



# **New Changes to Paycheck Protection Program (PPP) Win Final Approval**

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On Friday, June 5, President Trump signed into law new changes to the Small Business Administration's Paycheck Protection Program (PPP). The president's signature on the new law followed the Senate's passage of H.R. 7010 by voice vote last Wednesday, and House passage in late May by a vote of 417-1.

H.R. 7010 was introduced by Congressman Dean Phillips (D-MN), and Rep. Chip Roy (R-TX), who represents the 21<sup>st</sup> Congressional District that runs from Austin to San Antonio. Congress recognized that the COVID-19 lockdowns and slow openings throughout the country did not make the initial program as-written viable.

Under the enactment of this legislation, the entirety of PPP is extended from June 30, 2020 to December 31, 2020. Furthermore, the loan forgiveness period is extended to 24 weeks, rather than 8 weeks. Congress recognized that borrowers needed more than 8 weeks to use the funds in order to qualify for loan forgiveness. Borrowers who took out PPP loans early in the program are about to reach the end of their 8-week forgiveness period, yet many small businesses across the nation continue to face forced closures resulting from challenges caused by the pandemic.

The PPP legislation approved last week also replaces the 75/25 rule with a 60/40 rule, so employers can now spend 60% on employee retention and 40% on rent, utilities, etc. For new PPP loans that are not forgiven, they will have a 5-year maturity. While existing loans will remain at a 2-year maturity, Congress specifically provided that the legislation did not prevent a longer maturity if it can be renegotiated with lenders.

The bill also allows businesses that receive PPP forgiveness to also receive payroll tax deferment.

Lastly, other changes to PPP made by approval of this bill include the provision that small businesses will not be penalized by high unemployment benefits that may inhibit re-hiring. And, the bill allows a good faith documentation that full employment cannot be achieved in re-hiring. The same good faith determination allows a business to document that it cannot re-hire to its previous level of employment because it is required to operate below normal capacity due to emergency orders.

Although borrowing has slowed in recent weeks, it is estimated that over \$100 billion remains to be lent under the PPP.

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