Latest Information on the PPP Legislation

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Webinar Details

• Webinar will be recorded
• All attendees will be placed on mute
• Questions may be input into the Questions Box within GOTOWEBINAR

• SHRM and HRCI Certified Course*
The information presented today is provided for educational purposes and should not be considered legal advice.
1. Payroll Network Updates
2. Congress Amends CARES Act to Add Flexibility to PPP Loans
3. Q & A
Paycheck Protection Loan Forgiveness Report

• Loan Forgiveness Application

Click Here to Link to the SBA PPP Loan Forgiveness Application

Click Here to Link to the SBA EZ PPP Loan Forgiveness Application

Application Deadline to apply for PPP loan is still June 30th
• Reminder – to access the PPP Loan Forgiveness Report, you will need to reach out to Payroll Network with your Loan Origination date.

support@payrollnetwork.com
Congress Amends CARES Act to Add Flexibility to PPP Loans
The U.S. Congress passed the Paycheck Protection Flexibility Act (the “Amendment”), which was enacted on June 5, 2020. The Amendment modifies portions of the CARES Act related to forgiveness of Paycheck Protection Program loans (“PPP Loans”).

• The CARES Act established the PPP Loan program, but only provided that such loans could be made through June 30, 2020.

• *The Amendment expands the Paycheck Protection Program to include such loans made through December 31, 2020.*
Under the CARES Act, and related guidance from the SBA, payroll costs generally are eligible for forgiveness if they are paid during the “covered period” or incurred during the covered period and paid on the regular next payroll following the covered period. For purposes of payroll costs, the “covered period” is defined as a period of eight consecutive weeks (or 56 days) beginning, at the option of the borrower, on either the date of the funding of the loan or the first day of the first payroll cycle in the covered period.

Non-payroll costs (including mortgage or other loan interest, rent, and utilities, in each case in place since February 15, 2020, or earlier) had to be paid during the covered period or incurred during the covered period and paid on or before the next regular billing date.

The Amendment extends the “covered period” to a period that begins on the date of the funding of the PPP Loan and ends on the earlier of (a) 24 weeks after loan funding or (b) December 31, 2020.
Relaxed Limitations on Use of Loan Funds

• CARES Act regulations require that borrowers use at least 75% of PPP Loan proceeds for payroll costs, with non-payroll costs limited to not more than 25%. When requesting forgiveness, at least 75% of the anticipated forgiveness amount was required to relate to payroll costs.

• The Amendment requires that borrowers use at least 60% of PPP Loan proceeds on payroll costs, and allowing use of up to 40% of loan funds for non-payroll costs. When requesting forgiveness, at least 60% of the anticipated forgiveness amount is required to relate to payroll costs.
Restoring Full-Time Equivalent Employees & Compensation to Prior Levels

- Under the requirements of PPP Loan forgiveness provided by the CARES Act and related regulations, the amount of the PPP Loan to be forgiven would be reduced if the borrower did not satisfy at least one of two tests related to the compensation of retained employees and at least one of two tests related to the number of full-time equivalent employees.

- One of these compensation-related tests is met if (a) the employer reduced the compensation of qualifying employees in the thirty-day period beginning on February 15, 2020, and (b) not later than June 30, 2020, the employer eliminated the compensation reduction for each affected employee.

- One of these headcount-related tests is met if (a) the employer had a reduction of number of full-time equivalent employees in the thirty-day period beginning on February 15, 2020, and (b) not later than June 30, 2020, the employer increased the number of full-time equivalent employees to the level at February 15, 2020.

- *The Amendment extends to December 31, 2020, the date by which a borrower can increase employee compensation or headcount to the February 15, 2020 levels to mitigate any reduction of forgiveness of the PPP Loan.*
In addition, the Amendment provides that loan forgiveness will not be reduced if the borrower is able to document that:

• The borrower is (a) unable to rehire individuals who were employees on February 15, 2020, and (b) unable to hire similarly qualified individuals for unfilled positions on or before December 31, 2020.

• The borrower is unable to return to the same level of business activity as such recipient was operating at before February 15, 2020, due to compliance with requirements and guidelines issued by federal agencies during the period beginning on March 1, 2020, and ending Dec. 31, 2020, “related to the maintenance of standards for sanitation, social distancing, or other worker or customer safety requirement related to COVID-19.”
The CARES Act allowed PPP Loan recipients to defer repayments for at least six months, and not more than one year.

- **Under the Amendment, recipients may defer repayments until the date on which the amount of forgiveness is remitted to the lender. The Amendment also provides that if an eligible borrower fails to apply for forgiveness of a covered loan within 10 months after the last day of their covered period, the borrower is required to make payments of principal, interest, and fees “beginning on the day that is not earlier than the date that is 10 months after the last day of such covered period.”**
The CARES Act provided that PPP Loans would have a term of not more than five years, and related regulations provided that PPP Loans would have terms of two years.

- **The Amendment provides that PPP Loans will have a minimum maturity of five years.**

- **The portion of the Amendment extending the maturity of PPP Loans, however, only affects loans made on or after June 5, 2020. Borrowers who have received PPP Loans prior to that date will need to reach out to their lenders and request modification of their respective loan documents to take advantage of the longer maturity – lenders are permitted, but not required, to agree to modifications consistent with the terms described in the Amendment.**
Deferral of Payroll Tax Payments

The CARES Act provided that borrowers could defer their portion of Social Security tax payments for the period March 27, 2020, through December 31, 2020. Employers were only eligible for deferral, however, for the period from March 27, 2020, until the date they received forgiveness of a PPP Loan.

• **The Amendment allows borrowers of PPP Loans to defer payroll tax payments for the entire period of March 27, 2020, through December 31, 2020, even if the borrower obtains PPP Loan forgiveness.**
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