



Navigating Your PPP Loan Forgiveness \$\$ Webinar Resources

Additional Resources/Blogs:

- <https://cnbaccounting.com/navigate-to-a-safe-harbor-with-your-ppp-loan/>
- <https://cnbaccounting.com/6-unprecedented-tax-breaks-lesson-your-burden/>
- <https://cnbaccounting.com/here-goes-round-two-of-the-sbas-ppp-loans/>
- https://secureservercdn.net/166.62.108.43/3xj.6df.myftpupload.com/wp-content/uploads/2020/05/SBA-Form-3508-PPP-Forgiveness-Application-FINAL_Fillable.pdf
- <https://secureservercdn.net/166.62.108.43/3xj.6df.myftpupload.com/wp-content/uploads/2020/05/NJWorkersFAQs.pdf>
- <https://secureservercdn.net/166.62.108.43/3xj.6df.myftpupload.com/wp-content/uploads/2020/05/Loan-and-Tax-Credit-Worksheet.xlsx>

FTE Pay Periods in Consideration

Remember, there are limits to the government's forgiveness. For example, loan forgiveness may be reduced by a drop-in, full-time equivalent employee (FTE), or a reduction in their wages. However, a borrower may ignore the required reduction by meeting a safe harbor test. To satisfy it, the borrower must first determine FTEs for two additional periods:

1. February 15, 2020, through April 26, 2020; and
2. For the pay period that includes February 15, 2020. That means if the pay period ended on Feb. 15, but the employee wasn't paid until the following payday, the costs incurred for the Feb. 15 pay period would be included.

How to Compute FTEs

According to the [SBA Form 3508 published May 20, 2020](#), the average FTE calculation during the covered period, or the alternative payroll covered period, is computed by entering the average number of hours paid per week, divide by 40, and round the total to the nearest tenth.

The formula:

1. Avg # of hours per wk / 40 = X
2. Round X up to the nearest tenth

The maximum for each employee is capped at 1.0.

A simplified method for borrowers is to assign a 1.0 to employees who work 40 hours or more per week, and a 0.5 for employees who work fewer hours.

Then, identify if...

1. The average FTEs for the first period is less than the FTEs for the second period, the borrower must then compare the average FTEs for the second period to the total FTEs as of June 30, 2020.
2. The FTEs on June 30, 2020, are greater than the FTEs on February 15, 2020, the safe harbor is met, and no reduction is required.