

ECONOMIC & POLICY UPDATE

VOLUME 20, ISSUE 6

Editors: Will Snell & Nicole Atherton



Updates to the PPP Loan Program



Author(s): Tony James

Published: June 29th, 2020

The Paycheck Protection Program (PPP) administered through the Small Business Association (SBA) continues to evolve and there are some noteworthy updates that have occurred during the past few weeks. As you may recall, the Paycheck Protection Program Flexibility Act was signed into law on June 5th. This act was passed to make it easier for borrowers to qualify for full loan forgiveness. The SBA recently filed another Interim Final Rule (IFR) with new updates and revisions effective June 16, 2020.

Here are the most recent updates At-A-Glance:

- New revised loan forgiveness application.

- Extension of loan maturity dates. If you were approved for a loan after June 5th, then the maturity will extend from two years to five years. If your loan was approved prior to June 5th, then you may also qualify for the extension to the five-year maturity period if both borrower and lender agree to the extension. The Flexibility Act also expanded the loan forgiveness coverage period from eight weeks to 24 weeks.
- The Act reduced the total you need to spend on payroll in order to obtain forgiveness from 75% to 60%.
- The Act extended the date to replace full-time employee salaries from June 30, 2020 to December 31, 2020.

This Interim Final Rule (IFR) from the SBA also included some guidance on calculating employee compensation and calculating owner's compensation for businesses filing a Schedule C - Profit or Loss from Business or a Schedule F - Profit or Loss from Farming. The Schedule F owner's compensation and employee compensation may be calculated using the following:

- Owner's Compensation for the eight-week period – $8/52 \times 2019$ net profit, up to a maximum of \$15,385 or Compensation for the 24-week period – 2.5 months' worth $2.5/12$ of the 2019 net profit up to \$20,833.
- Employee's Compensation for payroll cost including salary, wages, and tips for up to \$100,000 annualized per employee, or \$15,385 per individual over the eight-week period. This new rule provides a maximum loan for full loan forgiveness at \$46,154 per individual for the 24-week period.

The PPP loans through the SBA can be presented as excellent resources for businesses impacted by the Coronavirus Pandemic, especially if assistance is needed to cover employee salaries. In addition to payroll, the funds can be used for rent, mortgage, and utilities. Most importantly, remind your contacts that time is running out. June 30th remains the deadline for a PPP loan.

This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors.

Author(s) Contact Information:

[Tony James](#) | KFBM Area Extension Specialist | tony.james@uky.edu