What You Need to Know About the

Paycheck Protection Program Flexibility Act

On June 5, 2020, President Trump signed legislation into law that restructures how entrepreneurs can use loans issued through the new federal relief plan, the Paycheck Protection Program. Keep reading to learn more about the PPP and these most recent changes.

The Paycheck Protection Program

The original Paycheck Protection Program was established through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This program was designed to help keep employees connected to their employers during the pandemic, even if a business is temporarily closed.

Under the original rules of the PPP, business owners were required to spend their money within 8 weeks, and direct 75 percent of their PPP funding toward payroll costs. You can read more about the original Paycheck Protection Program, here. And learn more about previous updates to the PPP, here.

The Paycheck Protection Program Flexibility Act

Per the National Law Review, the primary impact of the Paycheck Protection Program Flexibility Act is it provides more than 4.4 million Paycheck Protection Program borrowers additional time to qualify for loan forgiveness. The PPPFA also eases several restrictions included in the original PPP.

These changes will help more PPP borrowers convert their loans into Federal grants thereby easing the financial impact on these businesses. Learn each of the six major changes from the PPPFA to the original PPP, below.

1. Expansion of the Forgiveness Period

As previously mentioned, the most significant change to the PPP, via the PPPFA, is the expansion of the forgiveness period. Originally, borrowers had eight weeks to spend their borrowed money. Now, borrowers have 24 weeks from the origination date of their loan to spend that sum. This expansion will help ensure almost every borrower will have enough time to qualify for loan forgiveness.

Now, the only question is whether the total amount of your loan will be forgiven. Your forgiven amount may still be impacted by any reductions to full-time equivalents (FTEs) or salaries (or wages) paid to employees. Note, if desired a borrower may still elect to use the original eight-week period.

2. Easing Restrictions on Eligible Expenses

Through the PPPFA, borrowers are now required to only use 60 percent of forgivable expenses towards payroll costs. Previously, this amount was 75 percent. This change allows borrowers to use a greater percentage of their loan on fixed costs such as rent or interest payments.

3. Extending Period for Measuring FTEs & Salary/Wages

Previously, PPP borrowers were required to restore FTEs or certain salaries/wages by June 30, 2020. Now, borrowers have until December 31, 2020 to restore FTEs or salaries/wages.

4. Exceptions Based on Employee Availability & Safety Requirements

The PPPFA also includes two other new exceptions to the requirement that borrowers must restore their FTEs to February 15 levels. First, employers are now granted an exception if they cannot find qualified employees for unfilled positions. This exception is applicable in two scenarios:

— When the borrower requires its labor force to have a specific skillset that's in high demand, or

— When borrowers have a difficult time finding employees due to risks associated with COVID-19 and the inability to social distance

The second exception applies when the borrower cannot restore its operations to comparable levels of business activity due to social distancing, sanitation requirements, or customer safety needs. These requirements must have been established during the period of March 1, 2020 and ending December 31, 2020 by one of the following:

— The Secretary of Health & Human Services

— The Director of the Centers for Disease Control & Prevention, or

— The Occupational Safety & Health Administration

5. Extending Maturity Date & Deferment Period

The repayment period for any unforgiven portion of the loan has increased from two, to a minimum of five years. Plus, the deferment period has been extended from six months to the date the borrower's loan forgiveness amount is determined.

6. Employer Payroll Tax Deferrals

Finally, borrowers are now eligible to defer the employer's share of FICA taxes for two years. Through the PPPFA, borrowers may defer 50 percent of the employer's share of payroll taxes until 2021 and the remaining 50 percent until 2022.

The Wrap

The PPPFA will help almost every employer through the six changes described above. But if you need any help understanding the PPP, or any other COVID-19-related you can access our comprehensive COVID-19 Resource Center. Or, better yet, contact one of our Benefits Consultants, today, to have someone help you through any questions you may have.