



Paycheck Protection Program changes become law

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Bipartisan legislation ([HR 7010](#)) signed today modifies the Paycheck Protection Program (PPP), enacted in March to help employers stay open during the coronavirus pandemic. The Paycheck Protection Program Flexibility Act liberalizes some terms and conditions for PPP loans, but does not add funds to the program. As of May 30, the PPP has issued \$510.2 billion in loans out of the \$660 billion available. The deadline for applications remains June 30.

More flexibility, forgiveness for borrowers

More time to use funds. The new law extends the duration of PPP loans to 24 weeks from eight weeks. This gives small businesses navigating the uncertainties around reopening more time to use the money and still have the loans forgiven.

Eased terms for loan forgiveness. Many businesses needing loans have been constricted by the PPP requirement that 75% of loan proceeds go to payroll. The new law reduces the level of PPP funds that must be used for payroll to 60%. In addition, PPP borrowers will be able to achieve full loan forgiveness, even if they do not fully restore their workforce to pre-pandemic levels by Dec. 31, 2020. Before this change, PPP borrowers would have the forgivable amount of the loan reduced by the number of employees who are laid off or have their wages reduced. Now, loans will be forgiven if borrowers can document an inability to rehire workers or to hire similarly qualified workers for unfilled positions.

Longer repayment period. For business that don't qualify for loan forgiveness, the law extends the repayment period from two years to five.

Payroll tax deferral. The measure allows PPP recipients to defer payroll taxes owed through year-end. PPP recipients originally were excluded from this relief under the Coronavirus Aid, Relief and Economic Security (CARES) Act ([Pub. L. No. 116-136](#)). That exclusion remained in place, despite other PPP changes enacted by the Paycheck Protection Program and Health Care Enhancement Act ([Pub. L. No. 116-139](#)).

Loan application deadline unchanged. Senators opposed a provision to push the loan application deadline from June 30 to Dec. 31. As part of agreeing to pass the legislation, Sen. Ron Johnson, R-WI, insisted on entering a [letter](#) into the record stating that June 30 remains the deadline to apply for a PPP loan. However, the law does move the June 30 deadline for spending the PPP funds to Dec. 31 to accommodate the new 24-week window.

More PPP changes possible. Lawmakers say “technical fixes” may be ahead. For example, the act’s language appears to require that borrowers spend at least 60% of loan proceeds on payroll or none of the loan will be forgiven. However, lawmakers sponsoring the legislation [say](#) they intend the program’s sliding scale to remain in effect. The timing and extent of any changes are unclear at this time.

PPP in brief

Created by the CARES Act, the PPP is available to employers with 500 or fewer employees (or the workforce size designated for a particular industry), including sole proprietors, independent contractors and self-employed individuals. Employers in the hotel and restaurant industry are eligible if they have 500 or fewer employees in a particular location, and a special rule applies to franchises.

The loan can be forgiven if it is used to pay any of the following:

- Wages, salary, commissions or tips (up to \$100,000 on an annualized basis for each employee)
- Health, retirement or paid leave benefits
- State or local taxes
- Mortgage interest, rent and/or utility payments

Employers that obtain a PPP loan are ineligible for the employee retention credit provided by the CARES Act.

Related resources

Non-Mercer resources

- [HR 7010](#), Paycheck Protection Program Flexibility Act (Congress, June 5, 2020)

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- [Paycheck Protection Program](#) (Small Business Administration)
- [Paycheck Protection Program](#) (Treasury Department)
- [Pub. L. No. 116-139, Paycheck Protection Program and Healthcare Enhancement Act](#) (Congress, April 24, 2020)
- [Description of the tax provisions of the CARES Act](#) (Joint Committee on Taxation, April 23, 2020)
- [FAQs on deferral of employment tax deposits and payments through Dec. 31, 2020](#) (IRS, April 16, 2020)
- [Pub. L. No. 116-136, the CARES Act](#) (Congress, March 27, 2020)
- [Section-by-section summary of the CARES Act](#) (Senate Health, Education, Labor & Pensions Committee, March 25, 2020)

Mercer Law & Policy resources

- [Keeping track of COVID-19 laws affecting employee benefits, jobs](#) (May 4, 2020)
- [CARES Act expands unemployment benefits, aims to stem job losses](#) (April 15, 2020)
- [CARES Act boosts telehealth, makes other health, paid leave changes](#) (March 27, 2020)

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- [Stay informed on the coronavirus](#) (regularly updated)

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