SMALL BUSINESS COMMITTEE REPUBLICANS

# H.R. 7010, the Paycheck Protection Program Flexibility Act

**Top Line:** The Paycheck Protection Program (PPP) has provided much-needed relief to millions of small businesses and their employees. As small businesses adapt to different stages of reopening restrictions, many need more flexibility for the terms of their PPP loans. The Paycheck Protection Program Flexibility Act addresses the varying needs of small businesses and ensures that they can focus on getting back on their feet.

- **Extends the forgiveness period to 24 weeks.**
  - While small businesses in many parts of the country have begun to safely reopen, some remain closed and others must abide by strict capacity limitations.
  - Extending the covered period from 8 weeks to 24 weeks accommodates businesses in many stages of reopening.
  - Small businesses that prefer to stay within the original 8-week window can opt-out of the extension.
  - Extends deferment window to end once the Small Business Administration (SBA) makes the forgiveness payment to the lender on the borrower's behalf.
- **Replaces the 75/25 rule with a 60/40 rule.**
  - The current rule requires that 75 percent of the loan must be used on payroll costs and 25 percent to be used on mortgage interest, rent, and utilities. Failure to adhere to this rule impacts loan forgiveness.
  - Adjusting this rule gives small businesses more choice in how they use their loan funds.
- **All new PPP loans will receive a 5-year maturity. Existing loans will remain at a 2-year maturity.**
  - As small businesses continue to recover from the economic impact of COVID-19, extending the loan maturity gives them more time to rebuild their business.
- **Allows businesses that receive forgiveness to also receive payroll tax deferment.**
- **Ensures small businesses won't be penalized by high unemployment benefits.**
  - To receive loan forgiveness, a business must rehire employees by December 31, 2020.
  - Unfortunately, higher unemployment benefits have discouraged some employees from returning to work.
  - Businesses that make a good faith effort to rehire will satisfy headcount requirements for the purposes of forgiveness.
- **Creates a safe harbor for businesses that are required to open at only 50 percent capacity.**