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Employer FAQ: Will PPP Loan Forgiveness Be Reduced if an Employee Declines to Return to Work?

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Employers that have received a Payment Protection Program (PPP) Loan have asked if their loan forgiveness amount will be reduced if the employer laid-off an employee, then offered to rehire the same employee, but the employee declined the offer.

The short answer is no. Pursuant to recent Small Business Administration (SBA) guidance: as an exercise of the Administrator's and the Secretary's authority under Section 1106(d)(6) of the CARES Act to prescribe regulations granting de minimis exemptions from the Act's limits on loan forgiveness, SBA and Treasury intend to issue an interim final **rule excluding laid-off employees whom the borrower offered to rehire (for the same salary/wages and same number of hours) from the CARES Act's loan forgiveness reduction calculation**. The interim final rule will specify that, to qualify for this exception, the borrower must have made a good faith, **written offer of rehire**, and the employee's rejection of that **offer must be documented by the borrower**.

Employees and employers should be aware that employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

If you are an employer with questions about the use of a PPP loan, contact [Tracy Armstrong](#) or another member of the Wilentz [Employment Law team](#).

Attorney

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Practice

- Employment Law