

PAYCHECK PROTECTION PROGRAM FLEXIBILITY ACT

Background

*In an effort to ensure that qualifying small businesses are able to retain the employees they had on staff prior to the coronavirus outbreak and cover other business expenses, **Congress passed legislation in March 2020 that provides small businesses with forgivable loans through the Paycheck Protection Program.** Through this program, qualifying small businesses can obtain a low-interest loan equaling 2.5 times average monthly payroll, up to \$10 million. These funds must be used to retain workers and cover other eligible business expenses, like mortgage interest, rent, and utilities. Independent contractors, sole proprietors, and the self-employed are eligible for a loan through this program.*

On June 5, 2020, President Trump signed into law the Paycheck Protection Program Flexibility Act, which the Senate passed on June 3, 2020. This law makes a few changes to the parameters of the Paycheck Protection Program to make it more workable for the small businesses that obtained, or may obtain, a loan through the program. Those changes are highlighted below.

Highlights

The Paycheck Protection Program Flexibility Act makes the following changes to the Paycheck Protection Program:

- **Extends the Paycheck Protection Program** from June 30, 2020, to December 31, 2020. However, no new loans can be originated after June 30, 2020.
- **Extends the amount of time that businesses must spend their Paycheck Protection Program loan** from 8 weeks to 24 weeks after the date of loan origination.
- **Ensures that the amount of loan forgiveness that businesses receive is not reduced because an employee refuses to return to work**, so long as businesses attempt to rehire employees in good faith.
- **Requires that only 60 percent of the Paycheck Protection Program loan must be spent on payroll expenses.** The remaining 40 percent can go toward other qualify business expenses mentioned above.
- **Allows businesses who receive a Paycheck Protection Program loan to also be eligible to defer payment of their payroll taxes.** These deferred payroll taxes can be paid over the next two years – half by December 31, 2021, and the other half by December 31, 2022.