

SBA Releases PPP Loan Changes

On June 5, 2020, President Donald Trump signed the Paycheck Protection Program Flexibility Act of 2020 that will make it easier to spend and receive a Paycheck Protection Program (PPP) loan forgiveness. The program has approved 4.5 million loans for \$510 billion to date. The program is still taking loan applications as there is still \$150 billion available for disbursement. The new legislation addresses three structural issues that have made it difficult for small businesses to take advantage of the benefits of the program.

Here are the new changes to the program:

- The minimum portion of PPP loans that must be used for payroll costs has been reduced to 60% from 75%. This will help small businesses that have high rent and utility costs.
- The loan can cover 24 weeks of costs instead of only 8 weeks. This will give businesses more time to spend loan proceeds on covered costs and increase their ability for loan forgiveness.
- The payback term for any portion of the loan that is not forgiven has been extended from 2 years to 5 years. This essentially provides small businesses with a long-term loan at a 1% interest rate.

On May 15, 2020, the Small Business Administration (SBA) released the [Paycheck Protection Program Loan Forgiveness Application with instructions](#). This application provides insight into how the SBA expects lenders to determine eligibility for loan forgiveness. If you are one of the businesses that have received funding now, you may be asking how you can ensure that you maximize loan forgiveness. It is critical that businesses manage their expenses and organize their records to support full loan forgiveness.

Here are a few steps you can take to navigate the loan forgiveness application process:

- **Ensure 60% of loan proceeds are used for payroll costs.** There are two options for calculating the total payroll costs. One option is to calculate it over the *Covered Period*, which starts on the day of the loan disbursement and ends 168 days later. The other is to use the *Alternative Payroll Covered Period*, which allows the borrower to align eligible payroll costs with their normal payroll cycle. Using the Alternative Covered Period allows the applicant to calculate payroll costs using the twenty-four week period that

begins on the first day of their first pay period following their PPP Loan Disbursement Date. Payroll costs incurred but not paid during the borrower's last pay period of the Covered Period or Alternative Payroll Covered Period are eligible for forgiveness if paid on or before the next regular payroll date. Maximum cash compensation eligible for forgiveness is limited to \$15,385 per employee.

- **Maintain an employee count that is the same or greater than reported on the initial PPP loan application.** If employees were let go between February 15, 2020, and April 26, 2020, and rehired prior to June 30, 2020, then they can be included in the employee count. Additionally, if an employee rejects a good faith offer to rehire, then the borrower can have a reduction in employee count without a reduction in loan forgiveness.
- **Determine what eligible non-payroll costs you will incur during the Covered Period.** Business mortgage interest payments, business rent or lease payments, and utilities are all eligible for forgiveness. These payments must be made during the Covered Period to qualify for forgiveness. Payments for costs related to periods outside of the Covered Period will not be eligible for forgiveness.
- **Organize documentation supporting your loan forgiveness application.** Required records include payroll registers, bank statements, mortgage statements, and invoices. Click [here](#) for a comprehensive document list.

At Centri, we are staying up to date on the guidance that is being issued regarding the Paycheck Protection Program and Health Care Enhancement Act. Our experts can facilitate the loan forgiveness application process with your financial institution and ensure that your business receives the financial assistance it is eligible for.



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