

## **The Paycheck Protection Program Flexibility Act of 2020 is now law: What does this mean for your business?**

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On June 5, 2020, President Trump signed the Paycheck Protection Program Flexibility Act of 2020 (PPPFA) into law. The new Act relaxes the rules applicable to loans received by businesses under the Paycheck Protection Program (PPP). The key components of the PPPFA are as follows:

1. The PPPFA reduces the amount of loan proceeds that need to be used for payroll (in order to be eligible for loan forgiveness) from 75% to 60%.
2. The PPPFA extends time period to use funds from 8 to 24 weeks. For purposes of loan forgiveness, the PPPFA redefines the covered period to begin on the date of loan origination and end on the earlier of (a) the date that is 24 weeks after loan origination or (b) 12/31/2020.
3. For purposes of avoiding a reduction in the amount of loan forgiveness the PPPFA extends the deadline to rehire workers from June 30 to December 31, 2020.
4. The PPPFA includes new exceptions that ease the rehiring requirement. Specifically, for purposes of avoiding reduction in the amount of loan forgiveness, the PPPFA creates exemptions from the rehiring requirement where the employer is able to document:
  - a. an inability to hire individuals who were employees on 2/15/2020,
  - b. an inability to hire similarly qualified employees for unfilled positions on or before 12/31/2020, and
  - c. an inability to return to the same level of business activity as such business was operating at before 2/15/2020 due to compliance with requirements established or guidance issued by HHS, CDC, or OSHA during the period beginning on 3/1/2020 and ending on 12/31/2020 related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.
5. The PPPFA extends the repayment term from 2 years to 5 years.
6. The PPPFA extends the loan deferment period to the date on which the amount of forgiveness is remitted to the lender.
7. The Act also provides that a borrower that fails to apply for loan forgiveness within 10 months after the last day of the covered period shall make payments of principal, interest, and fees beginning no earlier than the date that is 10 months after the last day of such covered period.
8. The PPPFA allows an employer that receives a PPP loan to defer the deposit and payment of its share of social security tax that is due after the loan is forgiven.

The full text of the PPPFA can be accessed here:

<https://docs.house.gov/billsthisweek/20200525/BILLS-116hr7010-SUS.pdf>