

## COVID-19 UPDATE | JUNE 4, 2020

### PAYCHECK PROTECTION FLEXIBILITY ACT ENACTS FAVORABLE PROGRAM CHANGES FOR PPP BORROWERS

On June 3, 2020, The US Senate approved The Paycheck Protection Flexibility Act (H.R. 7010), a bill that makes significant changes to the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The bill will now be sent to the President, who is expected to sign it into law.

The updated guidance enacts several favorable program changes for borrowers, including a longer covered period, increased likelihood of forgiveness, an increase in the percentage of funds that can be spent on non-payroll costs, an extended deadline to restore employee headcount and wage levels, and relief for businesses that remain partially or fully closed.

These welcomed changes will require employers to rethink their strategy for achieving maximum loan forgiveness.

Below is a table summarizing these notable changes:

	Prior Guidance	New Guidance
Loan Repayment Period	2 Years	5 Years
Covered Period – The time in which you have to use the loan proceeds	8 weeks from loan origination funding date	24 weeks from loan origination funding date, OR December 31, 2020, whichever comes first. <i>Note: Businesses that received a PPP loan prior to the date that the bill is signed into law will still have the option to use the 8-week covered period.</i>
Use of Funds – Payroll Costs	75% or more must be spent on payroll costs to be eligible for forgiveness	60% or more must be spent on payroll costs to be eligible for forgiveness. <i>Note: The new guidance indicates that if less than 60% is spent on payroll costs, NONE of the loan will be eligible for forgiveness. We expect to see more guidance released on this matter.</i>

	Prior Guidance	New Guidance
Use of Funds – Non-Payroll Costs	25% or less must be spent on non-payroll costs to be eligible for forgiveness	40% or less must be spent on non-payroll costs to be eligible for forgiveness
Deadline to Restore Employee Headcount	June 30, 2020	December 31, 2020
Deadline to Restore Employee Wages	June 30, 2020	December 31, 2020
Payroll Tax Deferral	Employers may defer their 6.2% share of 2020 Social Security tax until the end of 2021 (50%) and 2022 (50%); but only until the loan is forgiven.	Employers may defer their 6.2% share of 2020 Social Security tax until the end of 2021 (50%) and 2022 (50%); even if their PPP loan is forgiven prior to December 31, 2020.

Additionally, the updated guidance provides much needed relief for businesses that remain partially or fully closed. Because these businesses have experienced a loss of FTEEs, their loan eligibility would have been significantly impacted under previous guidance.

Under the new guidance, the amount of loan forgiveness will not be reduced when a borrower experiences a loss of FTEEs if the borrower, in good faith, can document any of the following:

- An inability to rehire individuals who were employed on February 15th,
- An inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020, or
- An inability to return to the same level of business activity as February 15th, due to compliance with government guidance related to COVID-19 protocols.

Although the Paycheck Protection Flexibility Act provides many beneficial program changes for borrowers, some questions still remain, and we expect to see additional clarifications released from the SBA in the coming weeks. CRR is closely following any new information being released in order to best support our clients in maximizing loan forgiveness.

Please don't hesitate to contact us at [ppp@crrcpa.com](mailto:ppp@crrcpa.com) with any questions you may have, or visit our COVID-19 Resource Center at [www.crrcpa.com/covid19](http://www.crrcpa.com/covid19) for the latest updates, alerts and impacts.

We're in this together.