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Sent: Thursday, June 4, 2020

Subject: The Senate passed the Paycheck Protection Program Flexibility Act of 2020

Introduction

Congress has passed the Paycheck Protection Program Flexibility Act of 2020 (the Act); making significant amendments to the Paycheck Protection Program (PPP). The changes provide borrowers with additional time to use loan proceeds and qualify for forgiveness, plus increase to 40 percent the limit on the amount of loan forgiveness that can be attributed to non-payroll costs.

Key Takeaways

Requirements for loan forgiveness

- Borrowers now have until 24 weeks from receipt of the PPP loan or Dec. 31, 2020 (whichever is earlier) to use the proceeds and qualify for forgiveness (previously was 8 weeks from receipt of the loan).
- The 25 percent limit on the amount of loan forgiveness that can be attributable to expenditures for qualifying mortgage interest, rent and utilities is increased to 40 percent.
- Borrowers whose loans are forgiven are now eligible for the deferral of the employer's portion of Social Security taxes provided by the CARES Act.
- A minimum 5-year maturity rule replaces the original restrictions put in place by a Small Business Administration interim rule limiting the loan term to 2 years. The CARES Act's maximum maturity of 10 years from the date on which the borrower applies for loan forgiveness remains.
- Work-force reductions no longer necessarily result in a proportional reduction of loan forgiveness. An employer can be exempt from the associated loan forgiveness reduction if they **can document in good faith:**
 1. An inability to a) rehire terminated employees **and** b) hire similarly qualified employees for unfilled positions on or before Dec. 31, 2020; **or**
 2. An inability to return to pre-COVID-19 business levels due to compliance with public health and safety standards.