



May 19, 2020

On May 16, 2020, the Small Business Administration (SBA) released the [Paycheck Protection Program \(PPP\) Loan Forgiveness Application](#). In addition to providing step-by-step instructions for calculating your forgiveness amount, the application also clarifies several key items outlined below. We encourage you to reach out to your Cerity Partners advisor to learn more.

Eligibility for Forgiveness

The requested forgiveness amount must meet the following criteria (outlined in the Representations and Certifications section of the application):

- The money was used to pay eligible expenses such as payroll costs to retain employees, mortgage interest, rent, or utility payments. See the [SBA FAQ](#) for more information about eligible payroll costs.
- The figure includes all applicable reductions due to decreases in the number of full-time employees and salary/hourly wage reductions.
- It doesn't include nonpayroll costs in excess of 25% of the amount requested.
- It doesn't exceed eight weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

Alternative Payroll Covered Period

According to the application, you may be able to calculate your eight-week period using the first day of the payroll period following your loan disbursement instead of the loan disbursement date. For example, if a business owner received their PPP loan proceeds on April 20, and April 26 is the first day of the pay period following the disbursement, the first day of the Alternative Payroll Covered Period is April 26. The last day of the Alternative Payroll Covered Period is June 20.

Full-Time Employee Reduction Exceptions

The work week definition for full-time employees (FTE) is 40 hours, not the SBA's 30 hour work week. The FTE reduction exceptions that will not count against forgiveness include employees who:

- Rejected a good faith written offer of employment
- Were terminated for cause
- Resigned voluntarily
- Requested a reduction of hours

Additionally, there is no FTE reduction if the number of employees or average paid hours was not reduced between January 1, 2020 and the end of the eight-week period.



Wage Reduction Calculation

This calculation is computed on an employee-by-employee basis. It also excludes anyone who earned more than \$100,000 annualized during any pay period in 2019. For example, if a weekly employee received more than \$1,923.08 in any 2019 pay period, they are excluded from the wage reduction calculation.

Tax Information Certification

On the application, you will need to certify that your tax documents are consistent with your federal and state tax filings. For example, the Schedule C that a business owner submits with their loan forgiveness application must match the one they filed for tax purposes.

More Guidance on the Horizon?

Even though the loan forgiveness process has begun, more guidance regarding PPP is expected. We're closely monitoring the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act. The bill contains several provisions related to PPP, including:

- Extension of the covered period from June 30, 2020 to December 31, 2020
- Repeal of the requirement that 75% of the loan be spent on payroll
- Clarification of the deductibility of expenses paid or incurred with proceeds from PPP loans that are forgiven
- Extension of the period to pay forgivable expenses from 8 weeks to 24 weeks
- Minimum 5-year maturity for PPP loans to allow for longer amortization
- Extension of eligibility to all nonprofits
- The ability for recipients of forgiven PPP loans to defer payroll taxes

Put Our Expertise to Work for You

Navigating the nuances of the Paycheck Protection Program can be challenging. We understand these nuances and can guide you through the process to help maximize your loan forgiveness. [Contact us](#) to learn more.

Cerity Partners LLC ("Cerity Partners") is an SEC-registered investment adviser with offices in California, Colorado, Illinois, Michigan, New York, Ohio and Texas. Registration of an Investment Adviser does not imply any level of skill or training. The foregoing is limited to general information about Cerity Partners' services, which may not be suitable for everyone. You should not construe the information contained herein as personalized investment, tax, or legal advice. There is no guarantee that the views and opinions expressed in this brochure will come to pass. Before making any decision or taking any action that may affect your finances or your company's finances, you should consult a qualified professional adviser. The information presented is subject to change without notice and is deemed reliable but is not guaranteed. For information pertaining to the registration status of Cerity Partners, please contact us or refer to the Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov). For additional information about Cerity Partners, including fees and services, send for our disclosure statement as set forth on Form ADV Part 2 using the contact information herein. Please read the disclosure statement carefully before you invest or send money.