



Paycheck Protection Program Flexibility Act Signed into Law

A COVID-19 Update from Questco – June 10th, 2020

On June 5, President Trump signed into law the **Paycheck Protection Program Flexibility Act (PPPFA)** to help address concerns of the small business community around the Paycheck Protection Program COVID-19 relief funding effort.

Below is a summary of the changes to the original PPP loan program addressed in the PPPFA:

1. **PPPFA extends the time period to use funds from 8 to 24 weeks (“covered period”).** The 24-week covered period begins the day the funds were received. Borrowers that received their funds before the Flexibility Act was enacted can elect to have the prior rule apply (i.e., covered period ends 8 weeks after the loan was originated).
2. **PPPFA pushes back the June 30, 2020 deadline for wage reduction safe harbor to December 31, 2020,** meaning businesses now have until the end of December to restore wages in order for their salaries to count towards forgiveness. However, the method for calculating salaries towards forgiveness has not changed. Employee compensation eligible for forgiveness remains capped at \$100,000 in annualized compensation.
3. **PPPFA eases rehire requirements, extending the rehire date to December 31, 2020 and adding additional exceptions for a reduced head count.** The law specifies a business can still receive forgiveness on payroll amounts if it:
 1. Is unable to rehire an individual who was an employee of the borrower on or before February 15, 2020;
 2. Is able to demonstrate an inability to hire similarly qualified employees on or before December 31, 2020; or
 3. Is able to demonstrate an inability to return to the same level of business activity as such business was operating at prior to February 15, 2020 due to compliance with requirements or guidance issued by governmental agencies which relates to certain COVID-19 issues.
4. **PPPFA reduces the amount of the loan needed to be spent on payroll costs from 75% to 60%,** thereby increasing the amount of funds available for other authorized expenses from 25% to 40%.
5. **PPPFA extends the repayment term from 2 years to 5 years for loans made on June 5, 2020 and afterwards in the event loans or portions of loans are not forgiven.** For loans made before the enactment of PPPFA, the maturity date of the loan may be modified from 2 years to 5 years upon mutual agreement between the lender and the borrower. Additionally, the first payment will be deferred until **the earlier of** (1) the date the loan forgiveness is remitted by the SBA to the lender or (2) 10 months after the end of the loan forgiveness period.

We are currently awaiting issuance of the updated loan forgiveness application. On June 8, 2020, the Treasury and SBA issued a joint statement indicating that they will **promptly** issue rules and guidance, a modified borrower application form and a modified loan forgiveness application implementing these legislative amendments to the PPP, but we are unsure exactly when these documents will be issued.

Questco will be hosting a webinar on Friday, June 12, 2020 at 2 pm CST to discuss and analyze the new legislation. If you have not received an invitation and would like to attend this session, please reach out to your Client Success Manager. We look forward to having you join us.

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