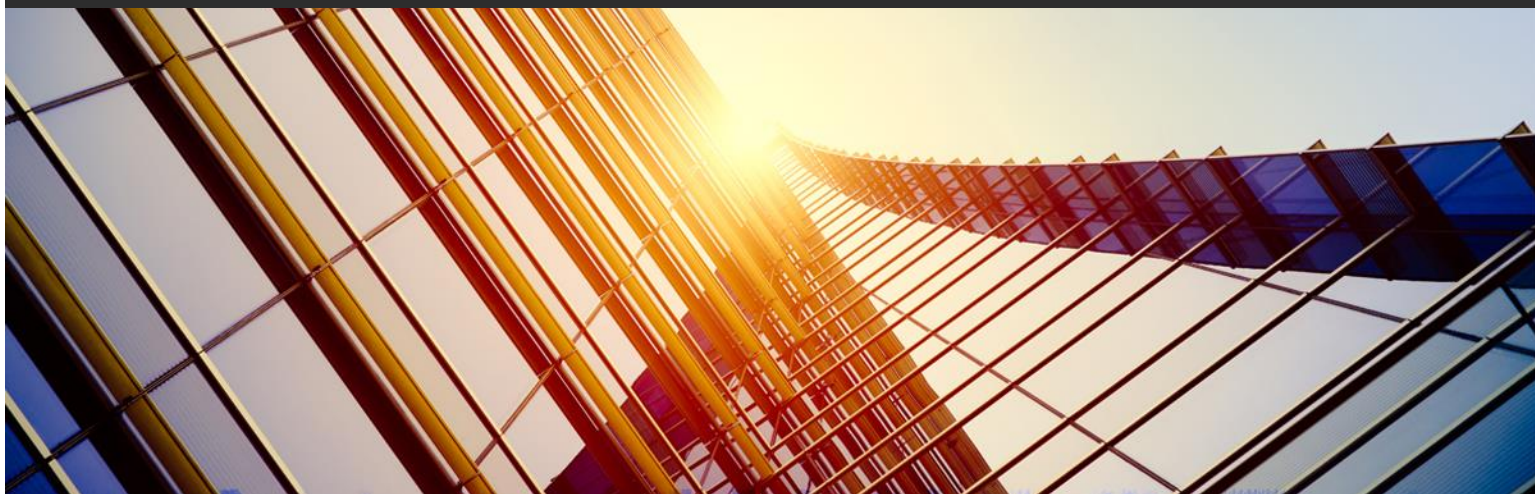


**Alert | Health Emergency Preparedness Task Force:
COVID-19 Economic Stimulus**



June 4, 2020

Congress Passes the PPP Flexibility Act

On June 3, 2020, Congress passed the **PPP Flexibility Act** to loosen requirements for loan forgiveness for CARES Act Paycheck Protection Program (PPP) borrowers. The new forgiveness rules will allow borrowers to extend the period for spending the loan proceeds to 24 weeks from the date of disbursement, an increase from the eight-week period originally required. The PPP program will be extended from June 30, 2020, to Dec. 31, 2020. The loan application cutoff date, however, remains June 30, 2020.

Further, the deadline for rehiring laid off employees is extended from June 30 to Dec. 31, 2020, to give small businesses more time to resume normal operations. The rule reducing forgiveness for employers who have not rehired employees by the deadline has also been made more flexible. The reduction in forgiveness will not be applied if the employer is unable to rehire its laid off employees, find similarly qualified employees, or return to the business's pre-Feb. 15, 2020, level of operations.

The Act also overrides certain rules issued by the SBA to implement the Act. The rule that 75% of the loan proceeds must be spent on payroll has been lowered to 60%, allowing small businesses to allocate up to 40% of the funds to other permissible non-payroll uses including rent and mortgage payments, utilities and payment of interest on preexisting loans. Previously, if a business did not meet the 75% threshold, only a portion of that loan would not be forgiven. The new law now makes the entire loan unforfeivable if the new 60% threshold is not met.

The Act lengthens the minimum maturity term of any unforfeivable balance on a PPP loan to five years. An SBA rule had previously set the maturity of unforfeivable amounts to two years.

Last, the Act contains an important tax provision, which will now allow a company to continue to defer payment of its share of social security taxes even after its PPP loan is forgiven. Under the payroll tax deferral provision in the CARES Act, a company could defer its share of social security taxes accruing through the end of 2020, paying half of the deferred amount by Dec. 31, 2021, and the other half by Dec. 31, 2022, but could not defer taxes accruing after its PPP loan was forgiven. The PPP Flexibility Act changes this result, allowing a company to continue tax deferral after forgiveness of its PPP loan.

For more information and updates on the developing situation, visit [GT's Health Emergency Preparedness Task Force: Coronavirus Disease 2019](#) or [GT's COVID-19 Economic Stimulus Team](#).

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