



# PPP FLEXIBILITY ACT

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# SBA / TREASURY UPDATES

**Act was enacted on June 5, 2020.**

**Per a statement issued June 8, 2020 by SBA and Treasury: “SBA, in consultation with Treasury, will promptly issue rules and guidance, a modified borrower application form, and a modified loan forgiveness application implementing these legislative amendments to the PPP.”**

**June 30, 2020, remains the last date on which a PPP loan application can be approved.**



# HIGHLIGHTS

## **Current borrowers have the option to extend the 8-week period to 24 weeks**

- Provides flexibility for borrowers that may make it easier to achieve full or near-full forgiveness if current conditions aren't conducive to bringing back employees.

## **New borrowers have a covered period of 24 weeks after the loan proceeds are received or December 31, 2020, whichever is earlier.**

- The deadline for PPP loan applications continues to be June 30, 2020.
- This is based on “Congressional Intent for H. R. 7010” letter and June 8, 2020 Joint SBA and Treasury statement.



# HIGHLIGHTS

## **The 75% payroll expenditure requirement is reduced to 60%.**

- In the original CARES Act, 75% of eligible costs were to be used for payroll and if not, there was a reduction in loan forgiveness.
- This Act provides that borrowers shall use at least 60% of the covered loan amount for payroll costs.
- Per June 8, 2020 Joint SBA and Treasury statement, “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.”
- Because the loan amount is based on 10 weeks of payroll, borrowers may have a good chance of meeting the 60% requirement with the covered period extended to 24 weeks.



# HIGHLIGHTS

## **Opportunity to avoid FTE Reduction penalties if headcount is restored by December 31 instead of June 30**

- Borrowers have a longer period of time to restore workforce.
- It is unclear if the borrower can claim the safe harbor was met prior to Dec. 31. Additional guidance is needed.

## **New exceptions for FTE reduction provided if the borrower documents an inability to:**

- Rehire individuals who were employees of the eligible recipient on February 15, 2020;
- Hire similarly qualified employees for unfilled positions on or before December 31, 2020;
- Return to the same level of business activity as before Feb. 15, 2020, due to compliance with requirements established or guidance issued related to COVID-19.



# HIGHLIGHTS

## **Repayment period extended to five years for new loans**

- Existing PPP loans can have maturity extended if lender and borrower agree
- Interest rate to remain at 1%

## **PPP Borrowers can now qualify for the deferral of employer's share of payroll taxes available under the CARES Act**

- Deferral of Social Security payments (6.2%)
- 50% due by December 31, 2021, remainder due by December 31, 2022



# HIGHLIGHTS

**Loan Payments are deferred until the SBA determines the amount of loan forgiveness and remits to the lender**

- Had been a 6-month deferral
- However, if borrower doesn't apply for forgiveness within 10 months after the last day of the covered period, payments will be required at that 10th month.

**This legislation does not address tax deductibility of expenses paid with a forgiven PPP loan.**



# OPEN ITEMS STILL...

## Questions:

- Can a current borrower use the June 30, 2020 FTE Reduction safe harbor instead of December 31, 2020?
  - o Additional guidance is needed.
- Does anything change with the Salary and Hourly Wage Reduction calculation and Safe Harbor?
  - o Additional guidance is needed.
- Does the limit on cash compensation change to  $\$100,000 \times 24/52$  from  $\$100,000 \times 8/52$ ?
  - o Additional guidance is needed.





# AICPA NONAUTHORITATIVE ACCOUNTING GUIDANCE

## **Technical Question and Answer (TQA) 3200.18, Borrower Accounting for a Forgivable Loan Received Under the Small Business Administration Paycheck Protection Program**

The TQA explains that an entity accounting for the PPP loan for a non-governmental entity under Topic 470:

- Would initially record the cash inflow from the PPP loan as a financial liability and would accrue interest in accordance with the interest method.
- Would not impute additional interest at a market rate.
- Would continue to record the proceeds from the loan as a liability until either (1) the loan is partly or wholly forgiven and the debtor has been legally released or (2) the debtor pays off the loan.
- Would reduce the liability by the amount forgiven and record a gain on extinguishment once the loan is partly or wholly forgiven and legal release is received.