

Update to the Paycheck Protection Program Provides Flexibility to Borrowers

By Richard K. Citron and David Deutsch

LOS ANGELES, CA, UNITED STATES, June 4, 2020 /EINPresswire.com/ -- As we have reported in recent newsletters, the Paycheck Protection Program ("PPP"), brought upon by the CARES Act, helps small businesses by keeping employees on payroll through this difficult time. Please see our previous entries for PPP details. Today's significant update is that the U.S. Congress drafted changes to the PPP giving borrowers more flexibility in terms of loan forgiveness. It passed Congress almost unanimously.

The key update with this new bill is that borrowers now have 24 weeks rather than eight weeks to use the funds from the date it is funded. The issue solved here is that many employers could not use the PPP funds within that initial

eight week period because their employees filed for unemployment insurance benefits and were resisting returning to the office (especially due to the extra \$600 per week provided by the federal government). We received daily calls and emails from clients asking what they can do when employees refuse to return to work as they are making more on unemployment than when they are employed. This update will give those employers more time to use the PPP funds. Now, employers will not be penalized when an employee refuses to return to work when it comes time for the forgiveness calculation.

Another important update with this bill is the reduction from 75% to 60% that the loan proceeds must be used on payroll with respect to loan forgiveness. Now, this new amount gives employers more flexibility on how to use the money to keep their business afloat. More of the funds can be

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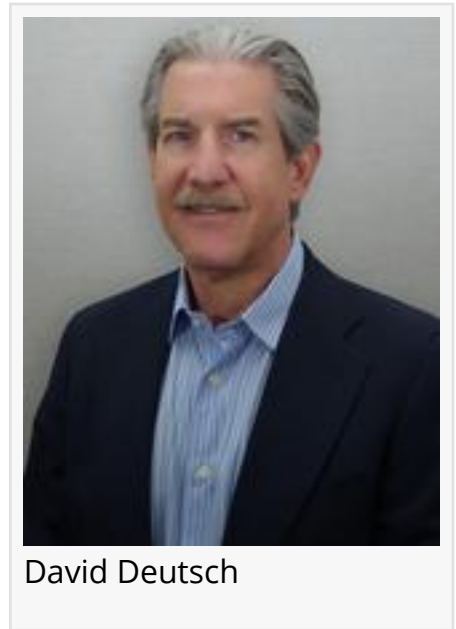
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used towards rent and utilities. In addition, the businesses have a longer time period to keep the loan as it is now five years instead of the original two years. The interest rate remains at 1%.

Although these changes are beneficial, we would still like to see more updates. For instance, we would like to see clearer guidance on how to obtain forgiveness, especially for the smaller loans. We would also like to see forgiveness extended to other categories that are required to keep the business viable - other than payroll, rent and utilities – such as marketing, paying for those who make more than \$100,000 annually, and helping sole proprietors and independent contractors with additional guidance.



As we receive additional information, we will keep you updated. In the interim, feel free to call or email us with any questions.

Best regards,

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