

6/5/2020

PPP Update – Paycheck Protection Flexibility Act of 2020

By: Rosemary Wang

The Senate approval sent the House bill, and President Donald Trump signed the bill on Friday morning (June 5, 2020).

Following is a summary of the main points compiled by Jung Mei Wang, CPA.

1. **Covered period of the loan:** Extended from June 30, 2020 to December 31, 2020
2. **Forgiveness Period:** Extended from 8 weeks to the earlier 24 weeks or December 31, 2020.
3. **Payroll Minimum:** Required to spend on payroll is reduced from 75% to 60%. 40% for spending on covered mortgage interest, rent, or utilities.
4. **Rehiring:** Employees must be rehired is extended from June 30, 2020 to December 31, 2020. Borrowers can use the 24-week period to restore their workforce levels and wages to the pre-pandemic levels required for full forgiveness.
5. **Deferred Payments on PPP loan:** If a borrower fails to apply for forgiveness within 10 months of the end of the forgiveness period, then the start date for payments will commence on that date.
6. **Extended Maturity for New PPP loans:** From 2 years to a minimum of 5 years. The interest rate remains at 1%.
7. **Removal of Restrictions on Payroll Tax Deferral:** The bill allows businesses that took a PPP loan to also delay payment of their payroll taxes, which was prohibited under the CAREs Act.
8. **Payments to Furloughed employees, bonuses, or Hazard Pay** can be included in Payroll costs up to the \$100,000 annualized cap.
9. **For owner-employees and self-employed individuals/general partners,** payroll costs are limited to the lesser of 8 weeks' worth of 2019 compensation or the eight-week equivalent of \$15,385 ($\$100,000/52*8$).
10. **Forgiveness Review:** The lender has 60 days to review the forgiveness application and then the SBA has 90 days to remit the forgiveness amount to the lender.
11. **Retention of Records:** Borrowers must retain records for 6 years from the date of forgiveness or repayment.

This Act adds two new exemptions allowing borrowers to achieve full PPP loan forgiveness even if they don't fully restore their workforce.

12. Forgiveness reduction will not apply if the borrower, in good faith, can document an inability to rehire the same or similar employees that were in place as of February 15, 2020.
13. The forgiveness reduction will not apply if the borrower, in good faith, can document an inability to return to the same level of business activity before February 15, 2020, due to COVID-19 related social distancing, sanitation, and other safety requirements or guidance.