

Summary of Paycheck Protection Program Flexibility Act

Enacted June 5, 2020

The legislation is available [here](#).

Note: Per a [statement](#) issued June 8, 2020 by SBA and Treasury: “SBA, in consultation with Treasury, will promptly issue rules and guidance, a modified borrower application form, and a modified loan forgiveness application implementing these legislative amendments to the PPP.”

Current borrowers have the option to extend the 8-week period to 24 weeks

- Provides flexibility for borrowers that may make it easier to achieve full or near-full forgiveness if current conditions aren't conducive to bringing back employees.

New borrowers have a covered period of 24 weeks after the loan proceeds are received or December 31, 2020, whichever is earlier.

- The deadline for PPP loan applications continues to be June 30, 2020.
- Based on “[Congressional Intent for H. R. 7010](#)” letter and [June 8, 2020 Joint SBA and Treasury statement](#).

The 75% payroll expenditure requirement is reduced to 60%.

- In the original CARES Act, 75% of eligible costs were to be used for payroll and if not, there was a reduction in loan forgiveness.
- This Act provides that borrowers shall use at least 60% of the covered loan amount for payroll costs.
- Per [June 8, 2020 Joint SBA and Treasury statement](#), “If a borrower uses less than 60 percent of the loan amount for payroll costs during the forgiveness covered period, the borrower will continue to be eligible for partial loan forgiveness, subject to at least 60 percent of the loan forgiveness amount having been used for payroll costs.”
- Because the loan amount is based on 10 weeks of payroll, borrowers may have a good chance of meeting the 60% requirement with the covered period extended to 24 weeks.

Opportunity to avoid FTE Reduction penalties if headcount is restored by December 31 instead of June 30

- Borrowers have a longer period of time to restore workforce.
- It is unclear if the borrower can claim the safe harbor was met prior to Dec. 31. Additional guidance is needed.

New exceptions for FTE reduction provided if borrower documents an inability to:

- Rehire individuals who were employees of the eligible recipient on February 15, 2020;
- Hire similarly qualified employees for unfilled positions on or before December 31, 2020;



- Return to the same level of business activity as before Feb. 15, 2020, due to compliance with requirements established or guidance issued ...related to COVID-19.

Repayment period extended to five years for new loans

- Existing PPP loans can have maturity extended if lender and borrower agree
- Interest rate to remain at 1%

PPP Borrowers can now qualify for the deferral of employer's share of payroll taxes available under the CARES Act

- Deferral of Social Security payments (6.2%)
- 50% due in 2021, remainder due in 2022

Loan Payments are deferred until the SBA determines the amount of loan forgiveness and remits to the lender

- Had been a 6-month deferral
- However, if borrower doesn't apply for forgiveness within 10 months after the last day of the covered period, payments will be required at that 10th month.

This legislation does not address tax deductibility of expenses paid with a forgiven PPP loan.

Questions:

- Can a current borrower use the June 30, 2020 FTE Reduction safe harbor instead of December 31, 2020?
 - Additional guidance is needed.
- Does anything change with the Salary and Hourly Wage Reduction calculation and Safe Harbor?
 - Additional guidance is needed.
- Does the limit on cash compensation change to \$100,000 x 24/52 from \$100,000 x 8/52?
 - Additional guidance is needed.

Reviewed June 8, 2020



aicpa-cima.com

Brought to you by the Association of International Certified Professional Accountants, the global voice of the accounting and finance profession, founded by the American Institute of CPAs and The Chartered Institute of Management Accountants.

© 2020 Association of International Certified Professional Accountants. All rights reserved. AICPA and American Institute of CPAs are trademarks of the American Institute of Certified Public Accountants and are registered in the US, the EU and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to the AICPA. 2005-90156

Disclaimer: The AICPA anticipates making updates to the contents of this resource to incorporate future changes related to the PPP loan forgiveness process, AICPA Professional Standards, and best practice recommendations, as necessary. These resources do not establish standards and are not a substitute for the original authoritative guidance. This document has not been approved, disapproved or otherwise acted on by an AICPA senior committee. It is provided with the understanding that the staff and publisher are not engaged in rendering legal, accounting or other professional services. All such information is provided without warranty of any kind.