Payment Protection Program Update
June 5, 2020 (Update to: CARES Act for SMBEs)

The Senate and the House passed the Paycheck Protection Program Flexibility Act, which provides some key changes to the Paycheck Protection Program in an effort to address what were widely viewed to be problematic aspects of the PPP. President Trump is expected to sign it soon. The Paycheck Protection Program Flexibility Act does not affect the deadline for the Forgiveness Application; the application is still due June 30, 2020.

Paycheck Protection Flexibility Act

You should consult your financial advisor to clarify any questions you may have. We have outlined the key changes made under the Paycheck Protection Program Flexibility Act below:

EXPANDED TIMELINE

• Borrowers have the option of expanding the PPP coverage from the original 8-week period to 24 weeks.
  ♦ All new borrowers will have a 24-week period of coverage
  ♦ This period still may not extend beyond December 31, 2020
• New borrowers now have 5 years (increased from 2 years) to repay the loan. Existing borrowers may extend their repayment period to 5 years as well, as long as the lender and borrower agree.

FULL LOAN FORGIVENESS ELIGIBILITY

The eligibility requirements to qualify for full loan forgiveness have changed:

• Payroll must account for 60% of the money borrowed (down from 75%). Those who do not meet this threshold will not be eligible for any loan forgiveness. (There is an indication that this may be changed in future legislation.) This means that up to 40% of the borrowed money may be spent on non-payroll expenses. For more guidance on what is considered a payroll or a non-payroll expense, consult our PPP Loan Forgiveness Application resource.

• Borrowers must restore their workforce levels and wages to pre-pandemic levels by December 31, 2020 (extended from June 30, 2020).

• There are two exemptions to the forgiveness penalties, under which borrowers will still be eligible for loan forgiveness if:
  1. Employers made a good faith effort to rehire individuals who had been employees on February 15, 2020, but they were unable (must provide documentation) and could not hire “similarly qualified employees” before December 31, 2020.
  2. Borrowers can provide documentation proving that they could not return to the “same level of business activity” that occurred before February 15, 2020 due to sanitation, social distancing, and work or customer safety requirements.

OTHER INFORMATION

• The loan interest rate remains at 1%.
• The original legislation under the CARES Act did not allow borrowers to delay paying their payroll taxes. This bill amends that provision and allows borrowers to defer half of the employer’s share of payroll taxes until 2021 and the other half until 2022.
• Borrowers who do not receive full loan forgiveness may now defer all payments (including principal, interest, and fees) until the SBA determines how much of the loan is forgiven.

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