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## COVID-19 UPDATE | JUNE 3, 2020

### **SBA PROVIDES ADDITIONAL GUIDANCE ON PPP LOAN FORGIVENESS**

On May 22, 2020, the Small Business Administration (SBA) released an [interim final rule](#) on the Paycheck Protection Program (PPP), which provides clarity on several key points relating to the loan forgiveness calculation. This guidance comes one week after the release of the Loan Forgiveness Application, as many small businesses are coming to the end of the 8-week covered period and will soon be applying for forgiveness.

Updated guidance includes:

#### **Alternative Payroll Covered Period**

The SBA has given PPP loan recipients the flexibility to tailor their 8-week covered period to better align with their payroll dates. Instead of the covered period beginning on the date that the loan was issued, a borrower may choose to use the alternative payroll covered period, which will begin on the first day of the first payroll cycle in the covered period.

#### **Documentation**

The [loan forgiveness application](#) now includes a list of documents that a borrower must submit with their loan forgiveness application; documentation the borrower must maintain and make available upon request; and other documentation that a borrower may voluntarily submit.

#### **Employee Reduction Exemption**

The SBA has clarified that the loan forgiveness calculation will not be impacted by employees that are fired for cause, resign, or voluntarily request a schedule reduction.

#### **Employee Rehire Exemption**

The SBA has clarified that the loan forgiveness calculation will not be impacted if an employee declines the borrower's rehire offer, as long as:

- The borrower made a good faith, written offer to rehire the employee during the covered period or alternative payroll covered period;
- The offer was for the same salary or wages and the same number of hours earned by the employee in the last pay period prior to the separation or reduction of hours;
- The offer was rejected by the employee;
- The borrower has maintained records documenting the offer and rejection;
- The borrower informed the applicable state unemployment insurance office of the employees rejected offer of reemployment within 30 days of the rejection.

#### **FTEE Calculations**

The updated PPP guidance expands upon the full-time equivalent employee (FTEE) calculation. An FTEE refers to an employee who works 40 hours or more, on average, each week. The hours of employees who work less than 40 hours are calculated as proportions of a single full-time equivalent employee, and aggregated.

- For employees working 40 hours per week, borrowers should divide the average number of hours paid for each employee per week by 40, capping this quotient at 1.0.
- For employees working less than 40 hours per week, borrowers may now choose to calculate the full-time equivalency in one of two ways:
  - o The borrower may calculate the average number of hours a part-time employee was paid per week during the covered period, and divide that number by 40, or
  - o The borrower may elect to use a full-time equivalency of 0.5 for each part-time employee.

### **Hazard Pay & Bonuses**

The SBA has clarified that bonuses and hazard pay can be eligible for forgiveness, as long as they do not cause the employee's annualized compensation to exceed the stated \$100,000 maximum.

Although this guidance provides some much-needed clarity around the PPP loan forgiveness calculation, there are still several areas that remain unclear. We expect additional guidance to be released in the coming weeks. CRR is closely following any new information being released in order to best support our clients in maximizing loan forgiveness.

Please don't hesitate to contact us at [ppp@crrcpa.com](mailto:ppp@crrcpa.com) with any questions you may have, or visit our COVID-19 Resource Center at [www.crrcpa.com/covid19](http://www.crrcpa.com/covid19) for the latest updates, alerts and impacts.

We're in this together.