



Paycheck Protection Program: How Nonprofits Can Manage Their Loans & Forgiveness 102

*With Updates as of May 26, 2020
Continue to Check SBA's Website*

This information is provided for general informational and educational purposes only and does not constitute legal, accounting or financial advice. Please note guidance is changing regularly. We encourage you to check with the SBA and your lender for updated guidance and check our FMA toolkit for updated materials.

What are we covering today?

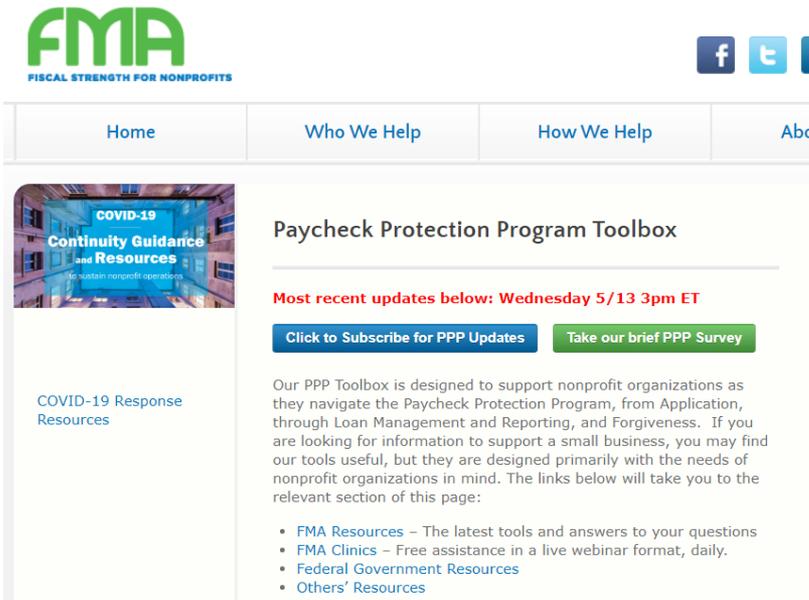
- We Received Our Loan...**Now What?**
- **What** Can We Use The Loan For?
- How Will **Forgiveness** Work? How Much
Can We Get Forgiven?

FMA Paycheck Protection Program Toolbox

Download the deck today

<https://fmaonline.net/forgiveness>

Or visit the PPP Toolbox



The screenshot shows the FMA website's "Paycheck Protection Program Toolbox" page. At the top left is the FMA logo with the tagline "FISCAL STRENGTH FOR NONPROFITS". To the right are social media icons for Facebook, Twitter, and LinkedIn. Below the logo is a navigation bar with links for "Home", "Who We Help", "How We Help", and "About Us". The main content area features a "COVID-19 Continuity Guidance and Resources" banner. Below the banner is the title "Paycheck Protection Program Toolbox" and a sub-header "Most recent updates below: Wednesday 5/13 3pm ET". There are two buttons: "Click to Subscribe for PPP Updates" and "Take our brief PPP Survey". The main text explains that the toolbox is designed to support nonprofit organizations as they navigate the PPP, from application to forgiveness. It lists several resources: FMA Resources, FMA Clinics, Federal Government Resources, and Others' Resources.

Managing Your Loan & Forgiveness Guidance

NOTE: On Friday 5/15 at 8pm the SBA released the loan forgiveness application. Our forgiveness tools and guidance below has been revised to reflect the contents of that document.

Slide deck: FMA guide to Managing your PPP Loan and Forgiveness 102 (pdf)

Updated Wednesday 5/20 11 am ET

Forgiveness Estimator 2.0 (xls) *Updated Tuesday 5/19 9 am ET, New version!*

Our latest version of the Forgiveness Estimator is based on the SBA Forgiveness Application and Instructions issued Friday, May 15th.

PPP Loan Forgiveness Application from the SBA (pdf)

Updated Monday 5/15 10 pm ET

<https://fmaonline.net/ppptoolbox/>



**How do we reach FMA with additional questions
and support on PPP after today?**

Please reach out to
FMACARES@fmaonline.net

**One of our experts will assist you
with your questions as soon as possible**



Basics of the PPP

- Federal loan administered by the SBA
- It is a **loan with conditions** on how it can be used
- There is an opportunity for it to be fully **forgiven**
- Whatever is not forgiven, continues as a loan to be spent on allowable uses at 1% interest
- Goal is to **retain workers** and have business **continuity**, not expansion

Forgiveness Application Live



**Paycheck Protection Program
Loan Forgiveness Application**

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
Business Address	Business TIN (EIN, SSN)	Business Phone
		() -
	Primary Contact	E-mail Address

SBA PPP Loan Number: _____ **Lender PPP Loan Number:** _____

PPP Loan Amount: _____ **PPP Loan Disbursement Date:** _____

Employees at Time of Loan Application: _____

Employees at Time of Forgiveness Application: _____

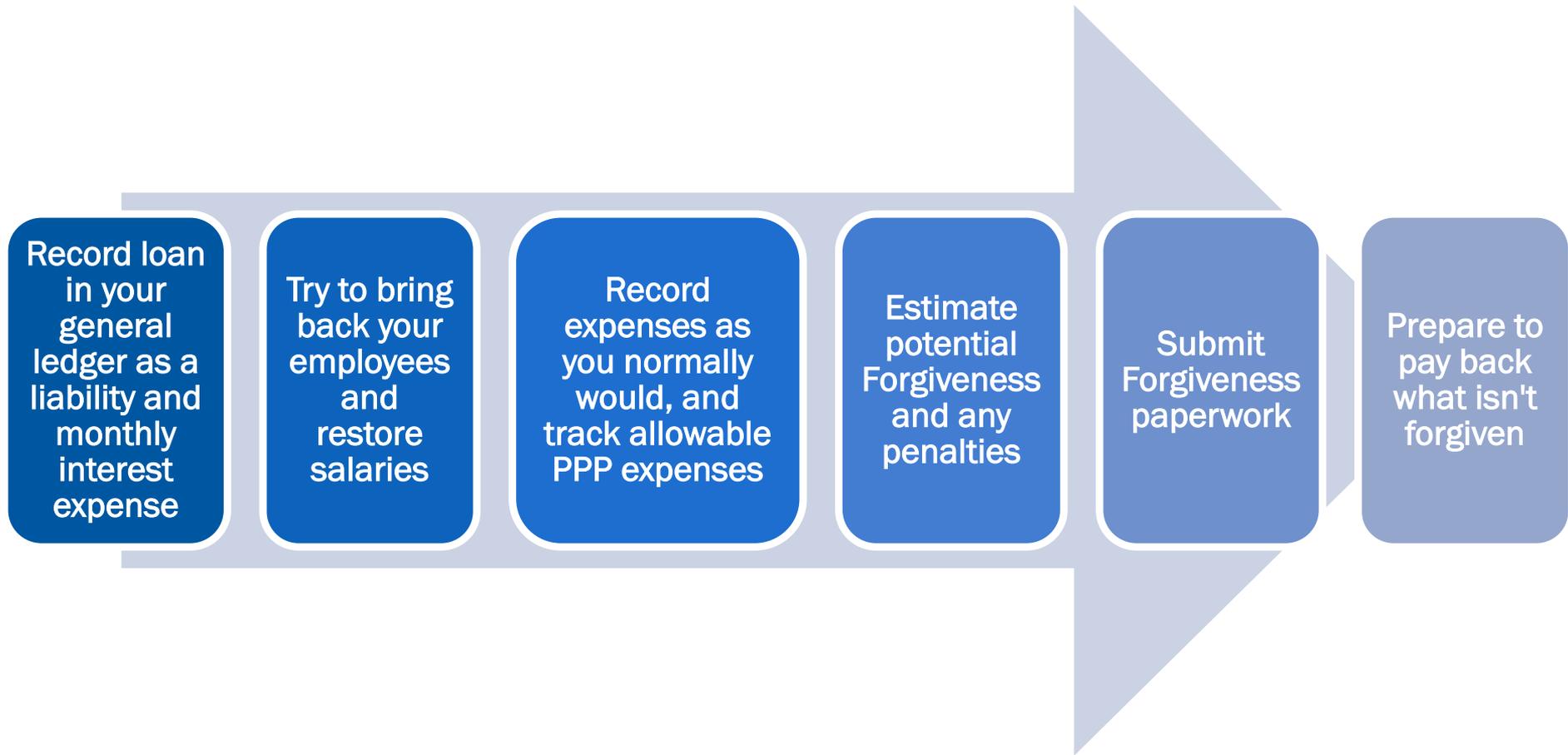
<https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>



What Have We Learned from the SBA in the last 2 Weeks?

Allowable expenses	Bonuses and hazard pay, as well as wages to furloughed employees are allowable as part of cash compensation. The \$15,385/employee cash compensation cap for forgiveness remains.
Clarity that <u>both</u> paid and incurred expenses during the Forgiveness period are allowed	<p>Allowable payroll and non-payroll expenses include (a) expenses incurred before the 8-week period but paid during the period and (b) on a pro-rated basis, expenses incurred during the 8-week period but paid after by their next regular due date.</p> <p>Based on timing of loan and payroll/bill cycles, some organization will be able to claim forgiveness for more than 8 weeks of expenses.</p>
Forgiveness period	<p>There are now 2 options for defining the 8-week forgiveness period; most organizations will continue to use the standard Covered Period: 56 days starting the day the loan was disbursed from the lender.</p> <p>Organizations will have a full 8 weeks, even if it goes past June 30th.</p>
Calculating penalties for workforce/wage reductions	<ol style="list-style-type: none">1. Clearer formulas provided for the workforce and wage reductions2. Wage reduction applies first; then FTE reduction percentage3. Further guidance provided for seasonal employers
Calculating hours for a full-time equivalent employees	40 hours/week or simplified method of 1 FTE (full-time at 40 hours) and .5 FTE (part-time for anyone less than 40 hours)
Exceptions to workforce reductions	Exceptions for (1) employees who refuse to return despite written offer as well as (2) employees fired for cause and (3) employees who have voluntarily resigned or requested reduction in hours.

Managing Your Loan



Record loan in your general ledger as a liability and monthly interest expense

Try to bring back your employees and restore salaries

Record expenses as you normally would, and track allowable PPP expenses

Estimate potential Forgiveness and any penalties

Submit Forgiveness paperwork

Prepare to pay back what isn't forgiven

Check out [FMA PPP Toolbox for Accounting Guidance](#)



What Can We Use the Loan For?

What Can We Use the Loan For?

- **Payroll** (total loan must be at least 75% for payroll)
- **Utilities, rent, mortgage interest**, interest payments on other debt obligations (with arrangements in place by 2/15/20)

There are consequences of spending on unallowable expenses, including needing to return funds used for these unallowable purposes. If done knowingly, this could be considered fraud with certain penalties.

What Can We Use the Loan For?

At least 75% on Payroll

Allowable

Cash Compensation¹

Employer Paid Health² & Retirement Benefits

Employer Paid State & Local Payroll Taxes

Rent & Mortgage Interest, Other Interest³

Utilities (Water, Gas, Electricity, Transp. Internet, Phone)

Not Allowed: All Other Expenses Including

Excess Wages for Salaries > \$100k⁴

Payroll for Employees Perm. Outside USA

Employer Portion of Federal Taxes & FICA

FFCRA Credits for Sick and Family Leave

Independent Contractor Pay (1099s)

¹Cash compensation includes salaries, wages and commissions (including to furloughed employees), tips, bonuses, hazard pay, paid leave, severance, and housing allowances

²Group health benefits includes medical, dental, and vision.

³Other Interest not eligible for forgiveness

⁴Cash compensation eligible for forgiveness is limited to \$15,385 per employee

What Can We Use the Loan For? Open Questions

Even with new guidance, we still have open questions. Here are some suggestions for you may want to proceed, but for all of these it is best to **plan that none of these will be allowable** and then be nicely surprised if we find out they are allowed. Remember PPP is about **business continuity** and not business expansion.

Open Questions	Way You May Want to Proceed
What kind of transportation is allowed in the definition of utilities?	Include costs that are core to the way you do business where you had agreements in place by 2/15/20.
If you reimburse staff for internet, telephone, or home office use as non-taxable reimbursements rather than pay a vendor directly , are those expenses allowable as utilities ?	<p>While some lenders have indicated these will be allowable, this will probably be lender specific on if they're willing to look through all of your payroll paperwork to justify why you included.</p> <p>If you add them as W-2 income for your employees, you should be able to include as part of gross wages/salaries.</p>

PPP & Restricted Funding Sources

- Organizations receiving federal funds **cannot "double dip,"** meaning you cannot claim to the federal government you spent different federal funds on the same expenses. It is likely PPP funds will be treated as federal funds for this purpose.
- Nonprofits will need to keep good records to show which employees are being paid from what source so that the government isn't paying more than 100% of a salary. This is a good approach for all of your restricted funding sources.
- You should consider **comparing** your allowable expenses for PPP vs. your restricted grants and contracts.
- There may be other allowable expenses your other restricted funding sources can cover, including during the 8-week period.
- Some **may choose to reduce their forgiveness request** because they want to be able use a drawn down from their restricted funding sources.

Any other nuances to understand?

- If you share employees and/or allowable operations expenses with another **nonprofit that isn't a (c)(3) or (c)(19)**, do not use the loan to cover the expenses associated with that other organization and do not include in your forgiveness request.
- If you received sick and family leave credits covered by the Families First Coronavirus Response Act (**FFRCA**), you cannot include those leave credits in allowable PPP payroll expenses.
- **Open Question:** What further guidance, if any, will be put in place to **prevent abuse**?

How Will Forgiveness Work?

Overview: How Much Will We Get Forgiven?

Up to **100%** of the funds you spend *in the 8-week period* *if you:*

- 1) Keep or increase your **FTEs**
- 2) Maintain **salaries or hourly rates** of employees;
and
- 3) Spend the loan on what it is **supposed to be spent on, including at least 75% for payroll**

Important: FTEs =
**Full-Time
Equivalents.**
NOT Headcount

BUT - if you have to **decrease salaries or hourly rates** or **reduce FTEs**, you will get a partial **reduction in forgiveness.**

Reductions that were made between **2/15/20 - 4/26/20** will not reduce forgiveness if fully **replenished by 6/30/20**

**Let's start with the timing and
details of those 8 weeks...**

When is the 8 Week Period for Forgiveness?

The primary purpose of the loan is to use it on allowable expenses during the **8 weeks** following when you received it. The allowable spending you have during this 8 weeks is what will count for **forgiveness**.

How To Define 8 Weeks aka 56 Days

The Covered Period is 8 weeks (56 days) starting with the loan disbursement date.

However, **for administrative convenience**, organizations can calculate eligible payroll costs **using an Alternative Payroll Covered Period** if they are on a bi-weekly or more frequent schedule, delaying the start of their 8-week period to the first day of their first payroll following when the loan was disbursed. This is not an option for semi-monthly or monthly payrolls.

Understanding The 8-Week Covered Period

Starting date:



The day the lender makes the PPP loan disbursement.

Forgiveness “covered period:” **8 weeks**

May be used for payroll; must be used for non-payroll expenses

8 weeks

APRIL 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3	4
5	6				10	11
12	13			16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Day 1



MAY 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

JUNE 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7			10	11	12	13
			17	18	19	20
	22	23	24	25	26	27
28	29	30				

Day 56



Do we include the expenses paid during or incurred in the 8 weeks in our calculations?

The Application allows for both methodologies to be used.

Paid During*

All of it Counts

Paid During & Incurred

All of it Counts

Fully Incurred, Not Paid During
But Is At Next Regular Due Date

All of it Counts

Partially Incurred, Not Paid During
But Is At Next Regular Due Date

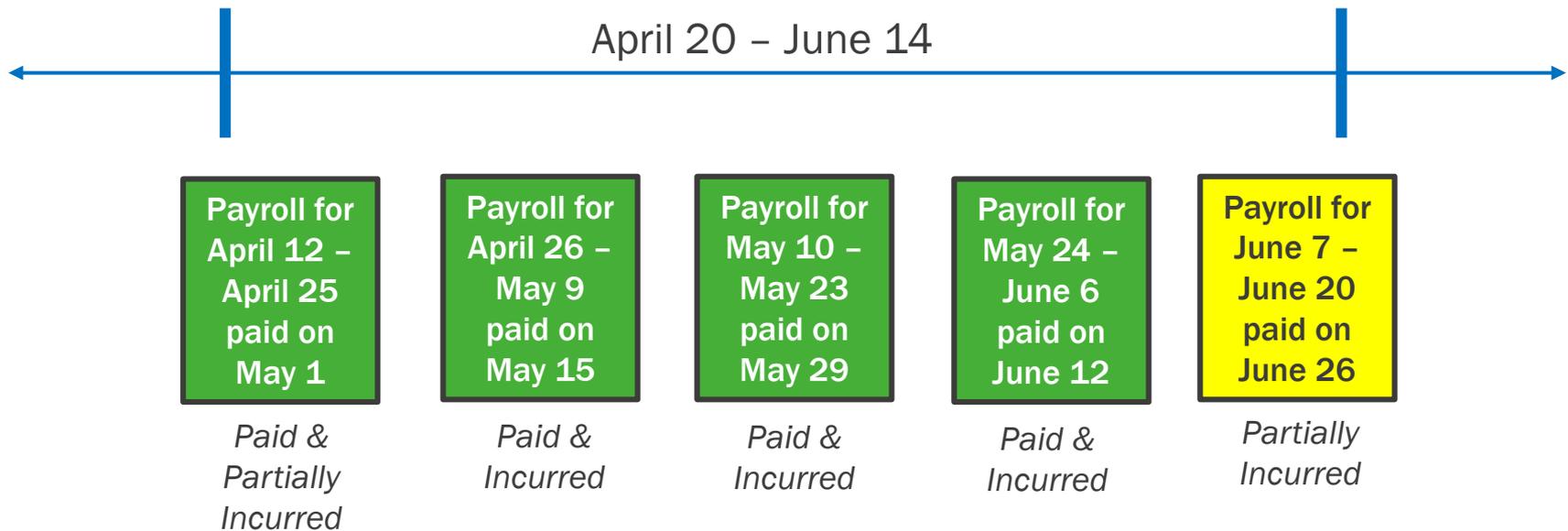
Part of it Counts
(Prorated)

*Bills fully incurred **before** the 8-week period that are paid in the ordinary course during the 8-week period are allowed. Pre-paid mortgage interest for **after** the 8-week period is not allowed. We are awaiting guidance on how other pre-payments will be treated, but organizations should plan on them not being allowed.

What Counts During the 8 Weeks Towards Forgiveness?

Example Covered Period: April 20, 2020 – June 14, 2020 For Payroll Costs

Assumes Bi-Weekly Payroll and using standard Covered Period



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.

SBA may provide further guidance as there are some alternative ways to read their application

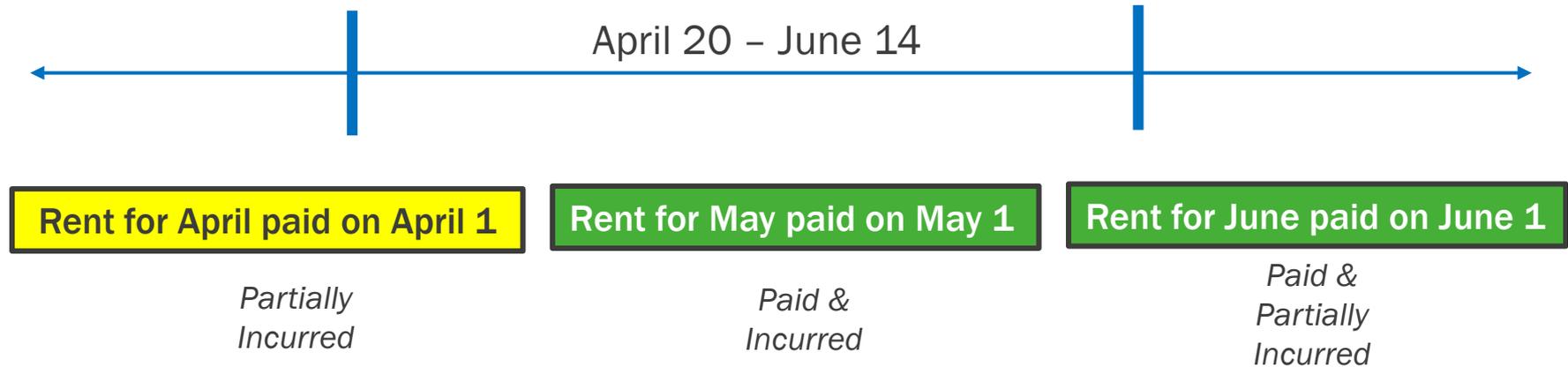
Reminder: Cannot include more than **\$15,385** in cash compensation per employee in your forgiveness amount

KEY

All of It Counts
Part of It Counts
(Prorated)

What Counts During the 8 Weeks Towards Forgiveness?

Example Period: April 20, 2020 – June 14, 2020 Non-Payroll: Rent



An eligible nonpayroll cost must be paid during the Covered Period or incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period.

SBA may provide further guidance as there are some alternative ways to read their application

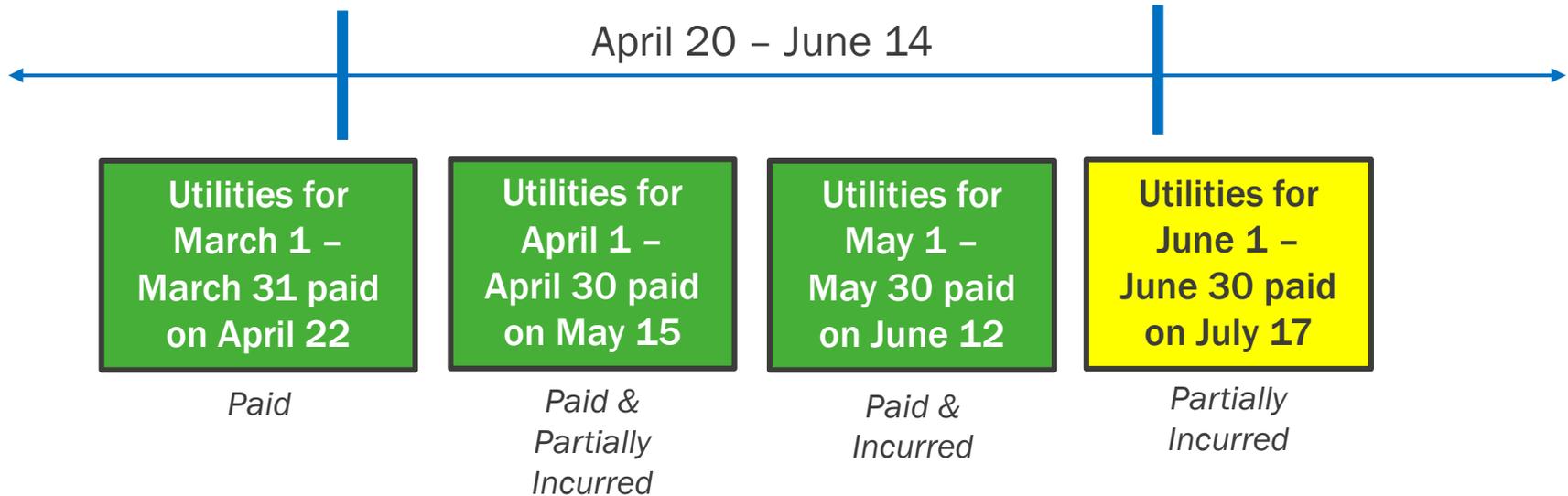
Reminder: Total non-payroll costs cannot exceed more than **25%** of your forgiveness amount without incurring a reduction penalty

KEY
All of It Counts
Part of It Counts
(Prorated)

What Counts During the 8 Weeks Towards Forgiveness?

Example Period: April 20, 2020 – June 14, 2020

Non-Payroll: Utilities



An eligible nonpayroll cost must be paid during the Covered Period or incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period.

SBA may provide further guidance as there are some alternative ways to read their application

Reminder: Total non-payroll costs cannot exceed more than **25%** of your forgiveness amount without incurring a reduction penalty

KEY
All of It Counts
Part of It Counts (Prorated)

Now, how much will be forgiven?

What Can I Do Today To Begin Estimating Forgiveness?

1. Estimate **how much you will spend** on allowable payroll and operations expenses during the **8-week period**
2. Estimate any **Workforce or Wage Reduction** penalties
3. Ensure you spend **at least 75%** on allowable payroll expenses
4. Understand if you may need to shift arrangements with any of your **restricted funding sources**

Please also review your promissory note, use our estimator, and review the SBA Forgiveness Application.

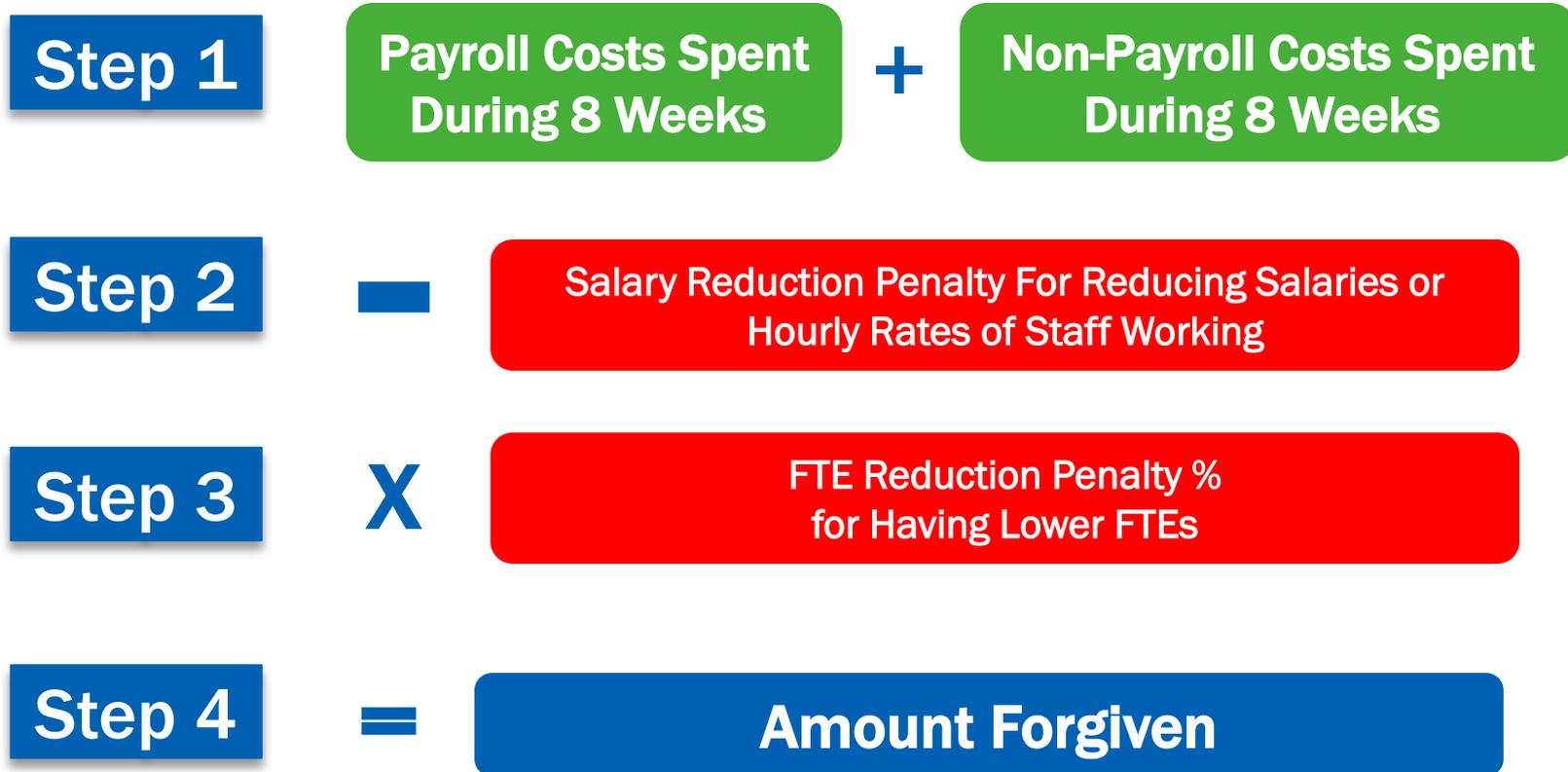


What Do I Need To Do Today To Maximize?

1. **Bring your staff back** on payroll (even if they can't do their normal job); you may also hire additional staff to do needed work
2. **Restore any salaries or hourly wages** cut between February 15th – April 26th
3. Pay payroll and all relevant bills **on time**
4. **Keep track** of all your receipts and paperwork

Basic Formula: How Much Will We Get Forgiven?

Assuming you spend at least 75% on allowable payroll...

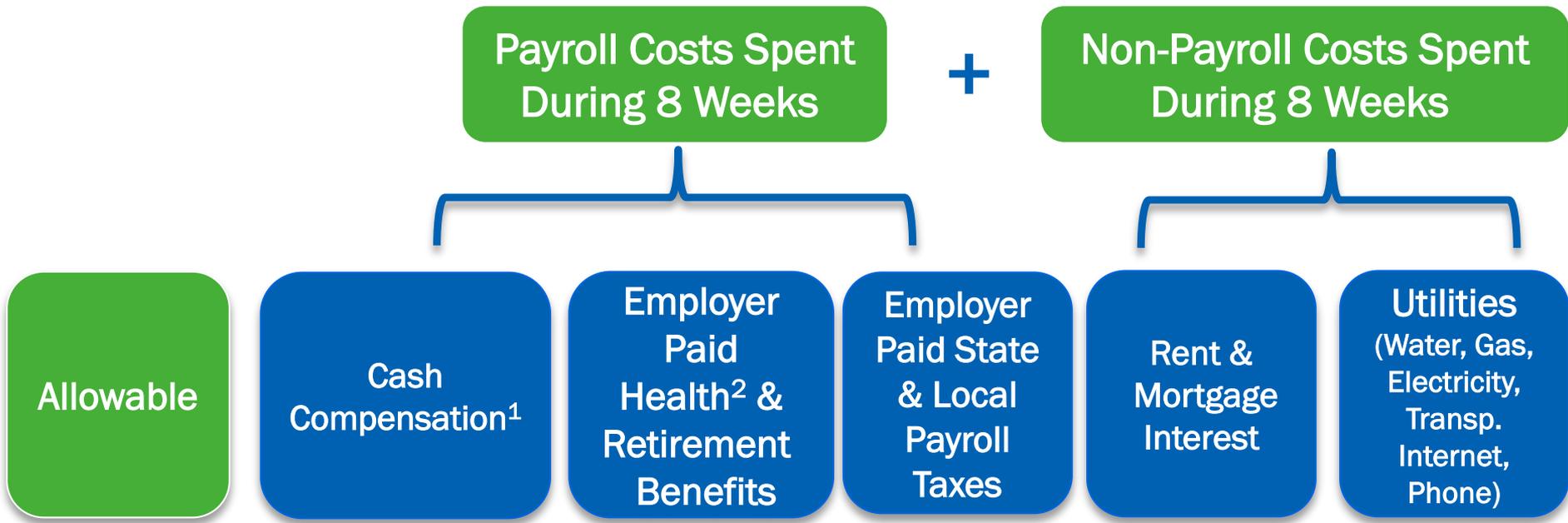


EIDL Advances May Also Reduce the Amount Forgiven

More Nuances on Next Slides



Diving In: What Expenses Count Towards Forgiveness?



¹Cash compensation includes salaries, wages and commissions (including to furloughed employees), tips, bonuses, hazard pay, paid leave, severance, and housing allowances. Cash compensation eligible for forgiveness is limited to **\$15,385 per employee**.

²Group health benefits includes medical, dental, and vision.



Diving In: FTE Reduction Penalty

Defining Full-Time Equivalent Employees (FTEs/FTEEs)

FTEs \neq headcount or number of employees

If you have 5 part-time employees, who each work 1 day per week...

Headcount	FTEs
5	1.0

Diving In: FTE Reduction Penalty

Goal: Compare your FTEs during your 8-week forgiveness period to a prior comparison period to see if a penalty needs to be assessed if you do nothing

While you will look at specific employees to determine your FTE count in the time periods, you do not need to retain the exact same people

Diving In: FTE Reduction Penalty

Based on the initial reading of the Application:

(1) Choose a Calculation Method

Mathematical Method

1 FTE = 40 hours/week

Example: Someone who is paid for 10 hours/week = .25 FTE

OR

Simple Method

Anyone who is paid for 40 hours/week or more = 1 FTE

Anyone who has fewer hours = .5 FTE

(2) Choose a Comparison Period

Choose the period with the lower FTE count

**Feb 15, 2019 –
June 30, 2019**

OR

**January 1, 2020 –
Feb 29, 2020**

Seasonal can also choose to use any consecutive 12-week period between 5/1/19 – 9/15/19

Diving In: FTE Reduction Penalty

Using the Mathematical FTE Method

You take a look at who was paid during the Covered Period...

Employee	Average Hours Paid Per Week	FTE
Joanne	30	0.75
Jackson	40	1.0
Robert	40	1.0
Dianne	20	0.5
Rami	10	0.25
Benjamin	20	0.5
Michelle	40	1.0
Average FTEs Per Week During the 8-Week Forgiveness Period		5.0

Diving In: FTE Reduction Penalty

Now...Compare to one of the time period options

**8-Week
Period**

5.0

VS.

**Feb 15, 2019–
June 30, 2019**

3.0

OR

**January 1, 2020 –
Feb 29, 2020**

5.5

✓ Okay, the FTE Count in the 8-Week Period (5) is higher than a comparison period (3)



Diving In: FTE Reduction Penalty

Now...for the actual reduction formula:

Average # of FTEs Per Week
During 8 Week Period

Option 1: Average # of
FTEs Per Week
Feb 15 – Jun 30, 2019

Or

Option 2: Average # of
FTEs Per Week
Jan 1 – Feb 29, 2020

=

**Basis for
FTE
Reduction
Penalty %**

Use FMA
Estimator for
Specific
Calculations

But There Are Some
Exceptions and Nuances...



Forgiveness Scenario Examples

SBA guidance allows you, the borrower, to pick one of two options to compare to your PPP 8-week period to understand how much you'll be able to get forgiven.

	Scenario 1	Scenario 2
Between 2/15-6/30/19 (Option 1) you had...	Monthly Average: 10 FTEs	Monthly Average: 10 FTEs
You grew in January and February of 2020 (Option 2), so you had...	Monthly Average: 15 FTEs	Monthly Average: 15 FTEs
The crisis resulted in layoffs, so when you received your loan you had...	5 FTEs	5 FTEs
With PPP funds you can rehire during the 8-week period...	You rehire 5 FTEs for a weekly average of 10 FTEs for the 8-week period	You rehire 3 FTEs for a weekly average of 8 FTEs for the 8-week period
Forgiveness Result	No Penalty	20% Reduction Penalty

In both scenarios, you would compare to Option 1 – the lower FTEs option.

Diving In: FTE Reduction Penalty

Do We Qualify for An Exception That Won't Reduce Our Forgiveness?

We made a good-faith written offer to rehire an employee during the 8-week period and it was rejected.*



During the 8-week period, an employee was fired for cause, voluntarily resigned, or voluntarily requested and received a reduction of their hours.



Yes!

If the position was not filled by a new employee, you can count these employees at their FTE in your 8-week period calculation

*Per new SBA guidance, organizations must notify the relevant state unemployment office that the offer to return to work was rejected within 30 days of the rejection.

Diving In: FTE Reduction Penalty

Do We Qualify for A Safe Harbor That Won't Reduce Our Forgiveness?

Our workforce was reduced between 2/15/20 - 4/26/20 and it was fully restored to the levels as of 2/15/20 by 6/30/20



Yes!
You also get to count your FTEs as of June 30th to see who you brought back by then

Diving In: Salary Reduction Penalty

Did you reduce your salary levels or hourly rates in 2020?

NO!



No Reduction

YES



See the Appendix to See the Potential Effect and Safe Harbor

But what if I don't spend 75% on payroll during the 8 weeks?

If you spend less than 75% of the total loan amount on payroll, you will get a **proportional reduction in forgiveness** based on how much you actually spent on allowable payroll.

But it is possible the Workforce and Wage Reduction penalties will hurt more than the 75% rule.

Forgiveness Estimator Available on the Toolbox

Forgiveness Estimator

Input data into Yellow fields

Step 1 - Enter Loan and Payroll Details

Loan Amount	
Covered Period Start Date	
Covered Period End Date	

The Alternative Payroll Covered Period Date is an alternative date range that can be used for payroll related calculations *if* you have weekly or bi-weekly payroll

Alternative Payroll Covered Period Start Date	
Alternative Payroll Covered Period End Date	

Select a Time Period to Use

Use Drop Down Menu to Select Time Period	Covered Period
Selected Start Date	
Selected End Date	

Step 2 - Payroll Costs for Covered Period
Enter Payroll Costs Paid and Payroll Costs Incurred during the Covered Period

Payroll Costs	\$	-
---------------	----	---

Step 3 - Non-Payroll Costs for Covered Period
Enter Non-Payroll Costs Paid and Non-Payroll Costs Incurred during the Covered Period

Rent		
Mortgage Interest		
Utilities		
Total Non-Payroll	\$	-

Step 4 - Forgiveness Reductions

Total Salary/Hourly Wage Reductions	\$	-
FTE Reduction Quotient		
Modified Total Costs	\$	-

Step 5 - Potential Forgiveness Amounts

Modified Total Costs	\$	-
PPP Loan Amount	\$	-
Payroll Cost 75% Requirement	\$	-
Forgiveness Amount (Estimated)	\$	-

<https://fmaonline.net/ppptoolbox/>



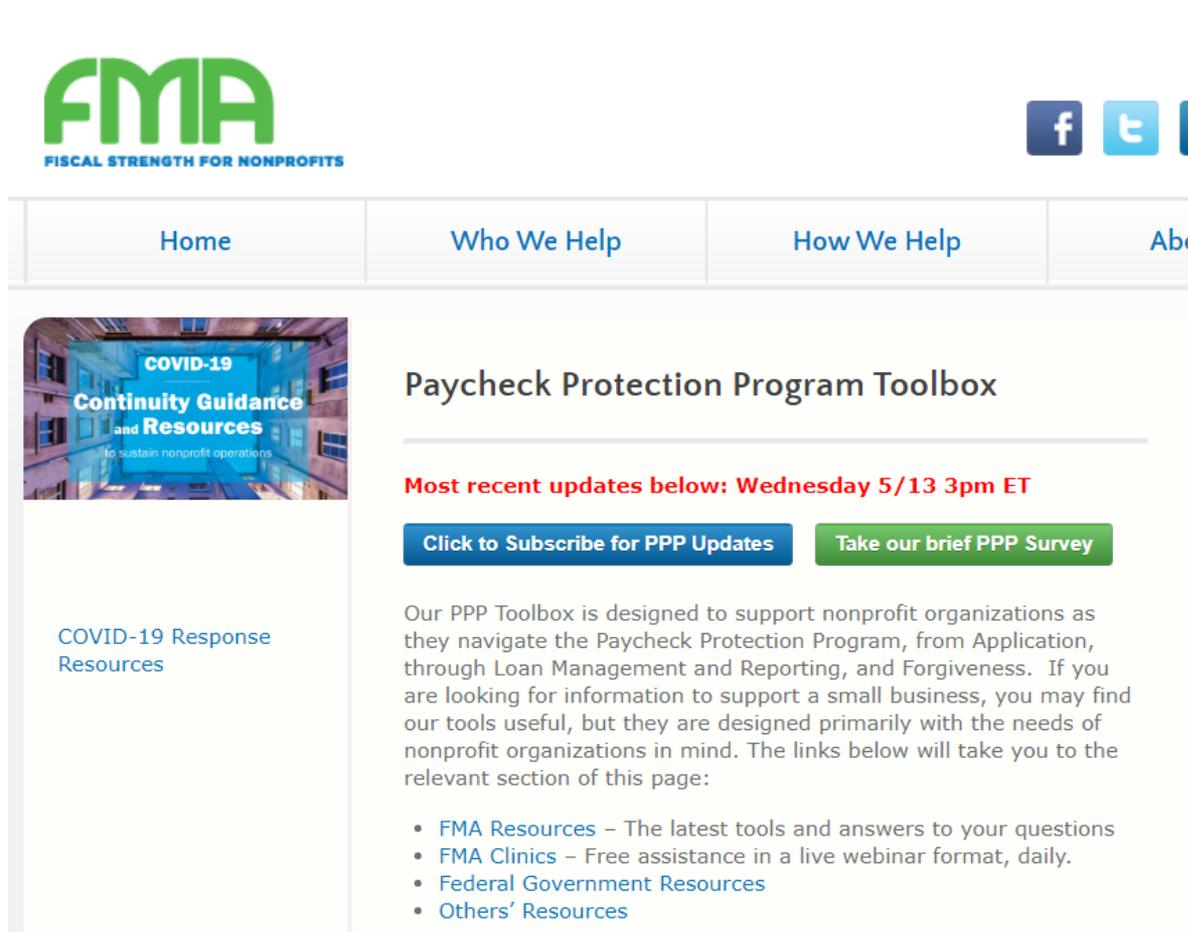
What Will the Forgiveness Process Look Like?

- Gather payroll information, relevant IRS Forms 941's, and documentation backing up every expense you are looking to get forgiven.
- Fill out a forgiveness application with certain certifications and make calculations. Submit to your lender.
- Lender will have 60 days to return result. Details on appeal process coming.
- Loans above \$2M will be subject to an audit from the SBA, but the SBA may review any loan, regardless of size, to review eligibility of the borrower, loan amount, and loan forgiveness amount.
- Organizations must maintain records for six years.

We are awaiting guidance on when organizations will need to file their forgiveness paperwork.



FMA Paycheck Protection Program Toolbox



The screenshot shows the FMA website's navigation bar with links for Home, Who We Help, How We Help, and About Us. A sidebar on the left features a banner for 'COVID-19 Continuity Guidance and Resources' and a link to 'COVID-19 Response Resources'. The main content area is titled 'Paycheck Protection Program Toolbox' and includes a red notice about the most recent updates on Wednesday 5/13 3pm ET. Below this are two buttons: 'Click to Subscribe for PPP Updates' and 'Take our brief PPP Survey'. The text explains that the toolbox is designed for nonprofit organizations and lists four resource categories: FMA Resources, FMA Clinics, Federal Government Resources, and Others' Resources.

FMA
FISCAL STRENGTH FOR NONPROFITS

Home Who We Help How We Help About Us

COVID-19
Continuity Guidance
and Resources
to sustain nonprofit operations

Paycheck Protection Program Toolbox

Most recent updates below: Wednesday 5/13 3pm ET

[Click to Subscribe for PPP Updates](#) [Take our brief PPP Survey](#)

Our PPP Toolbox is designed to support nonprofit organizations as they navigate the Paycheck Protection Program, from Application, through Loan Management and Reporting, and Forgiveness. If you are looking for information to support a small business, you may find our tools useful, but they are designed primarily with the needs of nonprofit organizations in mind. The links below will take you to the relevant section of this page:

- [FMA Resources](#) – The latest tools and answers to your questions
- [FMA Clinics](#) – Free assistance in a live webinar format, daily.
- [Federal Government Resources](#)
- [Others' Resources](#)

[COVID-19 Response Resources](#)

<https://fmaonline.net/ppptoolbox/>





- Established in 1999 to serve not-for-profit organizations around the country
- Provides customized financial management, accounting, software, organizational development, and other consulting services
- Works directly with organizations or through funder-supported management and technical assistance programs

FMA exists to build a community of individuals with the confidence and skills to lead organizations that change the world

Reach us at
**FMACARES@
fmaonline.net**



@FMA4Nonprofits



www.fmaonline.net/linkedin

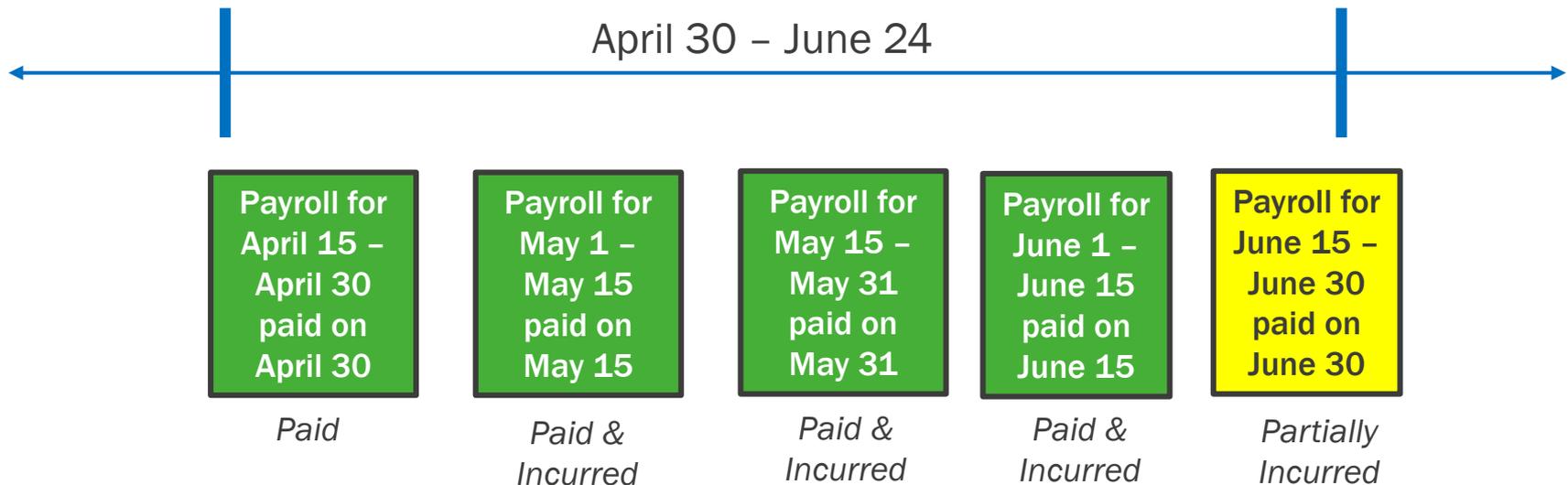
www.fmaonline.net

Appendix: Diving in On Forgiveness

What Counts During the 8 Weeks Towards Forgiveness?

Example Covered Period: April 30, 2020 – June 24, 2020 For Payroll Costs

Assumes Semi-Monthly Payroll



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.

SBA may provide further guidance as there are some alternative ways to read their application

Reminder: Cannot include more than **\$15,385** in cash compensation per employee in your forgiveness amount

KEY
All of It Counts
Part of It Counts (Prorated)

Diving In: Salary Reduction Penalty

Of (a) new employees who started in 2020 or (b) the employees with avg. annualized salaries of \$100k or less during all pay periods in 2019 who were working during the 8 weeks, did you reduce any of their salaries/hourly rates after Jan 1, 2020?

Use FMA Estimator for Specific Calculations

Step 1: Was their avg. rate reduced by more than 25% when comparing the 8-week period to 1/1/20- 3/31/20?

YES →

NO!

YES ↓

Step 2: Did the reduction happen between 2/15/20- 4/26/20?

YES! ↓

NO ↓

Step 3: Was the rate the employee had on 2/15/20 restored by 6/30/20?

NO ↘

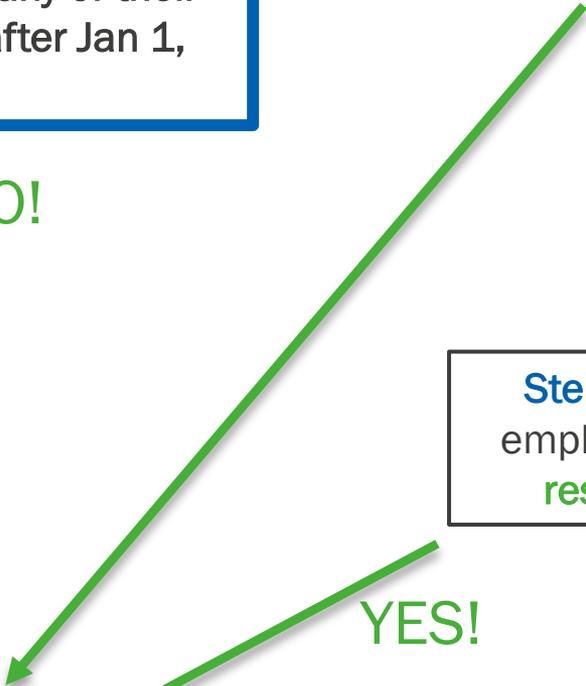
NO ↓

No Reduction

Reduce by Compensation Lost During 8-Weeks As a Result of Salary/Wage Cut

NO!

YES!



But what if I don't spend 75% on payroll during the 8 weeks?

So, there are three potential forgiveness amounts. Your forgiveness amount is the smallest of these three options:

- 1 **Total Loan Amount**
- 2 **Potential Forgivable Amount Less the Penalties**
- 3 ***Amount Spent on Payroll in the 8 Weeks \div .75***

This means if you spend less than 75% of the total loan amount on payroll, you will get a **proportional reduction in forgiveness.**

But it is possible the penalties will hurt more than the 75% rule.