

United States Congress Passes Amendments to Paycheck Protection Program

By Kaleb Nygaard

Original post [here](#).

On [June 3](#), the United States Congress passed the Paycheck Protection Program (PPP) Flexibility Act of 2020. The update includes three significant changes to the PPP.

First, Congress reduced to 60% the portion of a government-backed loan that a company must spend on payroll to be eligible for forgiveness. Under the [original law](#), Congress listed a number of expenses that a small or medium size enterprise (SME) could cover with a loan from the PPP. These expenses included payroll costs, payments of interest on any covered mortgage obligation, payments on any covered rent obligation, and covered utility payments. The Treasury later [stipulated](#) that 75% of the funds must be spent on payroll expenses for the government to forgive the loan. In the PPP Flexibility Act, Congress added a paragraph to the law that explicitly defines the portion of the loan that must be spent on payroll to be eligible for forgiveness at 60%. This was in response to many [complaints](#) noting that SMEs face significant other fixed expenses beyond payroll and that supporting the employees will only be useful if the company is able survive the downturn.

Second, the PPP Flexibility Act extends, from 8 weeks to 24 weeks, the timeframe within which the SMEs must use the funds to be eligible for forgiveness. Reports [indicate](#) that lawmakers made this change because the COVID-19 pandemic and economic shutdown have lasted longer than originally anticipated. This change highlights the importance of not underestimating the potential duration of a crisis. Doing so can result in relief efforts that are designed to handle short-term disruptions, but that leave limited ability to respond if the disruptions become longer-term.

Third, the law moved the last day on which a SME can use PPP funds to hire back employees previously laid-off from June 30 to December 31. Congress passed the original PPP law a few weeks into the COVID-19 pandemic and by that time many SMEs had already been forced to lay-off employees.

Congress outlined the PPP in section 1102 and 1106 of the CARES Act, which was signed into law on [March 27](#). The law originally allocated \$349 billion (expanded to \$659 billion on [April 23](#)) for the forgivable, government guaranteed loans to SMEs with up to 500 employees.

As of [June 3](#), 4.5 million loans had been approved worth \$511 billion.