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The Power to Compete

BULLETIN

June 05, 2020 (UPDATE)

PAYCHECK PROTECTION PROGRAM (PPP) FLEXIBILITY ACT SIGNED INTO LAW



Earlier today, President Donald Trump signed into law the Paycheck Protection Program (PPP) Flexibility Act of 2020, which provides borrowers with greater flexibility in spending PPP funds without compromising forgiveness eligibility.

The act, which passed with a bipartisan vote, makes the following amendments to the PPP to provide relief to borrowers:

- **Covered period extension** - Extends the covered period during which borrowers must spend the PPP funds to be eligible for forgiveness from 8 weeks to 24 weeks.
- **Loan repayment terms** - Extends the minimum loan term for unforgiven PPP loans from 2 years to 5 years.
- **Payroll costs vs. nonpayroll costs** - Reduces the forgiveness portion of PPP funds that must be spent on payroll costs from 75% to 60%, and raises the nonpayroll cost limitation from 25% to 40%.
- **Payroll tax deferment** - Permits borrowers to defer payroll taxes without being penalized while still remaining eligible for loan forgiveness.
- **Rehiring safe harbor** - Extends the rehiring safe harbor by 6 months to provide borrowers with additional time to restore payroll levels or rehire employees without facing a reduction in the amount of forgiveness for which they are eligible. The original date was June 30, 2020, and the new date is Dec. 31, 2020.
- **Inability to hire** - Provides loan forgiveness eligibility exemptions for borrowers that are not able to rehire an employee or a replacement. There are also exemptions for loan forgiveness eligibility for borrowers that are not able to return to the same level of business due to complying with COVID-19-related orders or circumstances.

We anticipate the U.S. Small Business Administration and Treasury to release a new forgiveness application form and a new round of FAQs over the next 1 to 2 weeks.

We will continue to monitor any additional developments and deliver updates as necessary. Please [contact us](#) for more information.

Stay up-to-date with the latest material on our coronavirus web page - dedicated to sharing information about COVID-19 and how it relates to the workplace: <https://www.employco.com/coronavirus>



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