

Rochester

1214 N. Main Street
Rochester, MI 48307
248.601.9500 ~ 248.601.9501 fax
www.mkgpc.com



Certified Public Accountants

Lapeer

951 S. Main Street, Suite 3
Lapeer, MI 48446
810.664.4470 ~ 810.664.3601 fax
www.mkgpc.com

June 5, 2020

Dear Client:

The Paycheck Protection Program Flexibility Act (PPPFA) was signed into law on June 5, 2020. The purpose of this bill is to ease the forgiveness requirements for the Paycheck Protection Program loans. Loan recipients will have looser restrictions as to how and when the funds need to be spent. The changes to the forgiveness requirements are as follows:

- Reduces the 75% payroll cost requirement to 60% and allows up to 40% of the loan to be used for qualified non-payroll costs
- Extends the covered period from 8 weeks to the earlier of 24 weeks or December 31, 2020
 - Those who received loans prior to June 4, 2020 can elect to use the 8 week or 24 week period
 - Those who choose the 24 week period will need to maintain FTEs for the duration of the covered period to receive full forgiveness
- Business can avoid reductions in forgiveness for decreased wages or FTEs if they are able to restore wages and FTEs by December 31, 2020. This is an extension of the original deadline of June 30, 2020
- Provides leniency to businesses who are unable to restore the number of full time equivalent employees before December 31, 2020 due to one of the following:
 - An inability to rehire individuals who were employees of the eligible recipient on February 15, 2020; and an inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020
 - An inability to return to the same level of business activity as such business was operating at before February 15, 2020, due to compliance with requirements established or guidance issued by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration during the period beginning on March 1, 2020, and ending December 31, 2020, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.
- Extends the maturity of the loan from 2 years to 5 years
 - The 5 year loan period is only for loans originating on or after June 5, 2020
 - Loans originating prior to June 5, 2020 can be extended to 5 years at the lenders discretion, although they are not obligated to do so. Loan recipients who wish to extend the loan from two to five years will need to contact their bank and negotiate new loan terms.

- Extends the deferral period for loan payments to the date that the amount of forgiveness is determined or 10 months after the last day of the covered period if forgiveness has not been applied for
- Allows borrowers who applied for PPP forgiveness to take advantage of Section 2302 of the CARES Act, which allows companies to defer the payments for the employer portion of social security through December 31, 2020
 - The deferred amounts will be due in two equal payments in December of 2021 and 2022
- No new PPP loans will be originated after June 30, 2020

There will likely be additional changes and clarification to the forgiveness requirements to follow in the coming weeks.

We will be pleased to hear from you at any time with questions about the above information or any other matters, related to PPP Loans or not. We will be pleased to hear from you at any time with questions about the above information or any other matters, related to COVID-19 or not.

We wish all of you the very best in a difficult time.

Mattina, Kent & Gibbons, P.C.

Certified Public Accountants