

Weekly Wrap-Up

PPP Loan Forgiveness

Legislative Forecast

June 12th, 2020

The Evolution of PPP

Highlights

The Evolution of PPP

PPP Flexibility Act

60/40 Rule

a borrower must use at least 60% of the PPP loan for payroll costs, and not more than 40% of the loan forgiveness amount on nonpayroll costs.



Partial Forgiveness Example

For example:

if a borrower receives a \$100,000 PPP loan, and during the covered period the borrower spends \$54,000 (54%) of its loan on payroll costs, then because the borrower used less than 60 percent of its loan on payroll costs, the maximum amount of loan forgiveness the borrower may receive is \$90,000 (with \$54,000 in payroll costs constituting 60 percent of the forgiveness amount and \$36,000 in nonpayroll costs constituting 40 percent of the forgiveness amount).



Eligible Payroll Costs

Payroll costs include:

- Salary, wages, commissions or tips (capped at \$100,000 on an annualized basis for each employee);
- State and local taxes assessed on compensation;
- Costs related to the continuation of group health care benefits during periods of paid sick, medical or family leave, and insurance premiums.



Eligible Nonpayroll Costs

nonpayroll costs include:

- **Payments of interest (but not payments of principal) on any mortgage obligation; real or personal property**
- **Rent (including rent under a lease agreement); real or personal property**
- **Utilities; or**



Extension of “Covered Period”

The PPPFA extends the covered period for loan forgiveness from eight weeks to 24 weeks, providing substantially greater flexibility for borrowers to qualify for loan forgiveness. This is particularly helpful for entrepreneurs in hospitality and retail as many of their businesses are still shuttered due to the COVID-19 lockdown.



Extension for Rehiring Window

The PPP allowed full forgiveness if entrepreneurs re-hired those employees by June 30, 2020. The PPPFA extends the deadline for rehiring and restoring wages and salaries from June 30, 2020 to December 31, 2020..

In addition, the PPFA adds two new exemptions. PPPFA allows borrowers to treat unfilled positions as if they were filled by the new December 31, 2020 deadline. The entrepreneur should in good faith establish and document:

An inability to rehire the same or similar employees that were in place as of February 15, 2020.

An inability to return to the same level of business activity before February 15, 2020, due to COVID-related social distancing, sanitation, and other safety requirements or guidance from the Centers for Disease Control, Health and Human Services, or Occupational Safety and Health Administration issued between March 1, 2020, and December 31, 2020.



Extension of Forgiveness Application Window

The PPPFA now allows an entrepreneur to apply for forgiveness up to 10 months after the covered period concludes.



Extension of Loan Repayment Start Date

Initially, the term of a PPP loan was two years. The PPPFA extends the minimum maturity date on new PPP loans originated on or after June 5, 2020 to five years. Though the PPPFA does not automatically extend the term of PPP loans originated before enactment of the PPPFA, it explicitly empowers lenders and borrowers to modify the maturity terms of existing PPP loans consistent with the PPPFA.



Economic Stimulus: Round Two?



Economic Stimulus: Round Two?

House of Representatives: HEROES Act

- \$3 Trillion in new funding
- Extends \$600/week unemployment benefit through January 2021
- \$1,200 tax credit payment for individuals (\$2,400 for joint filers) and \$1,200 for dependent children. Credit scales down for individuals earning more than \$75,000 and joint filers earning over \$150,000.
- Hazard Pay for frontline workers - \$13/hour additional to essential workers plus tax incentives for employers



Economic Stimulus: Round Two?

U.S. Senate

- Senate Majority Leader Mitch McConnell has been tight-lipped on details.
- Wants this to be last stimulus bill related to COVID-19



Economic Stimulus: Round Two?

The White House

- Asking for more stimulus money, promises them to be “great.”
- Considering incentives for individuals to return to their jobs, take vacations and eat at local restaurants.
- Reduce unemployment benefits to \$250/week for the second half of the year
- Payroll tax reduction



Economic Stimulus: Round Two?

- The Senate is not likely to even begin debating these measures until next week at the earliest.
- A surging stock market and better than expected unemployment numbers last week throw uncertainty into whether Democrats and Republicans can find a middle ground for new legislation.
- Almost certainly no new legislation will pass until early July.



We are answering your questions live on the air right now.

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Questions?

Please email:

questions@dominionpayroll.com

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As requirements change and laws are passed, we will update you as soon as possible.

Don't forget to wash your hands!

