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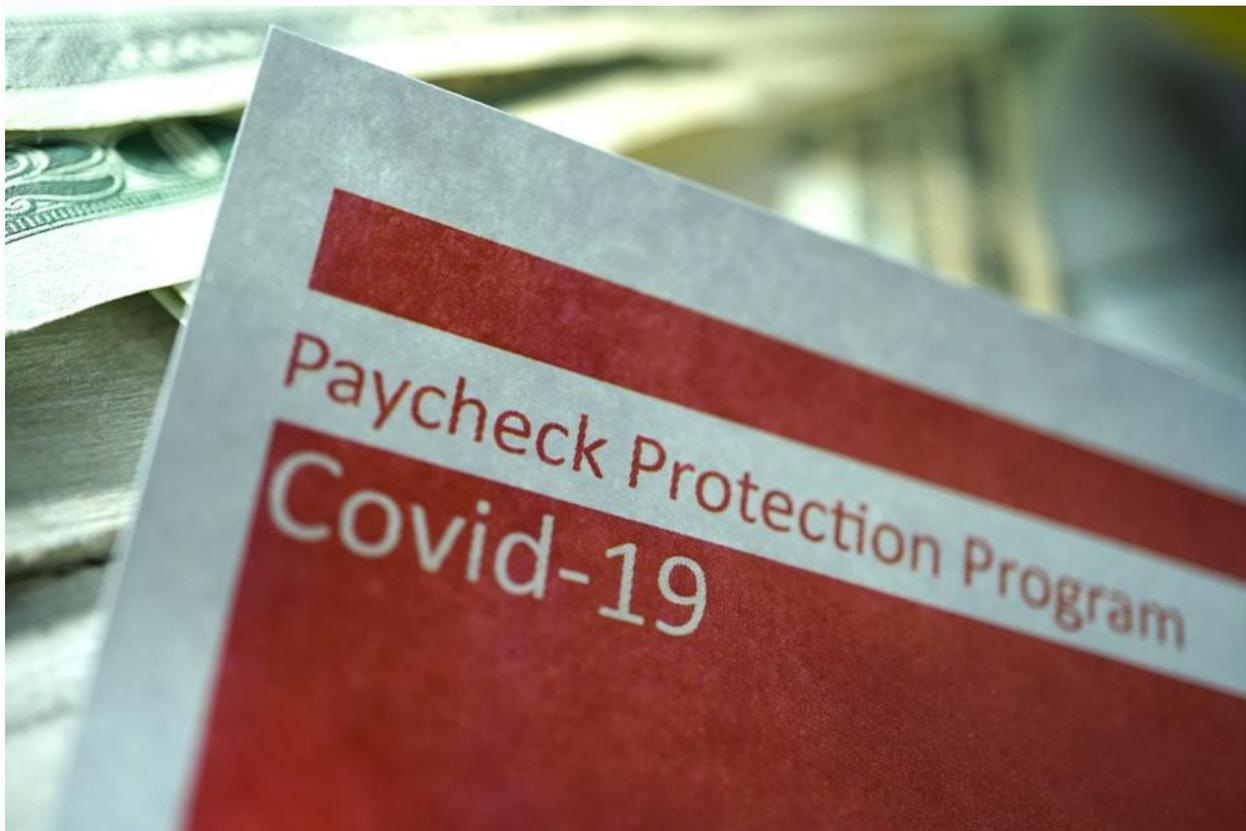
TAXES 05/28/20

House Passes Bill Expanding Paycheck Protection Program 8 To 24 Weeks, Cuts 75% Rule

The House has passed a bill to expand PPP loans in keys ways. The Senate has its own version to be considered next week. This bill is not yet law, but if the Senate acts favorably and the President signs it, it would make key improvements.

Allowing loan forgiveness for expenses beyond the 8-week covered period to 24 weeks and extending the rehiring deadline. Back in March, the PPP program was established as an eight-week program, ending on June 30. However, it is clear that the economic effects of the pandemic will affect small businesses long past June 30. The current eight-week timeline does not work for local businesses that could only very recently have customers and those that are only allowed to open with very heavy restrictions. Small businesses need the flexibility to spread the loan proceeds over the full course of the crisis, until demand returns.

Increasing the current limitation on the use of loan proceeds for non-payroll expenses from 25 percent to 40 percent. Currently, under regulations issued by the Trump Administration, the PPP loans require that no more than 25 percent of loan proceeds can be spent on non-payroll expenses such as rent, mortgage interest, and utilities. This limitation has prevented many small businesses, such as independent restaurants, from applying to the program because their rent is significantly more than 25 percent of their monthly expenses. The 40 percent limitation in this bill is much more realistic.



Extending the program from June 30 to December 31. By ensuring the PPP program will operate for 24 weeks, rather than only eight, this bill will ensure that many more truly small businesses will be able to take advantage of the program.

Extending loan terms from two years to five years. According to the American Hotel and Lodging Association, full recovery for that industry following both the September 11, 2001 terrorist attacks and the 2008 recession took more than two full years. This was also true for many other industries. If the past is any indication of the future, it will take many businesses more than two years to achieve sufficient revenues to pay back the loan.

Ensuring full access to payroll tax deferment for businesses that take PPP loans. The purpose of PPP and the payroll tax deferment was to provide businesses with liquidity to weather the crisis. Receiving both should not be considered double-dipping. Businesses need access to both sources of cash flow to survive.

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