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Journal of Accountancy

PPP forgiveness changes coming as Senate passes House bill

By Jeff Drew

1 hour 18 minutes ago

The U.S. Senate passed the House version of Paycheck Protection Program (PPP) legislation Wednesday night, tripling the time allotted for small businesses and other PPP loan recipients to spend the funds and still qualify for forgiveness of the loans.

The bill passed in a unanimous voice vote hours after Wisconsin Sen. Ron Johnson initially blocked it. Among the key provisions is a change in the threshold for the amount of PPP funds required to be spent on payroll costs to qualify for forgiveness to 60% of the loan amount.

The Senate approval sends the House bill, called the [Paycheck Protection Flexibility Act](#) (<https://www.congress.gov/bill/116th-congress/house-bill/7010/text>), to President Donald Trump, who is expected to sign it.

The vote had to be unanimous because the Senate is not officially in session. That meant that any senator could force the matter to be delayed until the Senate returned to Washington with enough members for a quorum and a vote.

Leaders from both parties in the Senate pushed to pass the legislation on Wednesday as the clock on the initial eight-week window was nearly expired for the first recipients of PPP loans.

Following is a summary of the legislation's main points compiled by the AICPA:

- PPP borrowers can choose to extend the eight-week period to 24 weeks, or they can keep the original eight-week period. This flexibility is designed to make it easier for more borrowers to reach full, or almost full, forgiveness.
- The payroll expenditure requirement drops to 60% from 75%.but is now a cliff, meaning that borrowers must spend at least 60% on payroll or none of the loan will be forgiven. Currently, a borrower is required to reduce the amount eligible for forgiveness if less than 75% of eligible funds are used for payroll costs, but forgiveness isn't eliminated if the 75% threshold isn't met.
- Borrowers can use the 24-week period to restore their workforce levels and wages to the pre-pandemic levels required for full forgiveness. This must be done by Dec. 31, a change from the previous deadline of June

- The legislation includes two new exceptions allowing borrowers to achieve full PPP loan forgiveness even if they don't fully restore their workforce. Previous guidance already allowed borrowers to exclude from those calculations employees who turned down good faith offers to be rehired at the same hours and wages as before the pandemic. The new bill allows borrowers to adjust because they could not find qualified employees or were unable to restore business operations to Feb. 15, 2020, levels due to COVID-19 related operating restrictions.
- Borrowers now have five years to repay the loan instead of two. The interest rate remains at 1%.
- Borrowers can now defer the employer's share of FICA payroll taxes for two years. Half of the payroll taxes will be due in 2021, with the rest due in 2022.

The PPP in brief

The PPP launched in early April with \$349 billion in funding that was exhausted in less than two weeks. Congress provided an additional \$310 billion in funding in [an April 21 vote](https://www.journalofaccountancy.com/news/2020/apr/senate-approves-more-small-business-funding-ppp-loans-coronavirus-relief-.html) (<https://www.journalofaccountancy.com/news/2020/apr/senate-approves-more-small-business-funding-ppp-loans-coronavirus-relief-.html>), but demand for the program soon waned due to controversies over publicly traded companies and other large enterprises being awarded loans. Concerns about the attainability of loan forgiveness under the program's rules also contributed to small businesses and other eligible entities casting a wary eye to the program.

Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. The legislation authorized Treasury to use the SBA's 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities.

PPP funds are available to small businesses that were in operation on Feb. 15 with 500 or fewer employees, including tax-exempt not-for-profits, veterans' organizations, Tribal concerns, self-employed individuals, sole proprietorships, and independent contractors. Businesses with more than 500 employees also can apply for loans in certain situations.

The AICPA's Paycheck Protection Program Resources page (<https://future.aicpa.org/resources/toolkit/paycheck-protection-program-resources-for-cpas>) houses resources and tools produced by the AICPA to help address the economic impact of the coronavirus.

For more news and reporting on the coronavirus and how CPAs can handle challenges related to the pandemic, visit the JofA's [coronavirus resources page](https://www.journalofaccountancy.com/info/coronavirus-resources-for-cpas.html) (<https://www.journalofaccountancy.com/info/coronavirus-resources-for-cpas.html>).

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