

PAYROLL PROTECTION PROGRAM UPDATES

HOUSE PASSES THE PAYCHECK PROTECTION PROGRAM FLEXIBILITY ACT OF 2020

With enormous bipartisan support, the house passed a bill that would drastically reduce constraints for PPP Loan recipients to receive forgiveness of PPP Loan proceeds. If this bill becomes law, it will eliminate many of the challenges that borrowers are facing and provide forgiveness opportunity to the majority of loan recipients. Action by the Senate is expected next week. Significant changes to the forgiveness requirements include the following:

- Extends the “covered period” during which loan funds must be used for eligible expenses from 8 weeks to *the earlier of 24 weeks or December 31, 2020*.
- Increases the maximum payroll amount per employee from \$15,385 to \$46,154 during the extended covered period.
- Changes the FTE safe harbor date (the date to restore FTE count to pre- COVID-19 levels) from June 30, 2020 to December 31, 2020
- Provides additional FTE reduction exceptions to allow for changes in business activity, and inability to hire similarly qualified employees
- Changes the required spend for eligible payroll costs from 75% to 60% of forgivable funds, which then allows up to 40% of loan funds to be used for non-payroll, eligible expenses
- Changes the loan term of unforgiven amounts to a minimum of 5 years and maximum of 10 years which overrides the SBA original term of 2 years.
- Allows employers who receive PPP Loan forgiveness to also qualify for payroll tax deferment. (The ability to defer the employer portion of payroll tax for the remainder of the year to be paid in two installments – 50% by 12/31/2021 and 50% by 12/31/2022.

The above updates provide much awaited relief to borrowers, and will eliminate the burden of remaining loans for most employers. It is important to remember this bill has not passed the Senate yet. However, we are optimistic that an agreement will be reached this week and new legislation enacted. If you are approaching the end of your 8-week covered period, we recommend you continue with the strategy you have in place to comply with the current requirements. Consult with your Somerset advisor on how the above changes will impact you,

and determine if you should make any adjustments.

Our team will be monitoring this bill as it moves through the Senate, and will provide updated information as soon as it becomes available. If you have any questions on the above or want to discuss how this will impact you, please reach out directly to your advisor or info@somersetcpas.com. As always, we are here and ready to help.

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