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To: Clients and Friends of SKMB, P.A.
From: SKMB, P.A.
Date: June 18, 2020
Re: Payroll Protection Flexibility Act

The target keeps shifting. On June 16, 2020, the SBA released a revised Loan Forgiveness Application Form and an EZ version (attached) that will provide eligible borrowers with a simplified application form to file for loan forgiveness. On June 17, 2020, new Interim Final Rules were issued.

In order to be eligible to use Form 3508EZ one of the following criteria must be met:

- The borrower is a self-employed, independent contractor or sole proprietor who had no employees at the time of the PPP Loan Application and did not include any employee salaries in the computation of average monthly payroll in the borrower application
- The borrower did not reduce any effective pay rates for salaried or hourly employees making less than \$100,000 annually by more than 25% during the applicable Covered Period as compared to the period beginning on January 1, 2020 and ending on March 31, 2020, and the borrower did not reduce the number of employees or average paid hours of employees between January 1, 2020 and the end of the covered period
- The borrower did not reduce any effective pay rates for salary or hourly employees making less than \$100,000 annually by more than 25% during the applicable Covered Period as compared to the period beginning on January 1, 2020 and ending on March 31, 2020, and the borrower was unable to operate during the applicable Covered Period at the same level of business activity before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by HHS, CDC, or OSHA related to COVID-19

The Paycheck Protection Program changes the 75% payroll requirement to a 60% payroll cost requirement. Therefore, as long as the payroll costs comprise 60% of the loan expenditures the borrower can receive full forgiveness of the PPP loan. Senator Munchin stated that the 60% threshold is not a cliff (as stated in a previous memo)

- If a PPP borrower cannot spend 60% or more of the loan on payroll costs during the 8 or 24 week testing period on payroll, state and local payroll taxes, group health insurance and retirement plan contributions, the PPP loan forgiveness will be whatever was spent on payroll costs, plus up to two thirds of the amount paid for rent, interest and utility costs. NO more than 40% of the loan forgiveness can be attributable to non-payroll costs.



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Post June 5, 2020 borrowers may only use the 24-week testing period. Pre borrowers may use either the 8 week or 24-week testing period.

Loans made before June 5, 2020 will have a two-year maturity unless the banks and the borrowers agree to extend the loans to 5 years.

The deadline for applying for PPP loan forgiveness is 10 months from the end of your PPP Forgiveness Covered Period. Your Covered Period is the earlier of 24 weeks or 8 weeks following your loan disbursement, or December 31, 2020.