

Paycheck Protection Program Flexibility Act of 2020

On Friday, June 5, 2020 President Trump signed into law the Paycheck Protection Program Flexibility Act of 2020. Some of the changes to the current program follow:

- Extends the *covered period* (at the option of borrower) during which expenses eligible for loan forgiveness are paid and incurred from 8 weeks to *the earlier of 24 weeks or December 31, 2020*.
- Reduces the *payroll cost requirement* to obtain forgiveness *from 75% to 60%*.
- Extends the *period to restore employee wage reductions* of greater than 25% from June 30, 2020 to *December 31, 2020*.
- Extends the *period to restore Full Time Equivalent (FTE) employees* from June 30, 2020 to *December 31, 2020*.
- Eliminates the 6 month deferral of payments on unforgiven PPP loan proceeds, and instead *deferring the start of the payments until the date the loan forgiveness application is remitted to the lender*. If a borrower fails to apply for loan forgiveness, payments would begin 10 months after the conclusion of their covered period.
- Extends the loan term from 2 years to 5 years. This would *only apply to loans entered into after the passage of the Paycheck Protection Program Flexibility Act of 2020*, although lenders would not be prohibited from modifying maturity dates of PPP loans disbursed prior to passage.
- Allows PPP participants to *defer payment of the employer portion of social security taxes through December 31, 2020*.
- Allows for *FTE reduction exceptions* for businesses unable to find qualified employees or were unable to restore operations to February 15, 2020 levels due to COVID-19 related operating restrictions.
- Extends the *deadline to apply for a PPP loan* from June 30, 2020 to December 31, 2020. Senator Johnson, the holdout on unanimous consent, received assurances that this would be revised to move the deadline back to June 30, 2020 in exchange for his vote.