Loan Forgiveness Checklist - www.NaviPays.com

Guidance on loan forgiveness is evolving and rules may change, so check back with NaviPay for updates.

- **Maintain staffing levels.**
  - Ensure that the average number of full-time equivalent (FTE) employees per month during the 8-week period from the date of the loan is at least equal to the average number of FTE employees during the period from February 15 through June 30, 2019 or January through February of 2020. If the number of FTE employees is lower during the 8-week period than during these two time periods, the amount of loan forgiveness may be reduced proportionately. *
- ***If applicable, reverse any reductions in staffing levels by June 30, 2020.**
  - Any reductions occurring between February 15 and April 26, 2020 will not be considered in reducing the loan forgiveness amount if they are reversed by June 30, 2020. However, if the staffing/pay 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. More information on the PPP may be found here.
- **Maintain pay levels.**
  - Where possible, avoid reducing any employee's earnings by 25% or more during the 8-week period from the date of the loan disbursement compared to the most recent full quarter of employment prior to the loan date. If any employee's pay is reduced by 25% or more, repayment of a corresponding part of the loan may be required.**
    Note: When comparing wage levels for the purpose of loan forgiveness, employees who earned wages or a salary at an annualized rate of more than $100,000 in any pay period of 2019 aren't considered.
- ****If applicable, reverse any reduction to an employee's pay by June 30, 2020.**
  - Any reductions occurring between February 15 and April 26, 2020 will not be considered in reducing the loan forgiveness amount if they are reversed by June 30, 2020. However, 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. More information on the PPP may be found here.
- **Only use the PPP loan for permitted uses:**
  - Payroll costs (as described below);
  - Costs related to the continuation of group health care benefits during periods of paid sick, medical or family leave, and insurance premiums;
  - 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.
- **Spend the loan proceeds, or incur qualifying costs, within 8 weeks of loan receipt.**
- **Use at least 75% on payroll costs during the 8 weeks after loan receipt. Payroll costs include:**
  - Employee gross pay including salary, wages, commissions, and tips (capped at $100,000 on an annualized basis for each employee).
  - 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.
  - Retirement benefits, including defined-benefit or defined-contribution retirement plans and employer 401(k) contributions.

  If less than 75 percent of loan is used on payroll costs, some of the loan (and interest) may not be forgiven and might need to be repaid. For example, a small business received a loan for $40,000, and during the applicable 8-week period, its payroll costs are $24,000. If the employer paid $12,000 on other Loan Uses described above, only $8,000 of the nonpayroll costs can be taken into account for loan-forgiveness purposes because 75% of the forgiveness amount must be for payroll costs. This would leave an additional $8,000 (plus interest) to be repaid by the employer.