



Fleming, Tawfall & Company, PC

Certified Public Accountants

PPP FORGIVENESS UPDATE

The U.S. House and Senate passed the Paycheck Protection Act. The bill provides flexibility for PPP loan recipients as they attempt to qualify for loan forgiveness. The President is expected to sign the bill.

Key parts of the bill:

- PPP borrowers have the option to extend the measurement period from 8 weeks to 24 weeks.
- The Act reduces the requirement for qualified payroll expenses to be 60% (from 75%) of the PPP loan balance. **WARNING** In order to qualify for **any** loan forgiveness, employers must meet the 60% rule. Failure to spend at least 60% of the PPP loan proceeds on payroll costs will make the entire loan unforgivable.
- Borrowers have until December 31st or the end of the 24-week measurement period to restore their work force and wages to pre-pandemic levels as required to receive full forgiveness. The prior rule set the deadline at June 30th.
- The bill allows employers to claim exception if the employer cannot fully restore their workforce. Exceptions are allowed if employers cannot find qualified employees or if the employer is not able to restore normal business operations due to the COVID virus.
- Repayment of existing of PPP loans can be extended up to 5 years (from 2) if the lender and the borrower agree.
- Borrowers of PPP loans are allowed to delay payment of payroll taxes.

Unfortunately, there are still many unanswered questions, especially for self-employed taxpayers. We will continue to provide updates as information becomes available. Please contact us if you would like to discuss these matters.