



WOOLSTON CONSULTING GROUP, LLC

*Certified Public Accountants and Consultants*

June 4, 2020

Dear Client:

As the initial eight-week covered period for many Paycheck Protection Program (PPP) recipients approached, the Senate passed the Paycheck Flexibility Act yesterday with revisions to the PPP forgiveness guidelines.

Following is a summary of the legislation's main points compiled by the AICPA:

- PPP borrowers can choose to extend the eight-week period to 24 weeks, or they can keep the original eight-week period. This flexibility is designed to make it easier for more borrowers to reach full, or almost full, forgiveness.
- The payroll expenditure requirement drops to 60% from 75%, but is now a cliff, meaning that borrowers must spend at least 60% on payroll or none of the loan will be forgiven. Currently, a borrower is required to reduce the amount eligible for forgiveness if less than 75% of eligible funds are used for payroll costs, but forgiveness is not eliminated if the 75% threshold is not met.
- Borrowers can use the 24-week period to restore their workforce levels and wages to the pre-pandemic levels required for full forgiveness. This must be done by December 31, 2020, a change from the previous deadline of June 30, 2020.
- The legislation includes two new exceptions allowing borrowers to achieve full PPP loan forgiveness even if they do not fully restore their workforce. Previous guidance already allowed borrowers to exclude from those calculations employees who turned down good faith offers to be rehired at the same hours and wages as before the pandemic. The new bill allows borrowers to adjust because they could not find qualified employees or were unable to restore business operations to February 15, 2020, levels due to COVID-19 related operating restrictions.
- Borrowers now have five years to repay the loan instead of two. The interest rate remains at 1%.
- The bill allows businesses that took a PPP loan to also delay payment of their payroll taxes, which was prohibited under the CARES Act.

The bill still needs to be signed by the President, but it is expected that this will happen in short order. Also, it is worth noting, funds are still available for the PPP for businesses that have not yet applied or are awaiting funding.

Keep in mind, experts anticipate that additional changes are still likely. Stay tuned.

All our best.



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Sincerely,

*Woolston Consulting Group, LLC*

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