

Step 1

Amount eligibly spent in the Covered Period

- **“Covered Period”**: Receipt of loan through the earlier of (a) 24 weeks (or 8 weeks, at the option of the borrower), or (b) 12/31/2020.
- **Calculate “Eligible Payroll Costs” during the Covered Period.**
 - Compensation (\$100k-annualized cap), group healthcare and retirement, vacation/parental/medical/sick leave (except if a tax credit is taken under FFCRA), non-federal payroll taxes and separation pay.
 - Must be earned and paid during the Covered Period, but final check may occur on regular payday if after the Covered Period.
 - If payroll is weekly/biweekly, start of Covered Period may be delayed to coincide with start of 1st payroll (payroll only).
- **Calculate “Eligible Non-Payroll Costs” during the Covered Period.**
 - Interest on real or personal property mortgages, rent or lease payments and utility payments (agreements/services beginning prior to 2/15/20).
 - Must be paid/incurred (so long as paid when next due) during the Covered Period (no adjustment to start date).
- **Calculate “Total Eligible Costs”**: Sum of Eligible Payroll Costs and Eligible Non-Payroll Costs.

Step 2

Subtract Wage Reduction Penalty unless a safe harbor applies

- **“Applicable Employees”**: Employed during the Covered Period and either (a) in every single 2019 pay period, earned an amount that, if annualized, is \$100,000 or less; or (b) not employed by the borrower in 2019.
- **First**, see if the safe harbor applies.
 - **Applies if**, (a) the 12/31/20 salary/wage level of each Applicable Employee is equal to or greater than that from 2/15/20; and (b) a reduction occurred between 2/15/20 and 4/26/20.
 - **If it applies**, continue to Step 3 without calculating or subtracting a penalty from the Total Eligible Costs determined in Step 1.
- **Second**, calculate the penalty.
 - **Compare**, the average annual salary/hourly wage level of each Applicable Employee during the 1st quarter of 2020 to Covered Period.
 - **25% Decrease**: If the average wage level for any Applicable Employee decreased more than 25%, then subtract the amount the decrease exceeds 25% from the Total Eligible Costs determined in Step 1.

Step 3

Multiply by FTE Reduction Quotient unless safe harbor applies

- **First**, see if the safe harbor applies.
 - **Applies if**, (a) the number of Full Time Equivalent Employees (“FTEs”) at 12/31/20 is greater than or equal to the number of FTEs for the pay period that includes 2/15/20; and (b) a reduction occurred between 2/15/20 and 4/26/20.
 - **If it applies**, move to Step 4 without calculating or applying the quotient.
- **Second**, calculate the Quotient:

$$\text{Avg. \# of FTEs during Covered Period} \div \text{Avg. \# of FTEs during Comparison Period}$$
- **Third**, multiply quotient by Step 2 Amount.
- **“Comparison Period”**: At the borrower’s election, either (i) 2/15/19 through 6/30/19, or (ii) 1/1/20 through 2/29/20. Additional options exist for seasonal employers.
- **Exceptions**: Do not count reductions for documented (1) rejections of written offers to return; (2) terminations for cause or voluntary resignations or requests for hour reductions; (3) inability to hire qualified employees; and (4) inability to return to 2/15/2020 activity level due to CDC/OSHA/HHS requirements/guidance related to COVID-19.

Step 4

Lesser of (a) payroll costs ÷ 0.60 or (b) the amount from Step 3

- **Divide Eligible Payroll Costs (see Step 1) by 0.60.**
 - **Why**: There is a 40% cap on use of funds for non-payroll costs.
- **Forgiveness equals the lesser of (a) the number calculated above; and (b) the number determined in Step 3.**
- **In summary of Steps 1-4**, forgiveness is the lesser of:
 - A) (Total Eligible Costs – Wage Reduction Penalty, *if applicable*) x FTE Reduction Quotient, *if applicable*; and
 - B) Eligible Payroll Costs ÷ 0.60.

For additional information, see our [Detailed Forgiveness Guide](#) and our [Summary of Recent Changes](#).

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