

Below are the top six things to know about the Paycheck Protection Program (“PPP”) Loan Forgiveness Application and the detailed instructions for the application that were released Friday, May 15.

The [form](#) and instructions **DO NOT ANSWER all questions on forgiveness**. The SBA stated it “will also soon issue regulations and guidance to further assist borrowers as they complete their applications, and to provide lenders with guidance on their responsibilities.”

How PPP Loan Forgiveness Application Updates Apply to Your Business:

1

PAYROLL COSTS: There are options for borrowers to calculate payroll costs using an “alternative payroll covered period” that aligns with borrowers’ regular payroll cycles. These will make it easier to capture payroll costs for the full eight weeks, especially for borrowers with semi-monthly or irregular pay periods.

2

EXPENSES: There is now flexibility for borrowers to include eligible payroll and non-payroll expenses paid or incurred during the eight-week period after receiving their PPP loan. Payroll costs are considered incurred on the day the employee’s pay is earned. Payroll costs incurred but not paid during the borrower’s last pay period of the Covered Period (or Alternative Payroll Covered Period) are eligible for forgiveness if paid on or before the next regular payroll date. Otherwise, payroll costs must be paid during the Covered Period (or Alternative Payroll Covered Period).

3

RENTS AND LEASES: The PPP instructions provide clarification that rent includes business rent or lease payments for real and personal property during the Covered Period, pursuant to lease agreements in force before February 15, 2020.

4

FORGIVENESS CALCULATION: Borrowers and other interested parties can use the PPP Loan Forgiveness Calculation Form and accompanying instructions to calculate the amount of forgiveness, including expenses and its subcategories of payroll and nonpayroll costs, adjustments for full-time equivalency (FTE) and salary/hourly wage reductions, potential forgiveness amounts, and forgiveness amount.

5

FORGIVENESS REDUCTIONS BASED ON HEAD COUNT AND REHIRING FORGIVENESS GUIDANCE: There is now some instruction on implementation of statutory exemptions from loan forgiveness reduction based on rehiring by June 30, including the calculation of the average full-time equivalency (FTE) (40 hour week), the FTE reduction safe harbor, and confirmation of an FTE reduction exception for borrowers who have made a good-faith, written offer to rehire workers that was declined.

6

FORGIVENESS REDUCTIONS BASED ON WAGES: The instructions now provide some direction on implementation of the statutory requirement concerning reductions in employee salary and wages.

We encourage you to visit Schwabe’s [COVID-19](#) and [CARES Act](#) resource pages frequently for the most up-to-date information as it becomes available. For additional assistance, please reach out to [Carmen Calzacorta](#), 503-796-2994, ccalzacorta@schwabe.com.