

## Eligible Loan Forgiveness Costs

**Payroll Costs:** The following costs are eligible for forgiveness if they were paid during the covered period OR incurred and paid on the next payroll date following the last day of the allowed covered period.

1. **Gross Wages paid to employees.** If you will be giving them a W-2, their wages will be eligible to include. This includes compensation paid for tips, commissions, bonuses, vacation and sick time. You will be able to include wages paid AND incurred during the allowed covered period. An employee's annualized payroll costs will be limited to \$100,000 for any one employee.
2. **State unemployment taxes.**
3. **Health Insurance premiums paid by the employer.** This will only include the employer's portion of premiums paid and will not include any amount deducted from the employee and remitted by the employer on behalf of the employee.
4. **Retirement paid by the employer.** This will also only include the employer's portion of a contribution. It will not include any amount deducted from the employee's paycheck and remitted by you on behalf of your employee.

### **Special notes for Sole proprietors, including Schedule C filers, and partners of a partnership:**

Your payroll amount is determined based on your 2019 Schedule C net income or the self-employment income from Schedule K-1 for partners. Currently, the guidance limits that amount to 8/52 of up to \$100,000 of your net income or self-employment income, respectively. However, we expect the new legislation to change that calculation.

We have had many questions about how to pay yourself. We encourage you to write a check to yourself to allocate your self-employment net income, either weekly or monthly.

Also, in your loan forgiveness, you may not include health insurance or retirement contributions, per SBA guidelines. Please be aware of that as you maintain documentation of the use of funds.

**Non-Payroll Costs:** The following costs are eligible for forgiveness if they were paid OR incurred and paid on or before the next regular billing date, even if the billing date is after the last day of the allowed covered period.

1. **Interest payments on any business mortgage obligation on real or personal property that was incurred before February 15, 2020 (but not any prepayment or payment of principal).** You will want to keep track of any interest paid during this time for a business loan on buildings, equipment, business vehicles, office equipment, etc.
2. **Payments on business rent obligations on real or personal property under a lease agreement in force before February 15, 2020.** This allows you to include lease payments on facilities, equipment, vehicles, office equipment, etc. used for business purposes.

- 3. Business utility payments for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.** The interesting item in this section is the allowance of transportation costs. The example provided in SBA guidance only mentions fuel, so we are unsure if this will include mileage or other type of transportation costs at this point in time. Guidance has been requested, but we encourage you to keep documentation of all transportation expenses available. Be sure to separate those out by type of transportation expense to make it easier for you down the road if they limit it only to fuel and gas expenses.

**Special note to Self-employed individuals, which includes all Schedule C filers:**

Current guidance states that if you did not show an expense for a non-payroll cost in 2019 on your schedule C, you will not be able to use that expense towards your loan forgiveness calculation. For example, if you did not show a rent expense in 2019, you will not be able to claim rent paid on your forgiveness application. We are waiting for additional guidance on this and will pass that on when we get that information.