

PPP Loan Forgiveness Application

Schedule A & Schedule A Worksheet

May 20, 2020

Key Items Clarified on the Application

- The “incurred” and “paid” language in §1106 of the CARES Act regarding expenses that count for forgiveness is defined to allow, with certain limitations, both expenses paid and incurred in the 8-week period;
- A relatively borrower friendly interpretation of the calculation of both the full-time equivalent and wage/salary reduction provisions that would reduce the amount of debt forgiven;
- An indirect bar on using bonuses to owner employees to fill shortfalls in eligible expenses used to apply for loan forgiveness buried in the representations;
- An explicit statement that covered rent obligations include leases on both real and personal property; and
- The creation of a new Alternative Payroll Covered Period that allows borrowers to align the 56-day period with their own payroll period.



PPP Schedule A Worksheet



Table 1 is for employees earning less than \$100 K in 2019

Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

*The SBA tables do not include any employee in Table 1 that did not work for the employee during the 56-day period.



Average FTE

Average FTE: This calculates the average full-time equivalency (FTE) during the Covered Period or the Alternative Payroll Covered Period. For each employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth. The maximum for each employee is capped at 1.0. A simplified method that assigns a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours may be used at the election of the Borrower.

Example. X Co. borrowed a \$100,000 PPP loan on April 10, 2020. X Co. incurred \$100,000 of costs eligible for forgiveness over the next 8 weeks.

For the 8-week period beginning April 20, X Co. had the following employees:

- A: who averaged 45 hours per week during the period,
- B: who averaged 40 hours per week during the period,
- C: who averaged 28 hours per week, and
- D and E: who averaged 20 hours per week.

For the 8-week covered period, X Co. had 3.7 FTEs:

- A: $45/40$ capped at 1.0
- B: $40/40 = 1.0$
- C: $28/40 = .7$
- D & E: $20/40 = .5$ each

If X Co. chose instead to use the simplified method, it would have 3.5 FTEs:

- A: *$45/40$ capped at 1.0*
- B: *$40/40 = 1.0$*
- C: *$28/40 = .5$*
- D & E: *$20/40 = .5$ each*



FTE Reduction Exceptions:

FTE Reduction Exceptions: Indicate the FTE of (1) any positions for which the Borrower made a good-faith, written offer to rehire an employee during the Covered Period or the Alternative Payroll Covered Period which was rejected by the employee; and (2) any employees who during the Covered Period or the Alternative Payroll Covered Period (a) were fired for cause, (b) voluntarily resigned, or (c) voluntarily requested and received a reduction of their hours. In all of these cases, include these FTEs on this line only if the position was not filled by a new employee. Any FTE reductions in these cases do not reduce the Borrower's loan forgiveness.



Salary/Hourly Wage Reduction

To determine the amount of reduction required, you must go through the following steps for EACH employee:

- Step 1:** Determine if pay was reduced by more than 25%
 - a. Enter average annual salary or hourly wage during Covered Period or Alternative Payroll Covered Period: _____.
 - b. Enter average annual salary or hourly wage between January 1, 2020 and March 31, 2020: _____.
 - c. Divide the value entered in 1.a. by 1.b.: _____.

If 1.c. is 0.75 or more, enter zero in the column above box 3 for that employee; otherwise proceed to Step 2.



Salary/Hourly Wage Reduction

Example

Employee A was paid \$7,000 during the Covered Period for an average annual salary of \$42,000 ($\$7,000/8 * 52$) during the Covered Period

Employee A was paid \$12,000 during the period between January 1, 2020 and March 31, 2020 for an average annual salary of \$48,000 ($\$12,000 * 4$).

Step 1 (a) \$42,000

(b) \$48,000

(c) $\$42,000 / \$48,000 = 0.875$

0.875 is greater than 0.75. Enter a zero in the salary/wage reduction column



Safe Harbor – Salary/Hourly Wage Reduction

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

a. Enter the annual salary or hourly wage as of February 15, 2020: _____.

b. Enter the average annual salary or hourly wage between February 15, 2020 and April 26, 2020: _____.

If 2.b. is equal to or greater than 2.a., skip to Step 3. Otherwise, proceed to 2.c.

c. Enter the average annual salary or hourly wage as of June 30, 2020:
_____.

If 2.c. is equal to or greater than 2.a., the Salary/Hourly Wage Reduction Safe Harbor has been met – enter zero in the column above box 3 for that employee. Otherwise proceed to Step 3.



Salary/Hourly Wage Reduction

Step 3. Determine the Salary/Hourly Wage Reduction.

- a. Multiply the amount entered in 1.b. by 0.75: _____.
- b. Subtract the amount entered in 1.a. from 3.a.: _____.

Calculation of the salary/hourly reduction amount for an hourly worker

If the employee is an hourly worker, compute the total dollar amount of the reduction that exceeds 25% as follows:

c. Enter the average number of hours worked per week between January 1, 2020 and March 31, 2020: _____.

d. Multiply the amount entered in 3.b. by the amount entered in 3.c. _____ . Multiply this amount by 8: _____. Enter this value in the column above box 3 for that employee.



Calculation of the salary/hourly wage reduction amount for a salaried employee

If the employee is a salaried worker, compute the total dollar amount of the reduction that exceeds 25% as follows:

e. Multiply the amount entered in 3.b. by 8: _____. Divide this amount by 52: _____. Enter this value in the column above box 3 for that employee.



Example

Employee B was paid \$7,000 during the Covered Period for an average annual salary of \$42,000 during the Covered Period

Employee B was paid \$20,000 during the period between January 1, 2020 and March 31, 2020 for an average annual salary of \$80,000 during the first quarter of 2020

The annual salary or hourly wage as of February 15, 2020 was \$80,000, and the average annual salary or hourly wage between February 15, 2020 and April 26, 2020 was \$80,000.

Step 1 – determine if the pay was reduced more than 25%

$$\$42,000 / \$80,000 = 0.525$$

Step 2 –determine if safe harbor is met

\$80,000 = \$80,000 so the Salary/Hourly Wage Reduction Safe Harbor does not apply because the reduction in salary occurred after April 26, 2020.

Step 3 - calculate the reduction:

- i. $\$80,000 * .75 = \$60,000$, then
- ii. $\$60,000 - \$42,000 = \$18,000$
- iii. $\$18,000 * 8 = \$144,000$
- iv. $\$144,000 / 52 = \$2,769.23$ is the reduction amount.



Example

Employee C was paid \$7,000 during the Covered Period for an average annual salary of \$42,000 during the Covered Period

Employee was paid \$20,000 during the period between January 1, 2020 and March 31, 2020 for an average annual salary of \$80,000 during the first quarter of 2020

The annual salary or hourly wage as of February 15, 2020 was \$80,000

The average annual salary or hourly wage between February 15, 2020 and April 26, 2020 was \$50,000

The average annual salary or hourly wage as of June 30, 2020 was \$80,000.

Step 1 - determine if the pay was reduced more than 25%

$$\$42,000 / \$80,000 = 0.525$$

Step 2 – determine if safe harbor is met

\$80,000 > \$50,000, but as of June 30, 2020 the average annual salary = \$80,000, so the Salary/Hourly Wage Reduction Safe Harbor is met and no reduction to the Forgivable Expenses will apply.



Table 2 is for employees earning more than 100K per year

Table 2: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of more than \$100,000 for any pay period in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Totals:		Box 4	Box 5



FTE Reduction Safe Harbor

A safe harbor under applicable law and regulation exempts certain borrowers from the loan forgiveness reduction based on FTE employee levels. Specifically, the Borrower is exempt from the reduction in loan forgiveness based on FTE employees described above if both of the following conditions are met: (1) the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and (2) the Borrower then restored its FTE employee levels by not later than June 30, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020.

FTE Reduction Safe Harbor:

- Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: _____.
- Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: _____.
- Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, the FTE Reduction Safe Harbor is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
- Step 4. Enter the borrower's total FTE as of June 30, 2020: _____.
- Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor has been satisfied. Otherwise, the FTE Reduction Safe Harbor does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.



PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP
Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll
Covered Period was at least 75% of such employee's average annual salary or hourly
wage between January 1, 2020 and March 31, 2020, check here ☐ and enter 0 on line
3.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:



Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance: _____

Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans: _____

Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation: _____



Compensation to Owners

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners: _____
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

Line 9: Enter any amounts paid to owners (owner-employees, a self-employed individual, or general partners). This amount is capped at \$15,385 (the eight-week equivalent of \$100,000 per year) for each individual or the eight-week equivalent of their applicable compensation in 2019, whichever is lower. See Interim Final Rule on Additional Eligibility Criteria and Requirements for Certain Pledges of Loans posted on April 14, 2020 for more information ([85 FR 21747](#), 21749).



Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):



Full-Time Equivalency (FTE) Reduction Calculation

If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here ☐, skip lines 11 and 12 and enter **1.0** on line 13.

Line 11. Average FTE during the Borrower's chosen reference period: _____

Line 12. Total Average FTE (add lines 2 and 5): _____

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met: _____

Line 11 - looks for the average full-time equivalents for the taxpayer's "reference period." The instructions provide that the reference period for a borrower is either:

February 15, 2019 to June 30, 2019;

January 1, 2020 to February 29, 2020; or

Select the period that results in the lowest FTE calculation.

Line 13 – Remember Safe Harbor was determined on the bottom of the Schedule A Worksheet





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Questions?

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As requirements change and laws are passed, we will update you as soon as possible.

Don't forget to wash your hands!

