

Late in the night on Friday, May 22, the Small Business Administration released a new Interim Final Rule (“IFR”) which provides formal guidance on completing the Paycheck Protection Program (“PPP”) Loan Forgiveness Application. Here is the full text of the [IFR](#).

Of note to Roto-Rooter Franchisees, Section 3(b) of the IFR provides that commissions and hazard pay are included in the definition of “payroll costs”, which provides specifically as follows:

“If borrower pays furloughed employees their salary, wages, or commissions during the covered period, those payments are eligible for forgiveness as long as they do not exceed an annual salary of \$100,000, as prorated for the covered period. The Administrator, in consultation with the Secretary, has determined that this interpretation is consistent with the text of the statute and advances the paycheck protection purposes of the statute by enabling borrowers to continue paying their employees even if those employees are not able to perform their day-to-day duties, whether due to lack of economic demand or public health considerations. This intent is reflected throughout the statute, including in section 1106(d)(4) of the Act, which provides that additional wages paid to tipped employees are eligible for forgiveness. The Administrator, in consultation with the Secretary, has also determined that, if an employee’s total compensation does not exceed \$100,000 on an annualized basis, the employee’s hazard pay and bonuses are eligible for loan forgiveness because they constitute a supplement to salary or wages, and are thus a similar form of compensation.”

Section 5 of the IFR provides guidance on calculating Full-Time Equivalent (FTE’s) and safe harbors for purposes of determining any reductions in the loan forgiveness amounts.

This article as well as further updates in regard to tax matters and other legal implications related to Coronavirus pandemic can be found on our COVID-19 Response webpage, <https://www.skarlatoszonarich.com/covid-19>.

If you have any questions, please contact a member of the Business Team at SkarlatosZonarich LLC:

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