

SBA and Treasury Issue Changes to PPP First Interim Final Rule

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On June 17, 2020, the U.S. Small Business Administration (“SBA”) and U.S. Department of Treasury (“Treasury”) announced Revisions to the Third and Sixth Interim Final Rules of the Payment Protection Program (“PPP”), as well as a simplified form for loan forgiveness. Notable amendments to the new Interim Final Rule include:

1. The “covered period” for PPP Loans has been extended to the earlier of twenty-four (24) weeks from the date of the loan disbursement, or December 31, 2020.
2. The maturity date for PPP loans has been extended to five (5) years for loans originated after June 5, 2020. Borrowers and lenders may mutually agree to extend the maturity date of loans to five (5) years for loans originated before June 5, 2020.
3. To receive full PPP loan forgiveness, a minimum of 60% of funds must be used for payroll, and a maximum of 40% of funds may be used for non-payroll costs. If at least 60% of funds are not used on payroll, employers may be eligible for partial loan forgiveness.
4. To determine the percentage of use of loan proceeds for payroll purposes (but not for forgiveness), the amount of any refinanced Economic Injury Disaster Loan will be included.
5. Payroll costs are limited to a maximum of \$15,385 per individual under the 8-week covered period or \$46,154 per individual under the 24-week covered period. Owner compensation replacement is limited to \$15,385 under the 8-week period or \$20,833, based on 2.5 months’ work for a 24-week covered period of 2019 net profit.

The new “EZ” version of the loan forgiveness application can be used by those who: (1) are self-employed and have no employees; 2) did not reduce the salaries or wages of their employees by more than 25%, and did not reduce the number or hours of their employees; or 3) experienced reductions in business activity as a result of health directives related to COVID-19, and did not reduce the salaries or wages of their employees by more than 25%.

For more information on the SBA, Treasury, and Revisions to the PPP, please visit:

<https://www.natlawreview.com/article/paycheck-protection-program-treasurysba-conforms-first-interim-final-rule-to-ppp>

<https://home.treasury.gov/system/files/136/PPP-IFR--Revisions-to-the-Third-and-Sixth-Interim-Final-Rules.pdf>