

## **Federal and State Tax News Highlights, T.1, Treasury, SBA Announce Forthcoming Updated PPP Rules, Guidance, (Jun. 9, 2020)**

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Treasury, in a joint June 8 statement with the Small Business Administration (SBA), announced forthcoming updated Paycheck Protection Program (PPP) rules and guidance.

In the joint statement, Treasury Secretary Steven Mnuchin and SBA Administrator Jovita Carranza praised the enactment of the bipartisan Paycheck Protection Program Flexibility Act (PPPFA) of 2020 (P.L. 116-142), (TAXDAY, 2020/06/05, C.1). "This bill will provide businesses with more time and flexibility to keep their employees on the payroll and ensure their continued operations as we safely reopen our country," Mnuchin and Carranza said.

### **Updated PPP Rules, Guidance**

Accordingly, the SBA, in consultation with Treasury, will soon issue the following:

- Updated rules and guidance,
- A modified borrower application form, and
- A modified loan forgiveness application implementing these legislative amendments to the PPP.

### **PPPFA Changes**

Further, as noted by Treasury, these modifications will implement the following PPFA-related changes:

- Extend the covered period for loan forgiveness from eight weeks after the date of loan disbursement to 24 weeks after the date of loan disbursement, providing substantially greater flexibility for borrowers to qualify for loan forgiveness. Borrowers who have already received PPP loans retain the option to use an eight-week covered period;
- Lower the requirements that 75 percent of a borrower's loan proceeds must be used for payroll costs and that 75 percent of the loan forgiveness amount must have been spent on payroll costs during the 24-week loan forgiveness covered period to 60 percent for each of these requirements. If a borrower uses less than 60 percent of the loan amount for payroll costs during the forgiveness covered period, the borrower will continue to be eligible for partial loan forgiveness, subject to at least 60 percent of the loan forgiveness amount having been used for payroll costs;
- Provide a safe harbor from reductions in loan forgiveness based on reductions in full-time equivalent employees for borrowers that are unable to return to the same level of business activity the business was operating at before February 15, 2020, due to compliance with certain requirements or guidance issued between March 1, 2020 and December 31, 2020;
- Provide a safe harbor from reductions in loan forgiveness based on reductions in full-time equivalent employees, to provide protections for borrowers that are both unable to rehire individuals who were employees of the borrower on February 15, 2020, and unable to hire similarly qualified employees for unfilled positions by December 31, 2020;
- Increase to five years the maturity of PPP loans that are approved by SBA (based on the date SBA assigns a loan number) on or after June 5, 2020;
- Extend the deferral period for borrower payments of principal, interest, and fees on PPP loans to the date that SBA remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period); and
- The new rules will confirm that June 30, 2020, remains the last date on which a PPP loan application can be approved.

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