

Paycheck Protection Program Flexibility Act Signed into Law June 5, 2020

Overview

On June 5, 2020, the Paycheck Protection Flexibility Act was signed into law to help provide additional relief to small business owners during the COVID-19 emergency. The law extends and modifies the Paycheck Protection Program (PPP) requirements to enable recipients more time to use the funds, and more opportunities to receive loan forgiveness.

Highlights

- PPP recipients now have 24 weeks to spend funds from the date of the loan origination. Recipients were initially required to spend all funds within eight weeks to qualify for loan forgiveness.
- PPP recipients now need to spend just 60 percent of funds on payroll and other approved business expenses to qualify for loan forgiveness. This is a reduction from the original 75-percent requirement.
- PPP recipients who spend less than 60 percent on expenses approved for forgiveness will be required to repay the loan in full. PPP forgiveness will no longer be scaled.
- The law extends the minimum-loan maturity date from two years to five years.
- The law extends the loan-deferral period until a decision on forgiveness is rendered by the Small Business Administration (SBA), rather than the initial six months.
- The law extends the deadline for rehiring employees from June 30, 2020 to December 31, 2020.
- The PPP's June 30, 2020 application deadline remains in effect.

Paycheck Protection Program Background

In late March 2020, Congress responded to the COVID-19 emergency with a stimulus bill, the CARES (Coronavirus Aid, Relief, and Economic Security) Act, to provide a series of economic-relief measures for American workers. The CARES Act created a new loan program, the PPP, to assist small-business owners and encourage payroll maintenance.

Administered through the SBA, the PPP is a first-come, first-serve loan program for employers with fewer than 500 employees. These loans are eligible for forgiveness if the recipient uses the funds for payroll costs and other approved expenses. Employers apply through an SBA bank/credit union/lender. Read more about the [Small Business Administration Paycheck Protection Program](#).

Questions about how the CARES Act, the PPP, or the PPP Flexibility Act applies to you?
Email advocacy@thenccaom.org