COVID 19 Call Notes Week 11

Please keep checking the COVID 19 area off the ACIL homepage as information is being added daily. There is currently information up on the site regarding loan forgiveness guidelines, how to calculate the forgiveness amounts along with a forgiveness application.

https://www.acil.org/page/COVID-19_Coronavirus_Information_ACIL

House Passes Paycheck Protection Program (PPP) Flexibility Legislation

Last Thursday, May 28th, the House overwhelmingly passed bipartisan legislation aimed at giving small businesses more time and flexibility to use their Paycheck Protection Program funds. HR 7010, the Paycheck Protection Program Flexibility Act, passed the House 417-1. The Senate may vote on the bill this week. The legislation provides the following:

- Extending the minimum maturity of PPP loans to five years. This would take effect on the date of the bill’s enactment and apply to any PPP loan made on or after such a date; however, lenders and borrowers would not be prohibited from mutually agreeing to modify the maturity terms of prior-disbursed PPP loans.

- Extending the covered period for using PPP loan proceeds from June 30, 2020, to December 31, 2020.

- Extending the covered period for PPP loan forgiveness from eight weeks from the date of origination to the earlier of 24 weeks from the origination date or December 31, 2020. A borrower who received a loan before the bill’s enactment could elect to continue using the 8-week covered period set forth in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

- Extending the deadline for the re-hire exception to forgiveness reduction in the loan forgiveness provisions from June 30, 2020, to December 31, 2020.

- Providing that the amount of loan forgiveness will not be reduced by a reduction in the number of full-time equivalent employees, if, with respect to the period February 15, 2020, to December 31, 2020, the borrower is able to document in good faith (A) an inability to rehire employees who had been employed on February 15, 2020, and an inability to hire similarly qualified employees for unfilled positions by December 31, 2020, or (B) an inability to return to the same level of business activity at which the borrower was operating before February 15, 2020, due to compliance with federal governmental requirements or guidance set forth between March 1, 2020, and December 31, 2020, relating to standards of sanitation, social distancing, or other worker or customer safety requirements due to COVID-19.
Providing that at least 60 percent of PPP loan proceeds should be used for payroll costs to receive loan forgiveness (overturning the 75 percent standard set forth by the Small Business Administration (SBA) and U.S. Treasury Department).

Eliminating the six-month deferral of payments due under PPP loans and replacing it with deferral until the date on which the amount of forgiveness determined under the CARES Act is remitted to the lender. If a borrower fails to apply for forgiveness within 10 months after the last day of the PPP loan forgiveness covered period (i.e., the earlier of 24 weeks from origination or December 31, 2020), the borrower must then begin to make payments of principal, interest, and fees on its PPP loan.

Allowing all employers to take advantage of the CARES Act deferral of the 6.2 percent employer portion of social security payroll taxes, regardless of whether they have had a PPP loan forgiven.

Useful Link from the CDC with guidelines for the return to work:

Member Discussion Topics:
Can you address the tax implications?
This is still an outstanding item and we are still awaiting a decision from the IRS and the House.

Glad to see the PPP changes. Our 56 days ends tomorrow, so it is too late to change our course of decisions on how to spend the funds. Frustrating. There were several suggestions to hold off on any early filing for forgiveness, as it is anticipated these changes will go through and there maybe options provided for those companies who received funding earlier.

What do you hear about the Main Street Lending program?
The group was not familiar with this initiative.

Anyone having problem with collections? Are customers paying you in a timely fashion? We anticipated it might be an issue and have added a lot more touches to our invoices. Many members are placing more emphasis on collections, but don't seem to be seeing a lag time, or anymore than normal.

Many members are seeing up to 30% drop in revenue, but are hopeful the 4th quarter will be much better. This seems to be very much dependent on the lab’s customer base.

Both States and Counties are in incredibly poor shape financially and the anticipated losses are inevitably going to cause cuts, but to what and in what magnitude?
Several member labs were in the region of some of the riots. While nobody was directly impacted, many members let employees leave earlier to avoid getting stuck, while others had to take longer detours to avoid the trouble spots.