

IMPORTANT UPDATE:

The Continuing Small Business Recovery and Paycheck Protection Program Act

Date: July 29, 2020

What is it?

The **Continuing Small Business Recovery and Paycheck Protection Program Act**, if passed as currently written, would provide additional assistance to small businesses that are struggling to recover from the impacts of the ongoing COVID-19 pandemic.

What are the key points?

There are a number of components to this bill, however the most pertinent for our client partners are the *proposed changes to PPP loan forgiveness* and the *potential for a second PPP loan*. We are highlighting the PPP-related proposals for your review to help you prepare should this bill be passed as currently written.

Enhanced Forgiveness Provisions

1. **For loans under \$150,000 (approx 80% of all borrowers).** Borrowers are not required to submit documentation such as payroll records, expense reports, etc. but instead attest that the borrower made a good faith effort to comply with Paycheck Protection Program loan requirements. The borrower must retain relevant records for three years.
2. **For loans between \$150,000 and \$2 million.** Borrowers are not required to submit documentation such as payroll records, expense reports, etc., but must complete an attestation that they do have documentation to support the expenditures and must retain relevant records and worksheets for three years
3. **Expands forgivable non-payroll expenses** to include:
 - a. Payment for any software, cloud computing, and other human resources and accounting needs.
 - b. Property damage costs. Costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.
 - c. Covered supplier costs. Expenditures to a supplier pursuant to a contract for goods in effect prior to February 15, 2020 that are essential to the recipient's current operations.
 - d. Covered worker protection expenditure. Personal protective equipment and adaptive investments to help a loan recipient comply with federal health and

safety guidelines related to COVID-19 during the period between March 1, 2020, and December 31, 2020.

- e. Allows borrowers to select a preferred 8-week period through 2020 to use the forgivable loan proceeds.
4. Potential to **add additional group insurance benefits** to payroll costs, what these are is still uncertain and will be later defined.

What does this mean for Hawaii businesses? *Less time will be spent documenting full-time employee counts and each penny spent on payroll. Employers with loans less than \$2 million will need to retain the documents, but they do not need to be provided to the lenders or SBA as part of the forgiveness process, speeding up turn-around time and closing the loop on exactly what documentation is acceptable. More flexibility in what is allowed as a non-payroll expense can also help support businesses so that their full PPP loan can be forgiven.*

Option to Take a Second PPP Loan

1. **Provides \$190 billion of committed and appropriated funds** to support first and second PPP loans.
2. **Defines eligibility for second PPP loans** as small businesses that meet the applicable SBA revenue size standard, have no more than 300 employees, and demonstrate at least a 50 percent reduction in gross revenues.
3. Includes a **\$25 billion** set-aside for businesses with 10 or fewer employees and a **\$10 billion** set aside for loans made by community lenders.
4. The **maximum loan size would equal 2.5 times average total monthly payroll costs**, up to \$2 million.
5. Businesses that received a PPP loan may not receive another PPP loan that aggregates to more than \$10 million.
6. The 60/40 cost allocation for payroll and non-payroll costs to receive full PPP forgiveness continues to apply.

What does this mean for Hawaii businesses? *There will be more PPP funds for the businesses that really need additional funding to avoid closing their doors. Focus on businesses with smaller revenue and smaller staff sizes will support local/privately owned entities.*