

PATH FORWARD

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A webinar series by the Rochester Area Chamber

PPP: Breaking Down Recent Legislation

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PPP: Breaking Down the Recent Legislation

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Paycheck Protection Program Flexibility Act - Major Changes

“Four score and 7 modifications to the PPP rules ago...”

- Extension of Covered Period
- Reduction in 75% Rule
- Extension of Safe Harbor Restoration Date
- New FTE Rehire Exemptions
- Loan deferment and repayment changes
- Tax changes
- Confirms last day to submit a loan application is June 30

More rules and revised forgiveness application to come

Extension of Covered Period

- Increase in the Covered Period to **24 weeks** from 8 weeks
- *In other words*, Borrowers now have 24 weeks from the date of their loan funding to spend PPP loan proceeds on eligible expenses
- Borrowers with existing PPP loans can elect to stay with original 8-week Covered Period.
 - Such borrowers will be obligated to maintain payroll levels only through their original 8-week Covered Period in order to qualify for maximum loan forgiveness (or qualify under the Restoration Rule)
 - Contrast – Borrowers using the new expanded 24-week covered period will need to maintain payroll levels for the full 24 weeks in order to avoid reductions in their forgivable loan amounts (or qualify under the Restoration Rule)

Reduction in 75% Rule

- 75% payroll expenditure requirement reduced to **60%** payroll expenditure requirement
- SBA/Treasury Joint Statement eliminated the 60% cliff:

“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.”

- In other words ... if a Borrower spends less than 60% of its loan amount on payroll costs, can still get forgiveness for:
 - ALL of the payroll costs
- +
- non-payroll expenses for interest, rent and utilities, not exceeding 66 2/3% of the amount spent on payroll expenses

Extension of Safe Harbor Restoration Date

- June 30th date for any FTE employee and Wage Reduction safe harbors is replaced with “*not later than December 31st, 2020*”
- *Good news for businesses still unable to open*
- If Borrower meets safe harbor at any time *before* December 31st can it qualify for 100% forgiveness?
- What if Borrower meets restoration by October 15 (or June 30), but not at December 31st?

New FTE Rehire Exemptions

- PPPFA adds 2 new rehire-related exemptions to avoid forgiveness reduction:
 1. Borrower unable to find qualified employees for unfilled positions; or,
 2. Borrower cannot restore operations to 2/15/20 business levels due to social distancing, sanitation, or customer safety reasons per requirements established by CDC, HHS or OSHA from 3/1/20 through 12/31/20
 - Little guidance & much room for interpretation; allows employer to max forgiveness without rehiring

Loan deferment and repayment changes

- Deferment under the original CARES Act was 6 months from the loan origination date
- Deferment under the PPP Flexibility Act is until the date on which the lender receives payment from the SBA for the amount of forgiveness
- Due date for application for forgiveness is 10 months from the end of the covered period

Loan deferment and repayment changes

- PPP Flexibility Act changes the loan term to a minimum of 5 years
- Applies to loans issued on or after date of Flexibility Act (June 5, 2020)
- 5 year term can also be applied to prior PPP loans by agreement of lender and borrower

Tax changes – payroll tax deferral

- PPP Flexibility Act eliminates the prohibition on employers that receive PPP funds from utilizing the payroll tax deferral in the CARES Act
- Employers may defer payment of the 6.2% Social Security tax imposed on employers through 12/31/20
- Deferred amount is due 50% by 12/31/21 and 50% by 12/31/22

Frequently Asked/Open Questions

- When can I apply forgiveness?
- Do I need to retain FTEs for the full 24 weeks?
- Will the expenses be tax deductible?

QUESTIONS?

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Chamber Update

Reopening Resources on Chamber website

- Link to COVID Preparedness Plan
- DEED Safely Returning to Work Instructions for Businesses
- Industry-specific guidance
- Local PPE Providers
- Reopening Webinars:
www.rochestermnchamber.com/path-forward-webinars

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