

Changes in PPP Loans

The U.S. Senate passed legislation last night allowing small businesses to have more flexibility with the PPP funds. This legislation passed as the original eight-week window was expiring or had expired for the first recipients of the PPP loan. The payroll expense requirement drops from 75% to 60% of the loan amount. Borrowers must spend at least 60% on payroll or none of the loan will be forgiven—there is no partial forgiveness or flexibility on the 60% threshold. In addition to lowering the threshold, the amount of weeks that can be used to spend the funds has tripled. The original requirement was 8 weeks, it is now 24 weeks. There is also additional exceptions in restoring the workforce. The new bill allows businesses to adjust because they could not find qualified employees or were unable to restore business operations to February 15, 2020 levels due to COVID-19 related operating restrictions.

There is language in the bill indicating that loan repayment will be 5 years instead of 2 years, but this applies only to loans originating after the enactment of the amendment passed last night. It appears that any portion of monies already received that is not forgiven will be subject to the original 2-year repayment schedule.

In summary, here are the main changes:

Weeks to spend funds: Increased from 8 weeks to 24 weeks

Payroll Threshold changes: Decreased from 75% to 60% of loan amount

Restoring Workforce: Additional exceptions to restoring workforce to pre-pandemic levels

The President has not signed the bill, however, it is expected to be signed after unanimous votes at both the House and Senate levels. We understand that majority of clients have had to pay bonuses and hazard pay to meet the original requirements. If you have additional payrolls remaining, you do not have to continue the increases in employee compensation. With the legislation changes, small businesses should be able to achieve the goals much easier.

Please let us know if you have any questions. If we are assisting you with the PPP loan compliance, we will be communicating with you on the impact of these changes.