



2nd Draw PPP Loan Frequently Asked Questions

(updated as of January 15, 2021)

SUMMARY

Paycheck Protection Program (“PPP”) loans are intended to provide forgivable loans to help small businesses and nonprofits continue operating and paying employees during the on-going economic uncertainty caused by COVID-19. The Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, signed into law on December 27, 2020 (“Economic Aid Act”), **reopened PPP for first-time borrowers, allowed for 2nd Draw PPP loans for the hardest hit PPP borrowers, and made significant improvements to forgiveness requirements.** The Small Business Administration (“SBA”) continues to issue guidance to implement these changes. Self-Help is closely monitoring PPP rules and guidance, and we will update our PPP FAQ as new information becomes available.

1st Draw PPP Loans:

If you have not yet received a PPP loan and you meet eligibility requirements, you may apply for a 1st Draw PPP loan in the amount of two and a half months’ worth of your average monthly payroll costs.

2nd Draw PPP Loans:

If you received a 1st Draw PPP loan and you meet additional eligibility requirements, you may apply for a 2nd Draw PPP loan in the amount of two and a half months’ worth of your average monthly payroll costs. If you are classified NAICS code 72 (accommodations and food services), you are eligible for three and a half months’ worth of your average monthly payroll costs. Additional eligibility requirements include:

- You have experienced at least a 25% reduction in gross receipts in 2020, as compared to 2019;
- You have no more than 300 employees; and
- You have used your first PPP loan for eligible purposes.

Forgiveness:

In general, under the current laws and guidance, PPP loans are eligible for forgiveness if:

- At least 60% of PPP loan funds are used to pay employees and any remaining loan funds are used to pay eligible business expenses
- PPP loan funds are used within the required time period; and
- Staff and wage levels are maintained (subject to exceptions).

Any portion of your PPP loan that does not meet these forgiveness requirements will be repayable under the terms of your Note.

Note: we expect SBA to issue updated forgiveness guidance based on favorable changes in the Economic Aid Act.

Self-Help will provide additional updates as guidance from SBA becomes available, and will work with you to help you obtain forgiveness for your loan. You may view our PPP FAQ and check for updates on our [website](#).

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I. ELIGIBILITY

A. Am I eligible for a 2nd Draw PPP loan?

In general, you are eligible for a 2nd Draw PPP loan if you were eligible for your 1st Draw PPP loan, are still facing economic uncertainty due to the impact of COVID-19, and you meet all of the following additional requirements:

1. You experienced at least a 25% reduction in “gross receipts” in calendar year 2020, as compared to calendar year 2019.
 - Make this determination based on an annual comparison or a quarterly comparison.
 - If you choose the annual option, you will compare your 2020 calendar year to your 2019 calendar year. To document your reduction, you must provide copies of your annual tax forms. SBA has not yet clarified how borrowers with fiscal years that do not coincide with the calendar year will document the annual option.
 - If you choose the quarterly option, you will compare one quarter in 2020 to the same quarter in 2019. To document your reduction, you must provide copies of your annual tax forms, or if relevant tax forms are not yet available, copies of your quarterly income statements or bank statements.
 - If you were not operating until after June 30 of 2019, you will compare either 3rd or 4th quarter of 2019 with any quarter in 2020.
 - If you were not operating until after September 30, 2019, you will compare 4th quarter 2019 with any quarter in 2020.
 - In general, you must include gross receipts of your Affiliates when you make this comparison.
2. You (together with your Affiliates) have no more than 300 employees as of the date of your 2nd Draw PPP loan application.
 - This eligibility count is based on your total number of employees, not full-time equivalents. For example, if you have 200 full-time employees and 150 part-time employees, you have 350 total employees and you are not eligible for a 2nd Draw PPP loan.
 - To determine whether you have Affiliates, review SBA’s Affiliation Rules in the Tools & Resources section of our [website](#).
 - *Exceptions:*
 - Your NAICS code is 72 (accommodations and food services):
 - You do not include your Affiliates in determining your total number of employees.
 - If you have more than one physical location, you may have up to 300 employees per location.

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- You are an eligible news organization:
 - You do not include your Affiliates in determining your total number of employees.
 - If you have more than one physical location, you may have up to 300 employees per location.
- 3. You have used the full amount of your 1st Draw PPP loan for eligible purposes.
- 4. You have not permanently closed. (If you have temporarily closed due to the impact of COVID-19, and intend to reopen, you have not permanently closed.)
- 5. You are not primarily engaged in political activities or lobbying activities.
- 6. You have not received a Shuttered Venue Grant.
- 7. You have not already received a 2nd Draw PPP loan.
- 8. You are not organized under, are not more than 20% owned by, do not have significant operations in, and have no board member who is a resident of, China or Hong Kong.
- 9. You are not required to submit a registration statement under section 2 of the Foreign Agents Registration Act of 1938.
- 10. You are not 20% or more owned or controlled by any of the following: the US President, Vice President, heads of Executive Departments, Members of Congress, or the spouse of any of these.

B. How does SBA calculate “gross receipts”?

SBA defines “gross receipts” as all revenue in whatever form received or accrued (based on your accounting method) from whatever source, including sales of products or services, interest, dividends, rents, royalties, fees, or commissions, and reduced by returns and allowances. Generally, gross receipts are identified as “total income” or “gross income” on your federal tax return, plus cost of goods sold, and excluding net capital gains or losses. Gross receipts do not include taxes that are collected for and remitted to a taxing authority that have been included in your total or gross income for tax purposes (such as sales taxes), proceeds from transactions with your Affiliates, or amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder, or customs broker. All other items, such as subcontractor costs, reimbursements for purchases a contactor makes at your request, investment income, payroll taxes and other employee-based costs, may not be excluded from gross receipts.

- IRS Form 1040, Schedule C filers may calculate your gross receipts by referring to your filed 2019 Schedule C and your filed (or draft) 2020 Schedule C, and taking the following steps:
 1. Determine your gross receipts for 2019 and for 2020:
 - If both line 2 (returns and allowances) and line 6 (other income) are blank, you can rely on line 1 (gross receipts), or
 - Add line 7 (gross income) plus line 4 (cost of goods sold)
 2. Calculate your reduction:
 - Divide 2020 gross receipts by 2019 gross receipts to determine the quotient
 - Subtract the quotient from 1 to determine the percentage reduction

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- IRS Form 1040, Schedule F filers may calculate your gross receipts by referring to your filed 2019 Schedule F and your filed (or draft) 2020 Schedule F, and taking the following steps:
 1. Determine your gross receipts for 2019 and for 2020:
 - Add line 9 (gross income) plus line 1b (cost or other basis)
 2. Calculate your reduction:
 - Divide 2020 gross receipts by 2019 gross receipts to determine the quotient
 - Subtract the quotient from 1 to determine the percentage reduction
- IRS Form 1120-S filers may calculate your gross receipts by referring to your filed 2019 tax return and your filed (or draft) 2020 tax return, and taking the following steps:
 1. Determine your gross receipts for 2019 and for 2020:
 - Add line 6 (total income) plus line 2 (cost of goods sold)
 2. Calculate your reduction:
 - Divide 2020 gross receipts by 2019 gross receipts to determine the quotient
 - Subtract the quotient from 1 to determine the percentage reduction
- IRS Form 1120 filers may calculate your gross receipts by referring to your filed 2019 tax return and your filed (or draft) 2020 tax return, and taking the following steps:
 1. Determine your gross receipts for 2019 and for 2020:
 - Add line 11 (total income) plus line 2 (cost of goods sold) and subtract line 8 (capital gains)
 2. Calculate your reduction:
 - Divide 2020 gross receipts by 2019 gross receipts to determine the quotient
 - Subtract the quotient from 1 to determine the percentage reduction
- IRS Form 1065 filers may calculate your gross receipts by referring to your filed 2019 tax return and your filed (or draft) 2020 tax return, and taking the following steps:
 1. Determine your gross receipts for 2019 and for 2020:
 - If both line 1b (returns and allowances) and line 7 (other income) are blank, you can rely on line 1a (gross receipts), or
 - Add line 8 (total income) plus line 2 (cost of goods sold)
 2. Calculate your reduction:
 - Divide 2020 gross receipts by 2019 gross receipts to determine the quotient
 - Subtract the quotient from 1 to determine the percentage reduction
- IRS Form 990 filers may calculate your gross receipts by referring to your filed 2019 tax return and your filed (or draft) 2020 tax return, and taking the following steps:
 1. Determine your gross receipts for 2019 and for 2020:
 - Refer to line 12 (total revenue)
 2. Calculate your reduction:
 - Divide 2020 gross receipts by 2019 gross receipts to determine the quotient
 - Subtract the quotient from 1 to determine the percentage reduction
- Example: If your 2019 gross receipts were \$50,000 and your 2020 gross receipts were \$30,000, then, $\$30,000/\$50,000 = 0.6$ and $1 - 0.6 = 0.4$, demonstrating a 40% reduction (must be 25% or greater to be eligible for a 2nd PPP)

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II. PPP LOAN AMOUNTS

A. How is my 2nd Draw PPP loan amount determined?

- For most borrowers, the loan amount for a 2nd Draw PPP loan is equal to two and one-half months of your average monthly “payroll costs” (up to a maximum of \$2 million). Your average monthly payroll costs may be based on your 2019 calendar year, your 2020 calendar year, or the one-year period before the date on which your 2nd Draw PPP loan is made. (In most cases, your 2019 calendar year will be your best option. Most borrowers will have had higher payroll costs in 2019, and because your 1st Draw PPP loan was typically based on this period, we may already have most of the required documentation.)
- For seasonal employers (an employer that does not operate for more than 7 months per year, or that, during the preceding calendar year, had gross receipts for 6 months that were not more than 1/3 of its gross receipts for the other 6 months), the loan amount for a 2nd Draw PPP loan is equal to two and one-half months of your average monthly “payroll costs” (up to a maximum of \$2 million). Your average monthly payroll costs is based on any 12-week period between February 15, 2019 and February 15, 2020.
- For new entities (businesses or nonprofits that were not in operation until on or after February 15), the loan amount for a 2nd Draw PPP loan is equal to two and one-half months of your average monthly “payroll costs” (up to a maximum of \$2 million). Your average monthly payroll costs is based on the number of months you have been paying or incurring payroll costs.
- For NAICS code 72 borrowers (accommodations and food services), the loan amount for a 2nd Draw PPP loan is equal to three and one-half months of your average monthly “payroll costs” (up to a maximum of \$2 million). Your average monthly payroll costs may be based on your 2019 calendar year, your 2020 calendar year, or the one-year period before the date on which your 2nd Draw PPP loan is made. (In most cases, your 2019 calendar year will be your best option. Most borrowers will have had higher payroll costs in 2019, and because your 1st Draw PPP loan was typically based on this period, we may already have most of the required documentation.) If you are a seasonal employer or a new entity, your average monthly payroll costs will be based on those alternative time periods.

B. How does SBA calculate Payroll Costs?

Payroll Costs include:

- Cash compensation: salary, wages, commissions, cash tips or similar compensation (up to \$100,000 annualized per employee). SBA clarified in its Loan Forgiveness FAQ that for purposes of calculating cash compensation, borrowers should use the gross amount before deductions for taxes, employee benefits payments, and similar payments.
- If you make payments for the following items in addition to your employee’s gross amount, then these may also be included in your Payroll Costs calculation:
 - Vacation, parental, family, medical, or sick leave (other than qualified sick and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act)
 - Group health care benefits, group life, disability, vision, and dental insurance, including insurance premiums
 - Retirement benefits
 - State and local taxes (but not federal) assessed on the compensation of employees

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- You may not include payments made to 1099 and independent contractors who perform work for you in your Payroll Costs calculation, because independent contractors may apply directly for a PPP loan to cover their compensation.
- You may not include payments made to employees whose principal place of residence is outside the US in your Payroll Costs calculation.

III. ELIGIBLE USES

- **Payroll Costs:** To be eligible for forgiveness, you must use at least 60% of your PPP loan for Payroll Costs. There is no exception to this rule, either for 1st Draw PPP loans or for 2nd Draw PPP loans. (As an example, if you receive a \$50,000 PPP loan, and during your Covered Period you have only \$15,000 in Payroll Costs, the maximum amount of forgiveness you will be eligible to receive is \$25,000.)
- **Non-Payroll Costs:** If you do not use your entire PPP loan for Payroll Costs, you may use up to 40% for the following eligible Non-Payroll Costs:
 - Interest payments on any business mortgage obligation on real or personal property (but not prepayments or principal payments).
 - If you have a mortgage on your office building and lease a portion of the space to tenants, you may not include the proportional amount of mortgage interest for the space leased to your tenants. For example, if the space leased to your tenants represents 25% of the fair market value of the office building, then you may only claim forgiveness on 75% of your mortgage interest.
 - If your mortgage loan is to a related party, your mortgage interest payments are not eligible for forgiveness. For purposes of determining forgivable Non-Payroll Costs, SBA will consider entities with any ownership in common to be related parties.
 - If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
 - Business rent or lease payments for real or personal property.
 - If you sublease a portion of your space, you may not include the portion of your rent that is paid by your subtenant. For example, if you rent an office building for \$10,000 per month and sublease out a portion of the space to another business for \$2,500 per month, only \$7,500 per month would be eligible for forgiveness on your PPP loan.
 - If you share rented space with another business, then when determining the amount that is eligible for loan forgiveness, you must prorate rent payments in the same manner as on your tax filings.
 - If you are a home-based business, then when determining the amount of rent payments that are eligible for loan forgiveness, you must prorate payments in the same manner as on your tax filings.
 - If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
 - If your rent payments are to a related party, you may request forgiveness for rent payments up to the amount of mortgage interest owed by the related party on the property (if you rent less than 100% of the property, you must prorate

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this amount based on the portion you rent). Your lease and the related party's mortgage must both have been in place on or prior to February 15, 2020. For purposes of determining forgivable Non-Payroll Costs, SBA will consider entities with any ownership in common to be related parties.

- Business utility payments for a service for the distribution of electricity, gas, water, transportation, telephone, and internet access.
 - A “service for the distribution of transportation” refers to transportation utility fees (sometimes known as street maintenance fees or road user fees) assessed by state and local governments. No other transportation-related cost is eligible for loan forgiveness.
 - If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
 - If you have tenants or subtenants, you may not include any amount attributable to the operation of your tenant or subtenant.
- Covered Operations Expenditures: business software or cloud computing services that facilitate your business operations, product or service delivery, the processing, payment or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records and expenses.
 - If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
- Covered Property Damage Costs: costs related to property damage, vandalism or looting due to public disturbances that occurred during 2020 that was not covered by insurance or other compensation.
 - If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
- Covered Supplier Costs: expenditures made by a borrower to a supplier of goods for the supply of goods that (A) are essential to the operations of the borrower at the time at which the expenditure is made; and (B) are made pursuant to a contract, order, or purchase order (i) in effect at any time before the Covered Period for the loan; or (ii) with respect to perishable goods, in effect at any time before or during the Covered Period for the loan.
 - If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
- Covered Worker Protection Expenditures: costs to facilitate the adaptation of your operations to comply with federal, state or local requirements or guidance from March 1, 2020 through the end of the COVID-19 national emergency declaration, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement, including:
 - purchase, maintenance, or renovation of assets that create or expand (i) a drive-through window facility; (ii) an indoor, outdoor, or combined air or air pressure ventilation or filtration system; (iii) a physical barrier such as a sneeze guard; (iv) an expansion of additional indoor, outdoor, or combined business space; (v) an

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- onsite or offsite health screening capability; or (vi) other assets relating to the compliance with COVID-19 requirements or guidance as determined by SBA
- purchase of (i) covered materials described in section 328.103(a) of title 44, Code of Federal Regulations, or any successor regulation; (ii) particulate filtering facepiece respirators approved by the National Institute for Occupational Safety and Health, including those approved only for emergency use authorization; or (iii) other kinds of personal protective equipment, as determined by SBA.
- Note: Covered Worker Protection Expenditures do not include residential real property or intangible property.
- If you are an IRS Form 1040, Schedule C filer, you must be entitled to claim a deduction for this expense on your Schedule C for this to be a permissible use of your PPP loan, and must prorate the expense in the same manner.
- Ineligible Uses: No other uses are forgivable, and borrowers specifically may not use PPP funds for lobbying activities.

IV. COVERED PERIOD

Your PPP loan must be used within your Covered Period to be eligible for forgiveness. The Covered Period for your 2nd Draw PPP loan begins on the date you receive your 2nd Draw PPP loan proceeds, and ends on any date you select that is (i) at least 8 weeks after you receive your loan and (ii) not more than 24 weeks after you receive your loan. You will select your Covered Period end date when you apply for forgiveness. (Note: SBA has eliminated the option for an “alternative” covered period to align with your payroll cycle.)

V. STAFF MAINTENANCE REQUIREMENTS

- If your PPP loan is \$50,000 or less (and all PPP loans received by you and your affiliates total less than \$2 million), then reductions in staff wages and/or full-time equivalent (“FTE”) hours will not reduce your forgiveness amount.
- If your PPP loan is more than \$50,000 (or if all PPP loans received by you and your affiliates total \$2 million or more), your forgiveness amount will be reduced if you do not maintain staff wages and FTEs and do not meet any exception. You will be required to certify that you have maintained your staff when you apply for forgiveness. You are required to keep documentation supporting this certification for at least 4 years following forgiveness, and to provide this documentation to SBA upon request. If your loan is over \$150,000, you will submit this documentation as part of your forgiveness request.

A. How does SBA calculate maintenance of staff wages and forgiveness reductions?

- If your PPP loan is more than \$50,000 (or if all PPP loans received by you and your affiliates total \$2 million or more), then reductions of more than 25% in any employee’s salary/hourly wages will reduce the amount of forgiveness, unless:
 - The reduction is for an employee who made more than \$100,000 in 2019;
 - The reduction is for an owner-employee; or

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- The employee's salary/hourly wage is restored. To meet this exception, you would resume paying your employee their pre-COVID hourly wage/annual salary. You are not required to restore lost wages for the period during which you had to reduce the employee's hourly wage/annual salary.
- Calculation of a reduction in employee compensation is separate from the determination of whether you have reduced FTEs. For example, assume you have an employee who made \$20/hour and worked 40 hours per week prior to COVID. During your Covered Period, the employee continued to make \$20 per hour, but you had to reduce her hours from 40 hours per week to 20 hours per week. Although this is an FTE reduction (from 1 FTE to ½ FTE), it is not a reduction in compensation – you have continued to pay the employee \$20 per hour.
 - Hourly Employee Example: Pre-COVID, you employed Samuel at \$20/hour and he worked 10 hours per week. During your Covered Period, you reduced Samuel's pay to \$14/hour. The reduction over 25% is equal to \$1/hour. To determine the impact on your loan forgiveness, you must calculate Samuel's average weekly wage reduction. Since Samuel worked an average of 10 hours per week pre-COVID, you will multiply the reduction over 25% by Samuel's average pre-COVID hours (\$1 x 10), which results in an average weekly wage reduction of \$10. SBA will reduce your forgiveness amount by \$10 for each week of your Covered Period. For an 8-week Covered Period, your forgiveness will be reduced by \$80; for a 24-week Covered Period, your forgiveness will be reduced by \$240 (even if you apply early). If you resume paying Samuel \$20/hour, SBA will not reduce your forgiveness amount.
 - Salaried Employee Example: Pre-COVID, you employed Veronica at an annual salary of \$52,000/year. During your Covered Period, you reduced Veronica's annual salary to \$33,800/year. The reduction over 25% is equal to \$5,200. To determine the impact on your loan forgiveness, you must calculate Veronica's average weekly wage reduction. Since Veronica was a salaried employee, you will divide her reduction over 25% by the number of weeks in the year (\$5,200/52), which results in an average weekly wage reduction of \$100. SBA will reduce your forgiveness amount by \$100 for each week of your Covered Period. For an 8-week Covered Period, your forgiveness will be reduced by \$800; for a 24-week Covered Period, your forgiveness will be reduced by \$2,400 (even if you apply early). If you resume paying Veronica \$52,000/year, SBA will not reduce your forgiveness amount.
- If you have an employee with an average weekly compensation reduction of more than 25% , then the amount in excess of 25% will be multiplied by the number of weeks in your Covered Period, and your total eligible payroll and nonpayroll costs eligible for forgiveness will be reduced by the result. For example, assume you have a 24-week Covered Period, you reduced an employee's average weekly wages by more than 25%, and the portion over 25% is \$100 per week. Your total payroll and nonpayroll costs eligible for forgiveness will be reduced by \$2,400 (\$100 x 24 weeks).

B. How does SBA calculate maintenance of total average full-time equivalent ("FTE") employees and forgiveness reductions?

If your PPP loan is more than \$50,000 (or if all PPP loans received by you and your affiliates total \$2 million or more), you have FTE reductions, and no FTE Reduction Exceptions apply, your forgiveness may be reduced. First, you will determine your total Payroll Costs and Non-Payroll Costs for your Covered Period. If you have had FTE reductions and no exceptions apply, you will reduce your total eligible costs by a proportional amount. For example, assume during your pre-COVID reference period, you averaged 10 FTEs, but for your Covered Period, you average only 9 FTEs, and no FTE Reductions Exceptions apply. You will multiply your total eligible Payroll Costs and Non-Payroll costs by 9/10. If this amount is higher

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than your PPP loan amount, your FTE reduction will not reduce your forgiveness. If this amount is lower than your PPP loan amount, however, your forgiveness will be reduced.

C. What are the FTE Reduction Exceptions?

- Laid-off employees will be excluded from the forgiveness reduction calculation if you document all of the following:
 - During your Covered Period (or Alternative Payroll Covered Period, if applicable), you made a good faith, written offer of rehire (or restoration of reduced hours),
 - the offer was for the same salary/wages and same number of hours as the employee previously worked,
 - the employee rejected your offer, and
 - within 30 days of the employee's rejection, you notify the applicable State unemployment insurance office. (SBA plans to provide information on how to report rejected reemployment offers to State unemployment insurance offices on its website at www.sba.gov.) Employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.
- Employees fired for cause will be excluded from the forgiveness reduction calculation if you document they were fired for cause.
- Employees who voluntarily resigned, and employees who voluntarily requested and received a reduction in hours, will be excluded from the forgiveness reduction calculation if you document they resigned or reduced their hours voluntarily.
- If you document that you are unable to hire qualified employees for unfilled positions, then these unfilled positions will not reduce your forgiveness amount.
- If you document that you were unable to operate at the same level of business activity between February 15, 2020 and the end of your Covered Period as you were before February 15, 2020, due to compliance with federal, State or local requirements or guidance issued from March 1, 2020 through the end of the national emergency declaration for COVID-19, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19, then your reduction in staff will not reduce your forgiveness amount. To document this exception, you should keep copies of (i) the guidance issued for your location, and (ii) borrower financials for the pre-COVID period and for your Covered Period.