PPP Information

FORGIVENESS RULES

On June 22, 2020 the Small Business Administration (SBA) and U.S. Department of Treasury released updated Loan Forgiveness rules. The improvements of the PPP Flexibility Act, new details on loan forgiveness timing, and required documentation for "business activity" exemptions from loan forgiveness reduction are included below.

New Improvements – Confirmed for PPP Recipients

- Extends the PPP covered period from eight to 24 weeks, or an additional 16 weeks for current PPP recipients.
    - PPP recipients who obtained a loan before June 5, 2020 can choose to use the original eight-week period.
- To maximize forgiveness, 60% of PPP loan funds must be spent on payroll expenses (this updates the previous 75% requirement).
- For loan maturity, the minimum maturity is five years for PPP loans made on/after June 5, 2020. Lenders and borrowers can extend the maturity date of earlier PPP loans by "mutual agreement."

Clarity on Timing for Loan Forgiveness Process

A restaurant can submit its loan forgiveness application before the end of the covered period if the restaurant has used all of the loan funds for which the business is seeking loan forgiveness.

- The lender has 60 days after receiving a PPP loan forgiveness application to issue a decision on forgiveness to the SBA.
- In turn, the SBA will remit the appropriate forgiveness amount to the lender, plus any interest accrued through the date of payment, no less than 90 days after the lender issues its decision on PPP loan forgiveness to the SBA.
- The lender must inform the borrower of the loan forgiveness amount and the date on which the borrower's first payment is due, if applicable.

Documentation Required to Demonstrate "Business Activity" Disruption and Obtain an Exemption from Loan Forgiveness Reductions Regarding FTE Rehiring

- PPP recipients must certify in "good faith" documentation that their reduction in business activity during the PPP covered period is due to compliance with COVID Requirements or Guidance
  - If PPP recipient maintains this documentation, they are exempt from any reduction in loan forgiveness due to a reduction in FTE employees during the covered period.
- Documentation must include "copies of applicable COVID Requirements or Guidance" for each business location and relevant borrower financial records.
- SBA and Treasury believe this includes "both direct and indirect compliance with COVID Requirements or Guidance," because much of the reduction in business activity due to COVID Requirements or Guidance is the result of state/local government closure orders that are based in part on guidance from the three federal agencies.

SBA Example: A PPP borrower is in the business of selling beauty products both online and at its physical store. During the covered period, the local government where the borrower's store is located orders all non-essential businesses, including the borrower's business, to shut down their stores, based in part on COVID-19 guidance issued by the CDC in March 2020. Because the borrower's business activity during the covered period was reduced compared to its activity before February 15, 2020 due to compliance with COVID Requirements or Guidance, the borrower satisfies the Flexibility Act's exemption and will not have its forgiveness amount reduced because of a reduction in FTEs during the covered period, if the borrower in good faith maintains records regarding the reduction in business activity and the local government's shutdown orders that reference a COVID Requirement or Guidance as described above.

The Association team is continuing to review the interim final rule (IFR), please contact Aaron Frazier, Director of Healthcare and Tax Policy, with questions or recommendations.

ENHANCED TRANSPARENCY

Additional Update: As of June 19, SBA and Treasury plan to publicly share PPP recipient business names, addresses, NAICS codes, zip codes, business type, demographic data, non-profit information, jobs supported, and PPP loan amount ranges as follows:

- $150,000-350,000
- $350,000-1 million
- $1-2 million
- $2-5 million
- $5-10 million

For loans below $150,000, totals will be released, aggregated by zip code, by industry, by business type, and by various demographic categories. When more information becomes available, we will share with members.