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.