

Paycheck Protection Program Update



As promised, we have kept a close watch on new legislation that affects the Paycheck Protection Program (PPP) and have an important update for you.

Recent legislation (titled HR7010) has passed, offering adjustments to PPP loans – particularly regarding forgiveness calculations.

KEY CHANGES ARE AS FOLLOWS

COVERED TIME PERIOD EXTENDED

The period of time to use loan money has been extended from 8 to 24 weeks. This means that you have more time to apply funds to qualified expenses that maximize loan forgiveness.

SOCIAL SECURITY PAYMENTS DEFERRED

Originally under the Cares Act, employers who received the PPP Loan could not also defer employer social security tax payments. HR7010 adjusted this. Now, any employer with social security payments due between March 27, 2020 and December 31, 2020 can pay half of the amount due by the end of 2021 and the remainder by the end of 2022.

LOAN PAYMENT DEFERRAL EXTENDED

The original 6-month deferral for repayment of PPP loans has been extended to 10 months. Payments are only required on the amount of the loan that is not forgiven.

PAYROLL THRESHOLD ADJUSTED

Originally, the Department of Treasury and the SBA determined that 75 percent of a PPP loan had to be used for payroll in order for the loan to be forgiven. The 75 percent threshold has been adjusted to 60 percent. Loan forgiveness will only be granted if 60 percent of funds are used for payroll. This could still be subject to change; we will keep you posted.

SAFE HARBOR DATE EXTENDED

The original Cares Act included safe harbor exceptions to restore or attempt to restore full-time employees and any pay reductions by June 30, 2020. These exceptions still exist, but the date to restore has been adjusted to December 31, 2020.

LOAN TERM DATE EXTENDED

All new PPP loans effective after the passing of HR7010 will have a five-year term. Businesses that received a loan prior to the new legislation can adjust the loan term from two to five years. Individuals will need to work with their lender to amend loan terms.

We hope this update helps. Again, we will continue to closely monitor new legislation and inform you on the key changes that may affect your PPP loan.