PPP 2.0: How to Maximize Loans and Meet the New Forgiveness Guidelines
PPP Flexibility Act of 2020
PPP Flexibility Act

• You can spend more of your proceeds on non-payroll costs – but be cautious
  • The 25% cap for non-payroll costs is raised to 40%
Example

- If a borrower uses 59% of its PPP loan for payroll costs, it will not receive the full amount of loan forgiveness*
  - If a borrower receives a $100,000 PPP loan, and during the covered period the borrower spends $54,000 (or 54%) of its loan on payroll, then because the borrower used less than 60% of its loan on payroll costs, the maximum amount of loan forgiveness the borrower may receive is $90,000
Example Continued

• (40%) / (60%) = percentage attributable to nonpayroll costs, not to exceed 40% of loan amount.

Or

• $100,000 loan * 60% = $60,000. divided by the amount spent on payroll ($54,000) = 90% * $40,000 = $36,000. $54,000 + $36,000 = $90,000, which is the forgiveness amount.
  • Compared to 1.67, which is generally the same result of $90,000
PPP Flexibility Act

• The covered period is extended
  • Covered period now extended to 24 weeks from the date of the loan’s origination
  • Maximum amount paid to any one employee that will be forgiven is capped at an annualized salary of $100,000; as a result, for a 24-week covered period, this limit will be reached once an employee receives $46,153 in cash compensation*
PPP Flexibility Act

- You will have longer to replace FTEs/restore salaries
  - As long as FTEs or salary/hourly wage are restored by December 31\textsuperscript{st} of 2020, no deduction in forgiveness will be required
  - Several safe harbors are included
PPP Flexibility Act

• Businesses that remain partially or fully closed through the end of the year will get new relief
  • During the period beginning on February 15, 2020 and ending on December 31, 2020, the amount of loan forgiveness will not be reduced when a borrower experiences a loss of FTEs if the borrower can provide proper documentation* (HR7010, p. 4, lines 5-25)
PPP Flexibility Act

• The 8-week covered period is still an option
  • Borrowers are not required to adopt a 24-week covered period
  • Any business that borrowed its PPP loan prior to the date the bill is signed into law can elect to use the 8-week period
PPP Flexibility Act

• You can now defer certain payroll taxes even if you received a PPP loan
  • Borrowers can now double dip
    • A PPP loan borrower may now also defer all of its 2020 Social Security tax burden into 2021 and 2022, even if the loan is forgiven prior to December 31, 2020
PPP Flexibility Act

• Questions still remain