

Boulder SBDC

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The Mathematical Safe Harbor



Businesses can achieve 100% forgiveness even with a decline in FTEs and a decline in weekly payroll.

RULE	AMOUNT
Maximum Weeks in Forgiveness Period:	24 wks
Weeks of Payroll Received in PPP (2.5 months/12months):	10.8 wks
The Amount of PPP that must be spent on Payroll:	60%
Weeks of Payroll at Historic Levels that must be spent:	6.48 wks
6.48 weeks / 24 weeks:	27%

The Mathematical Safe Harbor

You can reduce your FTE's, and reduce your weekly payroll, and as long as the payroll you spend in 24 weeks times the FTE Reduction Quotient equals 6.48 weeks of historic payroll you can get 100% forgiveness.



RULE	WEEKS
24 weeks * Weekly Payroll at 52% of Historic	12.48
12.48 weeks * FTE quotient of 52%	6.4896
52% * 52%:	27%

There are other ways to hit the same number, for example:

RULE	WEEKS
24 weeks * Weekly Payroll at 70% of Historic	16.8
16.8 weeks * FTE Quotient of 40%	6.72

The Government Order Safe Harbor

PPP Loan Forgiveness Application Revised
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“ ... **Borrower is exempt from the reduction in loan forgiveness** based on a reduction in FTE employees... if the Borrower, in good faith, is able to document that **it was unable to operate ... at the same level of business activity... due to compliance** with requirements established or guidance issued...by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration...”

PPP Loan Forgiveness Application EZ Page 1
Says essentially the same thing.

Federal Register/Vol. 85, No. 124/Friday,
June 26, 2020/Rules and Regulations
page 38309 – Column 2, Paragraph 2

“The Administrator, in consultation with the Secretary, is interpreting the above statutory exemption to include **both direct and indirect compliance** with COVID Requirements or Guidance, because a significant amount of the reduction in business activity stemming from COVID Requirements or Guidance **is the result of state and local government shutdown orders that are based in part on guidance from the three federal agencies.**”