

Outline of the Forgiveness Calculation

Based on current guidance, it appears that the amount of forgiveness will be calculated in a 4 step process – it is complicated. We will provide a written example on our website watrust.com.

Let's use the example
of a borrower that took a
\$200,000 PPP loan.

STEP #1

Determine the amount of that loan that was used for qualified purposes.

With a \$200,000 loan if \$150,000 was spent on qualified payroll costs and \$50,000 on other qualified costs – you would meet the 75% to 25% ratio and the entire amount of the loan would be eligible for forgiveness.

However if you only spent \$125,000 on qualified payroll expenses and the other \$75,000 on other qualified expenses – that extra \$25,000 paid into other qualified expenses would not be eligible for forgiveness – the maximum amount of forgiveness would be \$175,000.

It is our understanding that reductions based on whether how your company spends the PPP funds during the 8 week covered period cannot be fixed by later hiring or restoration of pay levels. This will be the maximum allowable.

STEP #2

Reduce the forgivable amount determined in Step #1 by any reduction in FTE.

If you employed an average of 50 FTE during the 8 week covered period, but an average of 100 FTE prior to February 29, 2020, your forgivable amount (in this case \$175,000) will be further reduced by the percentage of reduced FTE during the covered period in this case 50% or \$87,500 now making the maximum allowable forgiveness \$87,500.

STEP #3

Further reduce the forgivable amount in Step #2 by any reduction in pay from employees during the covered period.

Next you will need to examine the pay rates for the employees that you employed during the 8 week covered period – in our example the 50 employees. In this example you have one of the 50 employees that you paid \$50,000.00 in 2019, but you have reduced his pay rate to \$25,000.00 per year during the 8 week covered period. This means that 50% of the salary or wages you paid this individual during the 8 week period are not eligible for forgiveness of an additional \$1,923.08 reducing your total forgiveness again from \$87,500 to \$85,576.92.

STEP #4

Saving the FTE and
Wage Reductions

Borrowers can eliminate the FTE and Wage reductions incurred in Steps number 2 and 3 if, by June 30, 2020 the borrower returns its FTE and wage levels equal to its workforce level before February 15 2019 and restores any reduced wages for employees. If the employer were to return its work force to 100 employees and increase its worker's wages back to an annualized rate of \$50,000 by June 30, 2020, its maximum forgivable amount would again be what was calculated in Step #1 or \$175,000.00