



WOOLSTON CONSULTING GROUP, LLC

Certified Public Accountants and Consultants

May 21, 2020

Dear Client:

The House is expected to vote next week on the PPP Flexibility Act which is a stand-alone bill that would substantially change the determination of the loan forgiveness amounts for the small business loan program. The bill would reduce the restrictions on the timing of payment of eligible expenditures and the limitations of expenditures for non-payroll expenses as well as other key factors of the program. Specifically, the PPP Flexibility Act would address the following:

1. Allow forgiveness for expenses beyond the 8-week covered period. The 8-week timeline does not work for local businesses that are prohibited from opening their doors, or those that will only be allowed to open with restrictions. Businesses need the flexibility to spread the loan proceeds over the full course of the crisis until demand returns. Otherwise, employees will simply be furloughed at the expiration of the 8 weeks. We want employers to be able to keep their employees on the payroll, not furlough them without pay or terminate them entirely.

2. Eliminate restrictions limiting non-payroll expenses to 25% of loan proceeds. In order to survive, businesses must pay fixed costs. The PPP loans require that 75% of the loan go to payroll. For many businesses, payroll simply does not represent 75% of their monthly expenses and 25% does not leave enough to cover mortgage, rent, and utilities. Retaining employees is not possible if a business cannot retain their physical location.

3. Eliminate restrictions that limit loan terms to 2 years. According to the American Hotel and Lodging Association, full recovery for that industry following both the September 11, 2001 terrorist attacks and the 2008 recession took more than two full years. This is the same for many other industries. If the past is any indication of the future, it will take many businesses more than two years to achieve sufficient revenue to pay back the loan. Make it a 5 year loan.

4. Ensure full access to payroll tax deferment for businesses that take PPP loans. The purpose of PPP and the payroll tax deferment was to provide businesses with capital to weather the crisis. Receiving both should not be considered double-dipping. Businesses need access to both sources of cash flow to survive.

5. Extend the rehiring deadline to offset the effect of enhanced Unemployment Insurance. To receive loan forgiveness under PPP, a business must rehire employees by a deadline of June 30, 2020. However, the enhanced Unemployment Insurance created through the CARES Act is higher than the median wage in 44 states. Many businesses have reported an inability to rehire employees because they



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are making more on Unemployment than they made working. To mitigate this unintended consequence, the deadline to rehire employees under PPP should be extended to align with the expiration of enhanced Unemployment Insurance which is July 31, 2020.

We will continue to monitor developments and keep you posted.

All our best.

Sincerely,

Woolston Consulting Group, LLC

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