

Paycheck Protection Program Flexibility Act: Updates to the PPP

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In June 2020, President Donald Trump signed into law the Paycheck Protection Program Flexibility Act, intended to address complaints from many businesses concerned about the restrictions and short spending period of the original PPP [enacted in March](#).

Though many small businesses have documented challenges, [child care programs](#) in particular have had a difficult time accessing and benefiting from the PPP. For more on the specifics of this program, please [see our explainer](#) here, as well as a [brief](#) about how interim updates may have helped child care businesses access the program.

The changes included in the Paycheck Protection Program Flexibility Act are as follows:

- Extension of the time period businesses must spend the loan money from eight weeks to 24 weeks (or through the end of December) while remaining eligible for forgiveness
- Extension of the time period which an employer must increase employment or rehire until the end of December, which otherwise could result in the reduction of the forgivable amount of the loan
- Inclusion of an exemption to the forgivable loan amount determined by full-time equivalent employees, if businesses can show (1) inability to rehire or hire similarly qualified employees, or (2) inability to return to same level of business activity due to compliance with federal guidance related to COVID-19
- Reduction of the amount of loan funds which must be spent on payroll, as compared to rent or utilities. The payroll portion of a forgivable covered loan is lowered from the previous requirement of 75%, to 60%
- Establishes a minimum maturity of five years, instead of the two, for a PPP loan with a remaining balance to be paid, after forgiveness
- Allows recipients to defer loan payments until they receive compensation for forgiven amounts
- Eliminates a provision which stated loan recipients who have forgiven indebtedness will be ineligible to defer payroll tax payments. The payroll tax deferral will now be available to all PPP borrowers

This legislation did not add funding to the program, which was originally funded at \$359 billion. As funds quickly ran out, [additional appropriations](#) were authorized for a total of \$660 billion for lending. As of the end of May, the program had at least [\\$130 billion](#) in remaining funds available for lending.

The impact of these flexibilities will help businesses with high rent and utility costs utilize the loan, given the required percentage spent on payroll decreased from 75% to 60%. Further, the extension of the program from eight to 24 weeks will allow more businesses to apply for PPP.