurred during CP/APCP but paid by your next regular payroll date after CP/APCP
  c) Incurred one* pay period before CP/APCP but paid during CP/APCP

### Nonpayroll Costs

**Eligible for Forgiveness**

Applies to business obligations on real or personal property:

1. Business mortgage INTEREST only on any mortgage signed before Feb 15, 2020
2. Business rent or lease payments (includes personal property lease such as leased equipment) on any rental/lease agreement in place before Feb 15, 2020
3. Business utilities (electricity, gas, water, transportation, telephone, or internet access) on any service that began before Feb 15, 2020

- Mortgage: excludes prepayment or payment of principal
- Utility may exclude trash, sewage, hosting (e.g., Amazon Web Services)*
- Up to 40% of total loan forgiveness may be Nonpayroll Costs
- Count ONLY ONCE any cost that was both incurred and paid
- Nonpayroll Costs are eligible if they were:
  - Incurred during CP and paid during CP
  - Incurred during CP and paid by your next regular billing date after CP
  - Owed in arrears before CP and paid during CP

- Up to 40% of total loan forgiveness may be Nonpayroll Costs
- Count ONLY ONCE any cost that was both incurred and paid
- Nonpayroll Costs are eligible if they were:
  - Incurred during CP and paid during CP
  - Incurred during CP and paid by your next regular billing date after CP
  - Owed in arrears before CP and paid during CP

- Up to 40% of total loan forgiveness may be Nonpayroll Costs
- Count ONLY ONCE any cost that was both incurred and paid
- Nonpayroll Costs are eligible if they were:
  - Incurred during CP and paid during CP
  - Incurred during CP and paid by your next regular billing date after CP
  - Owed in arrears before CP and paid during CP

### Definitions

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Table 1 & 2

<table>
<thead>
<tr>
<th>Nonpayroll Costs Eligible for Forgiveness</th>
<th>Loan Forgiveness Calculation Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule A Worksheet</td>
<td>Line 1 &amp; 10</td>
</tr>
<tr>
<td>Schedule A</td>
<td>Line 1 &amp; 10</td>
</tr>
<tr>
<td>Loan Forgiveness</td>
<td>Line 6 - 9: other</td>
</tr>
</tbody>
</table>

*Indicates uncertain areas that remain to be clarified **FFCRA: Families First Coronavirus Response Act, Section 7001 ***If you report business income on Schedule C of Form 1040, you can still qualify for forgiveness - please talk to your advisor

Please consult appropriate financial or legal professionals for further assistance.
### PPP Loan Forgiveness Application

**Avg FTE**
- Average Full-Time Equivalent (FTE)
- "Avg # of hours paid per week" / 40 (round to nearest tenth)
- Maximum per EE is capped at 1.0 (or, if you want to skip the math and simplify, enter "1.0" for EE who work ≥40 hours, and "0.5" for EE who work <40 hours)

- Applies to CP / APCP
- References hours PAID not necessarily WORKED
- Although amounts paid to owners are eligible for forgiveness, owners are not included in FTE calculations

**Salary/Hourly Wage Reduction Safe Harbor (Calculation)**
This calculation applies only if you reduced salary or hourly wages for any EE by >25% during CP/APCP (vs during Jan 1, 2020 to Mar 31, 2020). You can avoid the reduced forgivable amount if you restored your salary/hourly wage levels

**FTE Reduction Exceptions**
Sum the FTE of both:
1. Any positions for which you made a good-faith, written offer to rehire an EE during CP/APCP which was rejected by that EE, and
2. Any EEs who during CP/APCP were a) fired for cause, b) voluntarily resigned, or c) voluntarily requested and received a reduction of their hours

Enter this total # only if the position(s) was not filled by a new EE by Dec 31, 2020

**FTE Reduction Safe Harbor (Calculation)**
You are exempt from the reduction in loan forgiveness based on FTE EE described in PPP Schedule A if
1. both 1) you had reduced your FTE EE levels from Feb 15, 2020 to Apr 26, 2020; and 2) you then restored your FTE EE levels by the end of the covered period to your FTE EE levels in your pay period that included Feb 15, 2020
Or
2. you, in good faith, were unable to operate b/w Feb 15 and end of the CP at the same level of business activity you had before Feb 15, 2020 because of COVID-19-related health measures (e.g., social distancing)

**FTE Reduction (Calculation)**
Determines how much of your forgivable loan amount should be reduced from reduced staffing (measured by FTE or payroll)

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### Application Section

<table>
<thead>
<tr>
<th>Terminology</th>
<th>Definition</th>
<th>Definition does NOT include</th>
<th>Notes</th>
<th>Schedule A Worksheet</th>
<th>Schedule A Loan Forgiveness</th>
<th>Calculation</th>
<th>FTE Reduction Safe Harbor</th>
<th>FTE Reduction</th>
<th>Safe Harbor (Calculation)</th>
</tr>
</thead>
</table>
| Avg FTE     | • Average Full-Time Equivalent (FTE)  
• "Avg # of hours paid per week" / 40 (round to nearest tenth)  
• Maximum per EE is capped at 1.0 (or, if you want to skip the math and simplify, enter "1.0" for EE who work ≥40 hours, and "0.5" for EE who work <40 hours) | • Applies to CP / APCP  
• References hours PAID not necessarily WORKED  
• Although amounts paid to owners are eligible for forgiveness, owners are not included in FTE calculations | | Table 1 & 2 | Line 2 & 5 | N/A |
| Salary/Hourly Wage Reduction Safe Harbor (Calculation) | This calculation applies only if you reduced salary or hourly wages for any EE by >25% during CP/APCP (vs during Jan 1, 2020 to Mar 31, 2020). You can avoid the reduced forgivable amount if you restored your salary/hourly wage levels | | | Table 1 | Line 3 | N/A |
| FTE Reduction Exceptions | Sum the FTE of both:  
1. Any positions for which you made a good-faith, written offer to rehire an EE during CP/APCP which was rejected by that EE, and  
2. Any EEs who during CP/APCP were a) fired for cause, b) voluntarily resigned, or c) voluntarily requested and received a reduction of their hours  
Enter this total # only if the position(s) was not filled by a new EE by Dec 31, 2020 | • This helps you avoid a reduction in forgivable loan amount | | Table 1 | N/A | N/A |
| FTE Reduction Safe Harbor (Calculation) | You are exempt from the reduction in loan forgiveness based on FTE EE described in PPP Schedule A if  
1. both 1) you had reduced your FTE EE levels from Feb 15, 2020 to Apr 26, 2020; and 2) you then restored your FTE EE levels by the end of the covered period to your FTE EE levels in your pay period that included Feb 15, 2020  
Or  
2. you, in good faith, were unable to operate b/w Feb 15 and end of the CP at the same level of business activity you had before Feb 15, 2020 because of COVID-19-related health measures (e.g., social distancing) | | | Calculation | FTE Reduction Calculation | N/A |
| FTE Reduction (Calculation) | Determines how much of your forgivable loan amount should be reduced from reduced staffing (measured by FTE or payroll) | | | N/A | Line 11 - 13 | N/A |

*Indicates uncertain areas that remain to be clarified  
**FFCRA: Families First Coronavirus Response Act, Section 7001  
***If you report business income on Schedule C of Form 1040, you can still qualify for forgiveness - please talk to your advisor

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Step 1: Documentation
Documentation Overview

• Intent of the Payroll Protection Program (PPP) loan is to continue employment of staff as part of your business’ long-term viability

• Purpose of this forgiveness application is to determine how much of your PPP loan is eligible for forgiveness

  • Amount of loan forgiveness is a calculation process based on the CARES Act guidance by the U.S. Treasury Department and SBA. Your lender and/or SBA will review your supporting documentation to ensure that your business is eligible for loan forgiveness

  • Primary criteria for loan forgiveness are employee headcount and employee compensation: decreases in either could potentially decrease the amount of your loan forgiveness

• All documentation must be retained on file for 6 years after loan is forgiven or paid in full

• As you start gathering documentation listed below, decide whether you will use “Covered Period (CP)”* or “Alternative Payroll Covered Period (APCP)”*

*see DEFINITIONS for clarity

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Documentation

Documents that you MUST submit to your Lender

1. PPP Schedule A (see slide 11)
2. PPP Loan Forgiveness Calculation Form (see slide 16)
3. Payroll
   a. Bank statements or third-party payroll service provider reports documenting how much "cash compensation" was paid to EEs
   b. Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with CP or APCP:
      i. payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
      ii. state quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state
   c. Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to EE health insurance and retirement plans that you included in the forgiveness amount (PPP Schedule A, lines 6, 7 - see slide 11)
4. FTE: documentation (payroll tax filings reported to IRS and state income and/or payroll and unemployment insurance filings) that shows Avg FTEs on your payroll per week during ONE of the following periods (you pick):
   a. Feb 15, 2019 - Jun 30, 2019, or
   b. Jan 1, 2020 - Feb 29, 2020, or
   c. (if seasonal employer) (a), (b), or any consecutive 12-week period between May 1, 2019 and Sep 15, 2019
   The period you pick (a, b, or c) must be same time period you select for PPP Schedule A, line 11 (see slide 11)
5. Nonpayroll: documentation for your business that 1) verifies existence of the obligations/services in place before Feb 15, 2020 and 2) paid during CP
   a. mortgage interest:
      a. copy of lender amortization schedule, and receipts or cancelled checks that verify payments from CP, or
      b. lender account statements from Feb 2020, month(s) covering CP, and one additional month after end of CP that verifies eligible interest and payments
   b. rent or lease payments:
      a. copy of current lease agreement, and receipts or cancelled checks verifying eligible payments from CP, or
      b. lessor account statements from Feb 2020, month(s) covering CP, and one additional month after end of CP that verifies eligible payments
   c. utility payments:
      a. copy of invoices from Feb 2020 and during CP, and
      b. receipts, cancelled checks, or account statements verifying those eligible payments

Documents you do not need to submit but should have on hand

1. Documentation for any EE that qualifies under the FTE Reduction Exceptions*, e.g., letter of resignation, and inability to hire similarly qualified EE for unfilled positions by Dec 31, 2020
2. Back-up calculation (show your work) for all parts of PPP Schedule A Worksheet
3. Back-up calculation (show your work) for all three calculations (see CALCULATIONS)
4. As applicable, documentation that you were unable to sustain your level of business activity from Feb 15, 2020 because of compliance with requirements/guidance related to COVID-19, e.g., social distancing or other customer safety requirement

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*see DEFINITIONS for clarity
Step 2: PPP Schedule A Worksheet

(Page 4)
PPP Schedule A Worksheet

Table 1 (top)
is for EEs who make ≤$100K in annualized compensation for all pay periods in 2019 OR were employed only in 2020

Table 2 (center)
is for EEs who make >$100K annualized for all pay periods in 2019

- EE name: exclude independent contractors, owner-EE, self-employed; add extra page(s) if you need to list more
- EE identifier: last 4 digits of SSN
- Cash Compensation*: each cell in both Table 1 and Table 2 should have a value that is ≥ $15,385 for an 8-week covered period or $46,154 for a 24-week covered period
- Average FTE*
- Salary/Hourly Wage Reduction:
  - only applies if you reduced salary or hourly wages by >25% during CP/APCP (vs. during Jan 1-Mar 31, 2020). See CALCULATIONS
  - by definition, this doesn’t apply to EE who earned more than $100K in 2019, so this column does not exist for Table 2
- FTE Reduction Exceptions:
  - Any FTE reductions in these cases do NOT reduce your loan forgiveness amount
- Boxes 1-5: sum the column

FTE Reduction Safe Harbor: see CALCULATIONS

*see DEFINITIONS for clarity

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Step 3: PPP Schedule A
(Page 3)
PPP Schedule A

**PPP Schedule A Worksheet, Table 1 and Table 2 Totals**
- Lines 1-5: enter from Schedule A Worksheet
- Line 3: If the avg annual salary/hourly wage for each EE listed on Schedule A Worksheet, Table 1 during CP/APCP was ≥ 75% of an EE’s avg annual salary/hourly wage from Jan 1-Mar 31, 2020, check here ☐ and enter “0”

**Non-Cash Compensation Payroll Costs During CP or APCP**
(remember lines 6-8 are in addition to the annualized cash compensation cap of $100K)
- Lines 6: pull from your bill or payroll report (if you have a third-party payroll provider, they may have a prepared report)
  - includes employer contributions to self-insured, employer-sponsored group health plan
  - excludes pre-tax or after-tax contributions by EE
- Lines 7: pull from payroll register or retirement submission document to your plan
  - excludes pre-tax or after-tax contributions by EE
- Lines 8: pull from tax return or payroll register
  - e.g., state unemployment insurance tax
  - excludes taxes withheld from EE earnings

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Compensation to Owners

- Line 9: pull from federal tax filing document; this is where we include payroll costs for self-employed taxpayers, owner-employees of S, C corps, and general partners
- these individuals should not be in either Table 1 or 2 from Schedule A Worksheet (remember healthcare and retirement costs of owners/general partners are not forgivable)
- capped at $20,833 (2.5 months of annualized $100K salary in 2019), or $15,385 for 8-week equivalent of EE applicable compensation in 2019; this prevents an owner from increasing her compensation during the CP/APCP to maximize forgiveness

No Reduction in EE or Avg paid hours: If you can check this box, consider filling out the SBA Form 3508 EZ instead

FTE Reduction Calculation
There are now 2 Safe Harbors:
- Safe Harbor 1: check the box if your business level activity has decreased since Feb 15, 2020 because of COVID-19-related compliance measures
- Safe Harbor 2: If your staffing level is the same on Jan 1, 2020 as it is the last day of your CP, then check the box and enter “1.0” on line 13 (FTE Reduction Safe Harbor is met = no reduction required). Otherwise, lines 11-13 calculate how much your forgivable amount should be reduced from reduced staffing (FTE or payroll)

- Line 11: see CALCULATIONS
- Line 12: purpose is to calculate the reduction in forgiveness if staffing is reduced and not replaced
- Line 13: if >1.0, or if any safe harbor criteria are met, enter 1.0
Step 4: PPP Loan Forgiveness Calculation Form (Page 1)
PPP Loan Forgiveness Calculation Form
(select prompts detailed below)

Top Part of Form

- Business Legal Name, Contact Info: enter the same # as on your PPP Loan Application
- SBA PPP Loan #: 10-digit # assigned by SBA (ask Lender if you need)
- Lender PPP Loan #: should be on closing documents (ask Lender if you need)
- PPP Loan Amount: this total is the “principal” = maximum amount of loan eligible for forgiveness (note that accrued interest, which starts on the disbursement date, is no longer forgivable)
- PPP Loan Disbursement Date*
- EE at Time of Loan: actual # does not affect determination of forgiveness
- EE at Time of Forgiveness: actual # does not affect determination of forgiveness
- EIDL information: application number and any advance received
  - Any EIDL amount received between Jan 31, 2020-Apr 3, 2020 AND used to cover payroll was LIKELY refinanced into your PPP loan (SBA will reduce the forgivable amount by any EIDL Advance received). Include the EIDL information in your application
- Covered Period (CP)*: must fill-out
- Alternative Payroll Covered Period (APCP)*: optional
- If Borrower...: ONLY check if loan is over $2mm (loans with ≤$2mm receive safe harbor and trusted to make required certification that loan was necessary in good faith)

*see DEFINITIONS

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PPP Loan Forgiveness Calculation Form (continued)
(select prompts detailed below)

Payroll and Nonpayroll Costs
Only include payments you want to be considered for forgiveness
• Line 1*: includes amounts incurred or paid during CP/APCP
• Line 2-4*

Potential Forgiveness Amounts
Note: you do not need to report payments that you do not want to submit for forgiveness
• Line 6: same amount you listed on top of application

Forgiveness Amount
We determine the forgiveness amount
• Line 10: ensures that no more than 40% of potential forgiveness amount was used on nonpayroll costs
Calculations
Salary/Hourly Wage Reduction Safe Harbor Calculation

The SBA wants to determine if your forgivable loan amount needs to be reduced. This particular calculation only applies if you reduced salary or hourly wages for any employee (EE) by >25% during your CP/APCP (vs. during Jan 1-Mar 31, 2020). If you did reduce by >25% AND also then restored salary/hour wages, you can avoid a reduced forgivable loan amount. Determine by the following calculation:

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Determine if pay was reduced &gt;25%:</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a</td>
<td>Enter avg annual salary OR hourly wage during CP/APCP:</td>
<td>1a $ 20,000</td>
</tr>
<tr>
<td>1b</td>
<td>Enter avg annual salary OR hourly wage between Jan 1, 2020 and Mar 31, 2020 (Q1):</td>
<td>1b $ 35,000</td>
</tr>
<tr>
<td>1c</td>
<td>Divide: “1a” / “1b”:</td>
<td>1c 0.57</td>
</tr>
</tbody>
</table>

If 1c is ≥0.75, no reduction is required for this EE; enter “0” in the column for that EE. You are done

If 1c is < 0.75, a reduction is required for this EE (although that reduction may be reinstated); go to Step 2 to determine what to enter

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## Salary/Hourly Wage Reduction Safe Harbor Calculation (continued)

### Step 2: Determine if the Salary/Hourly Wage Reduction Safe Harbor is met:

<table>
<thead>
<tr>
<th>Step 2</th>
<th>Determination</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>2a</td>
<td>Enter annual salary OR hourly wage as of Feb 15, 2020:</td>
<td>$35,000</td>
</tr>
<tr>
<td>2b</td>
<td>Enter avg annual salary OR hourly wage between Feb 15-Apr 26, 2020:</td>
<td>$25,000</td>
</tr>
<tr>
<td></td>
<td>If 2b ≥ 2a, skip to Step 3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If 2b &lt; 2a, go to 2c</td>
<td></td>
</tr>
<tr>
<td>2c</td>
<td>Enter avg annual salary or hourly wage as of the earlier of December 31, 2020 or the date the application is submitted:</td>
<td>$32,500</td>
</tr>
<tr>
<td></td>
<td>If 2c ≥ 2a, the Salary/Hourly Wage Reduction Safe Harbor has been met. Enter &quot;0&quot; in the column for that EE. You are done</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If 2c &lt; 2a, go to Step 3</td>
<td></td>
</tr>
</tbody>
</table>

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## Salary/Hourly Wage Reduction Safe Harbor Calculation (continued)

<table>
<thead>
<tr>
<th>Step 3</th>
<th>Determine the Salary/Hourly Wage Reduction:</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>3a</td>
<td>Multiply: “1b” x 0.75:</td>
<td>3a</td>
</tr>
<tr>
<td>3b</td>
<td>Subtract: “3a” - “1a”:</td>
<td>3b</td>
</tr>
<tr>
<td>If EE is hourly: compute total dollar amount of reduction that exceeds 25%:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3c</td>
<td>Enter avg number of hours worked per week between Jan 1-Mar 31, 2020:</td>
<td>3c</td>
</tr>
<tr>
<td>3d</td>
<td>Multiply: “3b” x “3c” x 8:</td>
<td>3d</td>
</tr>
<tr>
<td></td>
<td>Enter this value in column for that EE. You are done</td>
<td></td>
</tr>
<tr>
<td>If EE is salaried: compute total dollar amount of reduction that exceeds 25%:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3e</td>
<td>Multiply: “3b” x 8; then divide by 52:</td>
<td>3e</td>
</tr>
<tr>
<td></td>
<td>Enter this value in column for that EE. You are done</td>
<td></td>
</tr>
</tbody>
</table>

3a: $26,250
3b: $6,250
3c: -
3d: -
3e: $961.54

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A goal of the PPP loan is to keep employment at pre-COVID-19 levels. For SMBs that reduced (fired/laid off/furloughed) headcount from Feb 15-Apr 26, 2020, the SBA wants to give you the opportunity to use the PPP loan money to return to your original staffing level (before Feb 15, 2020). Thus if your Average FTE decreased from Feb 15 to Apr 26, 2020 BUT you then restored your Average FTE by the earlier of Dec 31, 2020 or the date this application is submitted to the level it was during your Feb 15, 2020 pay period, your forgivable loan will not be reduced.

This exception is called the “FTE Reduction Safe Harbor”. Determine if you meet this Safe Harbor by the following calculation:

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Enter your total Avg FTE from Feb 15, 2020 and Apr 26, 2020:</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Enter your total Avg FTE that is in your pay period that includes Feb 15, 2020:</td>
<td>6.4</td>
</tr>
<tr>
<td>3</td>
<td>If answer for Step 2 is ≤ answer for Step 1: Safe Harbor is not applicable; complete line 13 on Schedule A. If answer for Step 2 is larger than Step 1: go to Step 4</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Enter your total FTE as of December 31st or the date you are submitting the application:</td>
<td>6.4 (means I rehired people)</td>
</tr>
<tr>
<td>5</td>
<td>If answer for Step 4 is ≥ answer for Step 2: Safe Harbor is met; enter &quot;1.0&quot; on line 13 of PPP Schedule A. If answer for Step 4 &lt; answer for Step 2: Safe Harbor is not met; complete line 13 on Schedule A</td>
<td></td>
</tr>
</tbody>
</table>
FTE Reduction Calculation

If your staffing level is the same on Jan 1, 2020 as it is the last day of your CP, then check the box and enter “1.0” on line 13. Otherwise, Schedule A’s lines 11-13 are designed to calculate how much your forgivable amount should be reduced because of reduced staffing (headcount or payroll) – if at all.

Is your Average FTE during CP/APCP less than any of the following “reference periods (you pick)”:

a) Feb 15, 2019 - Jun 30, 2019 (for YOY comparison with 2020), or
b) Jan 1, 2020 - Feb 29, 2020 (for 2020 before PPP-determined Feb 15 date), or
c) Seasonal employer: (a), (b), or any 12-week period between May 1, 2019 and Sep 15, 2019

If no (your Average FTE did not decrease), then your forgivable loan amount is not affected.
If yes (your Average FTE did decrease during a, b, or c), then your entire forgivable loan amount will decrease by a fraction.
FTE Reduction Calculation
(continued)

Ex.: Wooby has a PPP loan disbursement date of Apr 10 for $20K, and incurred $20K of costs eligible for forgiveness during CP. During these 8 weeks, Wooby had the following employees:

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Avg hrs paid/wk</td>
<td>Avg FTE (40, cap at 1.0)</td>
<td>Avg hrs paid/wk</td>
</tr>
<tr>
<td>Lucy</td>
<td>45</td>
<td>45/40 = 1.0</td>
<td>45</td>
</tr>
<tr>
<td>Hugo</td>
<td>40</td>
<td>40/40 = 1.0</td>
<td>40</td>
</tr>
<tr>
<td>Billy</td>
<td>40</td>
<td>40/40 = 1.0</td>
<td>40</td>
</tr>
<tr>
<td>Dottie</td>
<td>40</td>
<td>40/40 = 1.0</td>
<td>28</td>
</tr>
<tr>
<td>Hercules</td>
<td>32</td>
<td>32/40 = 0.8</td>
<td>28</td>
</tr>
<tr>
<td>Scout</td>
<td>40</td>
<td>40/40 = 1.0</td>
<td>40</td>
</tr>
<tr>
<td>Justice</td>
<td>40</td>
<td>40/40 = 1.0</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td><strong>6.8</strong></td>
<td></td>
<td><strong>6.4</strong></td>
</tr>
</tbody>
</table>

To maximize forgiveness, Wooby chose reference period (b), so his eligible amount of forgiveness for his PPP loan: 3.6 / 6.4 * $20K = $11,250

*You can opt to use a simplified version of "1.0" for EE who work ≥40 hours, and "0.5" for EE who work <40 hours) While amounts paid to owners are eligible for forgiveness, owners are not included in FTE calculations.

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