



# SENATOR BILL CASSIDY, M.D. H.R. 7010



## PAYCHECK PROTECTION PROGRAM FLEXIBILITY ACT

This document provides a high-level summary of changes to the Paycheck Protection Program (PPP) under H.R. 7010, Paycheck Protection Program Flexibility Act of 2020, which passed the Senate on Wednesday, June 3, 2020. The full legislative text is available on Congress.gov and is accessible by searching "H.R. 7010".

### Key Modifications

**Deadline to use loans extended:** H.R. 7010 extends the timeframe to use loans for reimbursable expenses (the "covered period") from 8 weeks to 24 weeks or December 31, 2020, whichever comes earlier. If preferred, existing borrowers can keep the 8 week timeline.

**Additional flexibility in rehiring employees:** The CARES Act requires borrowers to restore staffing and wages to pre-Coronavirus levels for full loan forgiveness. H.R. 7010 extends the deadline to do this from June 30 to December 31, 2020. H.R. 7010 also creates exceptions if:

- The company is unable to rehire employees or find similarly qualified employees or;
- The company is unable to operate at February 15, 2020 levels due to Coronavirus restrictions.

**Payroll expenditure requirement reduced:** The CARES Act required borrowers to use at least 75% of loans on payroll costs to be fully eligible for reimbursement. H.R. 7010 reduces the payroll expenditure requirement from 75% to 60%. One important difference: under the CARES Act, if a borrower spent less than 75% of their loan on payroll, they would still be partially reimbursed. Under H.R. 7010, if less than 60% of the loan is spent on payroll, none of the loan will be forgiven. Some members of Congress have said this is unintentional and hope to fix it by technical corrections or Small Business Administration (SBA) guidance.

**Application deadline unchanged:** H.R. 7010 does not extend the application deadline of June 30, 2020.

**Payroll tax delay allowed:** H.R. 7010 allows borrowers to delay payment of 2020 payroll taxes, 50% to the end of 2021 and 50% to the end of 2022.

**Loan repayment timeline delayed:** H.R. 7010 extends the maturity date of portions of loans that are not reimbursed from 2 years to 5 years. Additionally, the CARES Act required lenders to defer payments of interest and principle for 6 months. H.R. 7010 allows deferral until whenever the lender receives the forgiveness amount from the Small Business Administration.

### Overview of the Paycheck Protection Program

The CARES Act, signed into law on March 27, 2020 authorized the U.S. Small Business Administration to provide a new category of 7(a) loans to small businesses, self-employed individuals, and gig-workers. These loans of up to \$10 million are 100% federally guaranteed with zero fees.