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Which types of payroll costs are eligible for forgiveness?

Eligible payroll costs include the following if paid or incurred during the covered period or the alternative payroll covered period:

- Gross salary, gross wages, gross tips, gross commissions, paid leave (vacation, family, medical or sick leave, not including leave covered by the Families First Coronavirus Response Act), and allowances for dismissal or separation
- Payments for employer contributions for employee health insurance, including employer contributions to a self-insured, employer-sponsored group health plan, but excluding any pre-tax or after-tax contributions by employees
- Payments for employer contributions to employee retirement plans, excluding any pre-tax or after-tax contributions by employees
- Payments for employer state and local taxes assessed on employee compensation (such as state unemployment insurance tax), excluding any taxes withheld from employee earnings

Payroll costs may include bonus and hazard pay, and may include salaries paid to furloughed employees.

Limitation: For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed a pro-rated annual salary of \$100,000.

This means the most you can claim for cash compensation is \$46,153 for any individual employee during the 24-week covered period selected (or \$15,385 if you select the 8 week period).

Payroll costs must be for employees whose principal place of residence is in the United States. Payments to independent contractors are also not eligible.

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Owner-employees and self-employed individuals are eligible for loan forgiveness on the basis of their compensation. For self-employed individuals filing 1040 Schedule C, you are capped based on 2019 net profit. For general partners, you are capped by the amount of your 2019 net earnings from self-employment (reduced by certain adjustments) multiplied by 0.9235.

For borrowers with a 24-week covered period, the maximum amount of loan forgiveness you can claim as compensation per individual owner or partner is the lower of 2.5 months of compensation earned in 2019 or \$20,833, which is the 2.5-month equivalent of \$100,000 per year. If you elect an 8-week covered period, the maximum is set at \$15,385, which is the 8-week equivalent of \$100,000.

The following must be excluded from loan forgiveness payroll costs.

- Compensation to an employee whose principal place of residence is outside of the United States
- Compensation to an independent contractor (1099). Independent contractors do not count as employees for PPP
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (FFCRA) (Public Law 116-127)

Also, the compensation of any individual employee is capped at an annual salary of \$100,000.

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Remember, in order to be eligible for 100% loan forgiveness, at least 60% of the PPP loan must be used for eligible payroll costs.

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