

PPP FIXES PASSED:

PAYCHECK PROTECTION PROGRAM FLEXIBILITY ACT

On Wednesday, June 3, the Senate passed by unanimous consent on a voice vote the Paycheck Protection Program Flexibility Act, which had previously passed the House on a 417-1 vote. The Act was in response to complaints about some stipulations of the Paycheck Protection Program's loan forgiveness. The legislation modifies the original requirements with hopes of making loan forgiveness more flexible and, therefore, more attainable.

What's Changed?

The major issue about the provisions for loan forgiveness were that the stipulations weren't achievable within the 8-week covered period for some businesses. Businesses that had to lay off employees were uncertain whether they could bring staffing levels back up in time to be able to spend the then-required 75% of the loan on payroll costs. In addition, they weren't sure if they could bring their employee count and salary levels up to what they were during the lookback periods in order to maximize their loan forgiveness. The lack of flexibility was particularly challenging for those in the restaurant, service, hospitality, and retail industries, where mandated stay-at-home orders have prevented businesses from operating at the same capacity that they had during the lookback periods.

The Paycheck Protection Program Flexibility Act modifies the following elements of the Paycheck Protection Program (PPP).

- ❖ **Covered Period:** The legislation changes the original 8-week covered period to 24 weeks or December 31, whichever is sooner. This change provides small businesses a larger window of time to obtain loan forgiveness.
- ❖ **Expense Ratio (75%-25%):** Originally, in order to get maximum forgiveness, 75% of the loan had to be spent on payroll and 25% could be spent on rent, mortgage interest, and utilities. The legislation changes the 75%-25% breakdown to 60% payroll and 40% non-payroll expenses (rent, mortgage interest, and utilities).
- ❖ **Forgiveness Reductions:** The legislation allows businesses that were unable to maintain their full-time equivalent employee (FTE) count to receive full loan forgiveness under certain conditions. In the original rules, having fewer FTEs during the covered period as compared to the lookback periods would reduce loan forgiveness.
- ❖ **Tax Deferral:** The legislation allows small businesses with PPP loans to defer payroll taxes.
- ❖ **Deadline to Apply for the PPP Loan:** The legislation changes the deadline to apply from June 30 to December 31. (There may still be some questions to resolve whether this will remain.)
- ❖ **Deadline to Apply for Loan Forgiveness:** The legislation extends the deadline to apply for loan forgiveness to 10 months from the last day of the covered period, and PPP loan interest and principal payments will be deferred until the decision on loan forgiveness is made by the lender.

- ❖ **Loan Term:** The legislation changed the 2-year loan term to a 5-year term, still at 1% interest for new loans acquired after the passage of the Act. The Act also extends the deferral period of PPP loans from 6 months to 1 year.

As with all new legislation, there will be questions that need to be resolved by the Small Business Administration and Treasury. We will continue watching for new guidance in the coming days.

For More Information

For more information or assistance from our team, please contact us at **210-495-8474**, toll-free at **1-888-757-2104**, or **Info@BFGonline.com**.



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