

NEWS ALERT**TAX AND BUSINESS GROUPS****PPP Loan Forgiveness – “What if I Offer to Rehire an Employee and They Reject My Offer”?**

By Marc T. Finer, Mark J. Tarallo and Sergio E. Marin | May 5, 2020

On May 3, the Treasury Department released [further guidance](#) regarding the Paycheck Protection Program (“PPP”). As noted in prior Murtha Cullina [Client Alerts](#), the amount of PPP loan forgiveness will be reduced for (1) any employee cuts or (2) reductions in salary/wages above a certain amount during the first 8 weeks that the PPP loan remains outstanding. Borrowers may, however, avoid such reduction of their forgiveness amounts if they rehire those employees or make up for salary reductions by June 30, 2020.

One open question that was previously unanswered was whether the forgiveness amount would be reduced if an employer lays off an employee, offers to rehire that employee and the employee rejects the offer?

According to Q&A#40 of the updated Treasury’s guidance, the answer is no, the borrower’s forgiveness amount is not affected if the borrower offers to rehire an employee (for the same salary/wages and same number of hours) and the employee rejects the offer. The Treasury’s guidance notes that an upcoming interim final rule will require that (1) the borrower made a good faith, written offer of rehire and (2) that the employee’s rejection of that offer must be documented by the borrower. In Q&A#40, the Treasury also notes that employees and employers should be aware that employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

If you have any questions regarding the Paycheck Protection Program, your eligibility to apply for a PPP loan or how a PPP loan might affect your business, please contact:

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