

June 4, 2020

Dear Friends and Colleagues,

Just in time, Congress has passed a bill that will ease the strict rules governing the forgiveness process for the Paycheck Protection Program loans. The bill is expected to be signed into law by the end of the week. Here are the main changes:

1. The forgiveness period has been extended from eight weeks to twenty-four weeks. This extension is optional (you can still file for forgiveness after eight weeks), but will allow more time for small businesses to spend the loan proceeds appropriately;
2. The current law requires at least 75% of the loan amount be spent on payroll related costs, and 25% or less spent on non-payroll related costs. The new law will change that ratio to 60%/40%;
3. The deadline to rehire workers and return the business to pre-pandemic staff levels will be pushed back from June 30, 2020 to December 31, 2020;
4. The bill fleshes out the reduction in workforce exceptions that could impact Full Time Equivalent employee calculations. Small businesses will not be hurt if employees refuse to come to work, were terminated for good cause, left voluntarily, or cut their hours voluntarily;
5. New borrowers will have five years to repay their loan. Borrowers who already have PPP loans can extend their loans up to five years, if the lender and borrower both agree. Both repayment scenarios will be at a 1% annual interest rate;
6. Borrowers can now delay the payment of their payroll taxes, something that wasn't allowed before for those with PPP loans.

Should you have any questions about the above, please feel free to contact our office at any time.

Sincerely,



Tom A. McFerson, CPA, ABV  
Gatto McFerson, CPAs