

Paycheck Protection Program (PPP) Flexibility Bill Passed

Clients & Friends –

On Wednesday night, the Senate passed the House bill that creates more flexibility for borrowers using Paycheck Protection Program (PPP) funds. Among other things, the bill extends the time period for businesses to use the funds (from 8 to 24 weeks) and changes the payroll to other fixed costs ratio from 75/25 to 60/40. The bill will go to President Trump for his signature.

- PPP borrowers can choose to extend the 8-week period to 24-weeks, or they can keep the original 8-week period. This flexibility is designed to make it easier for more borrowers to reach full or almost full forgiveness.
- The payroll expenditure requirement drops to 60% from 75% but is now a "cliff" - meaning that borrowers must spend at least 60% on payroll or none of the loan will be forgiven. We are hopeful that the Small Business Administration (SBA) will address and clarify this issue favorably in their regulations.
- Borrowers can use the 24-week period to restore their workforce levels and wages to the pre-pandemic levels required for full forgiveness. This deadline for this has been extended from June 30 until December 31, which is good news for businesses that have not yet been able to reopen/phasing their re-openings for various reasons.
- The legislation includes two new exceptions allowing borrowers to achieve full PPP loan forgiveness even if they don't fully restore their workforce. Previous guidance already allowed borrowers to exclude from those calculations employees who turned down good faith offers to be rehired at the same hours and wages as before the pandemic. The new bill allows borrowers to adjust because they could not find qualified employees or were unable to restore business operations to February 15, 2020 levels due to COVID-19 related operating restrictions.
- Borrowers now have five years instead of two to repay the parts of the loan that were not forgiven. The interest rate remains at 1%.
- Borrowers can now defer the employer's share of FICA payroll taxes for two years. Half of the payroll taxes will be due in 2021, with the rest due in 2022.

As with the initial roll out of the PPP, it will be up to SBA and Treasury to provide regulations with respect to the Act. We will continue to update you as they release additional guidance. If you or your company took a PPP loan, please contact your tax advisor for assistance with the loan forgiveness application process and how these changes might benefit you.

You can also get the latest information on our [COVID-19 page](#).

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