

The Paycheck Protection Program Flexibility Act

The Paycheck Protection Program Flexibility Act (PPPFA) was signed into law on June 5, 2020. This bill was the result of numerous concerns raised by small business owners in the wake of the Paycheck Protection Program (PPP) portion of the CARES Act. While the intent of the PPP is great, the execution and rollout suffered many setbacks. Additionally, small business owners raised several concerns with the terms of the PPP loans.

The Paycheck Protection Program

The original PPP signed into law on March 27, 2020 provided small businesses, with 500 or fewer employees, with relief in the face of the COVID-19 pandemic in the form of loans from private banking institutions. The terms of the PPP loans were as follows:

1. The lesser of \$10 million or 250% of average monthly payroll costs, capped at \$100,000 for any employee.
2. 75% or more of the loan amount must be used to cover payroll costs. Other eligible expenses included: interest on the mortgage obligation, rent or lease agreement, and utilities.
3. The loan is repayment term is two years at a 1% interest rate.
4. The first eight weeks of qualified expenses are eligible to be forgiven.
5. Initial repayment is deferred up to six to twelve months.
6. Workers needed to be rehired by June 30, 2020 to have their salaries count towards loan forgiveness.

As businesses applied for and received their PPP loans, many were in government ordered shut downs. This meant that they could not use the funds as required in order to receive forgiveness. Due to this backlash and other issues with the program, Congress acted to revise the original PPP terms and thus the PPPFA was born.

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The PPPFA revised several critical terms of the PPP. The intent of the changes was to make the program more user friendly and less burdensome on small businesses. The PPPFA altered the PPP in the following manner:

1. It did not change the original terms of the how the loan amount was calculated.

2. 60% or more of the loan amount must be used to cover payroll costs, down from 75% in the PPP.
3. The loan repayment term has been extended from two years to five years
4. The first 24 weeks of qualified expense are now eligible to be forgiven, an increase from eight weeks in the original PPP.
5. The first loan repayment is due six months after the SBA decides how much of the loan will be forgiven.
6. Workers now need to be rehired by December 31, 2020 in order to have their salary counted towards loan forgiveness.

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