

## **SIGNIFICANT CHANGES TO PPP LOAN FORGIVENESS RULES**

The Senate on Wednesday evening passed by voice vote a House-passed Paycheck Protection Program reform bill, clearing it for President Donald Trump's signature. The legislation – titled the Paycheck Protection Program Flexibility Act – was introduced by Republican Rep. Chip Roy of Texas and Democratic Rep. Dean Phillips of Minnesota. It is intended to make loans more accessible under the program by making its terms of use more flexible.

The most significant changes:

- PPP borrowers can choose to extend the eight-week period to 24 weeks, or they can keep the original eight-week period. This flexibility is designed to make it easier for more borrowers to reach full, or almost full, forgiveness.
- The payroll expenditure requirement drops to 60% from 75%. However, this comes with the stipulations that borrowers must spend at least 60% on payroll or none of the loan will be forgiven. Currently, a borrower is required to reduce the amount eligible for forgiveness if less than 75% of eligible funds are used for payroll costs, but forgiveness isn't eliminated if the 75% threshold isn't met.
- Borrowers can use the 24-week period to restore their workforce levels and wages to the pre-pandemic levels required for full forgiveness. This must be done by Dec. 31, a change from the previous deadline of June 30.
- The Paycheck Protection Program Flexibility Act includes two new exceptions allowing borrowers to achieve full PPP loan forgiveness even if they don't fully restore their workforce. Previous guidance already allowed borrowers to exclude from those calculations employees who turned down good faith offers to be rehired at the same hours and wages as before the pandemic. The new bill allows borrowers to adjust because they could not find qualified employees or were unable to restore business operations to Feb. 15, 2020 levels due to COVID-19 related operating restrictions.
- Borrowers now have five years to repay the loan instead of two. The interest rate remains at 1%.
- The bill allows businesses that took a PPP loan to also delay payment of their payroll taxes, which was prohibited under the CARES Act.

-Source: BiggsKofford, P.C.