



*CPAs & Financial Advisors*

## Additional Revisions to the Paycheck Protection Program (PPP) Flexibility Act

*The following is to assist you with the latest revisions in the PPP Flexibility Act and is current based on the information available at June 17, 2020. There are several items that are subject to interpretation; we have interpreted these items based on our understanding of the CARES Act, SBA Temp Final Regs, and SBA FAQs.*

SBA has issued additional information and has released a modified loan application form as well a new EZ application form implementing the changes made in the PPP Flexibility Act.

Included in the revisions are:

- Clarification that PPP loans made prior to June 5, 2020:
  - Will have a maturity date of 2 years unless the borrower and lender mutually agree to extend the maturity to 5 years
  - Borrowers can elect to use an 8-week covered period or a 24-week covered period
- PPP Loans made on or after June 5, 2020:
  - Will have a maturity date of 5 years
  - Borrowers will use a 24-week covered period
- The forgivable limit on cash compensation for employees paid over \$100,000 (annualized) increases from \$15,385 to \$46,154 ( $100,000 \times 24/52$ ) over the 24-week period. If the 8-week period is used, the maximum remains at \$15,385.
- Forgivable owner compensation replacement (Schedule C or F filers) is calculated based on 2.5 months' worth of 2019 net profit, up to \$20,833 ( $100,000/12 \times 2.5$ ) for a 24-week period. If an 8-week period is used, the maximum remains at \$15,385.
- A new EZ forgiveness application has been released that can be used by a sole proprietor who did not have any employees at the time of PPP loan application, or a limited few others. The Checklist included with the EZ application has the full list.

One question that is still unanswered and needs additional guidance is:

- Can a borrower use the June 30, 2020 FTE reduction safe harbor instead of December 31, 2020?