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Highlights of the Paycheck Protection Program Flexibility Act

Small business owners who received loans through the Paycheck Protection Program (PPP) will now have an easier time meeting the loan forgiveness requirements.

After businesses were forced to close down during the early days of the COVID-19 pandemic, the PPP was created to help small businesses stay open and pay employees for eight weeks. The plan was for the federal government to forgive the loans if business owners followed certain rules.

However, after concerns were raised that the rules were too difficult to meet, the Senate passed the Paycheck Protection Program Flexibility Act (PPPFA), which had previously been approved by the House. The Department of Treasury then released the Paycheck Protection Program – Revisions to First Interim Final Rule on June 10 to explain how the law would be applied.

The ways the PPPFA affect the PPP include:

- Making it easier for entrepreneurs to qualify for loan forgiveness by reducing the percentage of the PPP loan proceeds that must be spent on payroll costs from 75% to 60%.
- Extending the time period to spend the loans from 8 to 24 weeks.
- Pushing back the deadline to rehire workers from June 30 to Dec. 31, 2020.
- Adding additional exceptions for rehiring fewer employees.
- Giving business owners five years at 1% interest to repay the loan instead of two years.
- Allowing business owners to apply for loan forgiveness up to 10 months after the covered period ends. If the entrepreneur fails to apply for forgiveness before the deadline, they will be required to make payments of principal, interest and fees on the full amount of the PPP loan.

To see a copy of the act, H.R.7010, visit:
www.congress.gov/bill/116th-congress/house-bill/7010/text.