

Congress Passes Legislation to Provide More Flexibility for PPP Loan Recipients

The Senate has passed legislation (H.R. 7010) providing more flexibility to recipients of loans under the Paycheck Protection Program (PPP). The legislation already passed the House and now just awaits President Trump's signature. Under the PPP, loans that are used for certain eligible expenses during an applicable time period are eligible for forgiveness. Loan forgiveness may be reduced under certain circumstances if a loan recipient has a reduction in workforce or a reduction in workforce salary. The legislation provides much requested relief from some of these provisions, making the following changes to the program:

- For loans made on or after the date this legislation is enacted, the minimum maturity date of the loan is increased from two to five years.
- For any PPP loans (not just loans made on or after the date this legislation is enacted):
 - The forgiveness window is changed from 8 weeks to 24 weeks, so businesses now have 24 weeks from the date of loan origination, or until December 31, 2020, to utilize the loan for eligible expenses;
 - A new exception to the reduction in workforce rules is added whereby a workforce reduction is not taken into account if the business, in good faith, documents that it was unable to rehire certain employees or hire similarly qualified employees by December 31, 2020, or are unable to return to the same level of business activities due to compliance with certain governmental regulations related to COVID-19; and
 - Businesses only have to use 60% of the loan for payroll costs in order to be eligible for 100% loan forgiveness. The remaining 40% must still be used for eligible expenses such as paying mortgage interest obligations, rent obligations, or covered utility payments. If less than 60% of the loan was used for payroll costs during the forgiveness window, the forgiveness percentage of the loan will be reduced.
- Businesses that receive a PPP loan are now eligible to also defer the payment of applicable employment payroll taxes under Section 2302 of the CARES Act. The exception excluding PPP recipients from this deferral was eliminated.

Assuming President Trump signs the legislation into law, these provisions should take away many roadblocks businesses were facing in order to be eligible to receive full forgiveness of the PPP loans, particularly the provisions increasing the time period to spend the loans to 24 weeks and lowering the payroll payment threshold to 60%.

Partridge Snow & Hahn's [Business Law Group](#) is ready to answer further questions and to advise your business regarding PPP loans.

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