



June 10, 2020

Re: Paycheck Protection Program Flexibility Act of 2020

Dear Client:

I hope that you have now reopened your business and are working to navigate through a new world with pandemic and BLM. Many believe that we are living through biggest changes in all aspects of life in America.

On June 5, 2020, President Trump signed into law the Paycheck Protection Program Flexibility Act of 2020 ("PPPFA"), amending the CARES Act, passed on March 27, 2020, making available Paycheck Protection Program ("PPP") with related increase in funding level on April 23, 2020, <https://www.congress.gov/bill/116th-congress/house-bill/7010/text>.

The following is a summary of the major changes to the PPP based on the PPPFA:

- The covered period for borrowers to spend the PPP loan proceeds on forgivable expenses has been extended from 8 weeks to 24 weeks. Borrowers can choose to extend the covered period from 8 weeks to 24 weeks or keep the original 8 weeks period. The covered period can't extend beyond December 31, 2020.
- To receive loan forgiveness, borrowers need to use at least 60% of the loan proceeds for payroll costs and may use up to 40% on non-payroll costs such as interest on mortgage obligation, rent and utilities. The CARES Act originally allowed at least 75% to be used on payroll costs and up to 25% on non-payroll costs.
- The minimum loan maturity date for loans made after the date of enactment of the PPP Flexibility Act from 2 years to 5 years. The maturity date on previous PPP loans is not automatically extended, but it may be extended by mutual agreement of the lender and borrower. The interest rate remains at 1%.
- The PPPFA extends the June 30 deadline to December 31, 2020 to rehire employees and reverse salary cuts of greater than 25%. A failure to rehire and reinstate salaries will cause a proportion reduction in loan forgiveness.
- The PPPFA allows borrowers to delay payment of their payroll taxes, which was prohibited under the CARES Act.
- The PPPFA allows borrowers to elect the original 8-week period, and its related obligation to maintain payroll levels only through June 30, 2020. Borrowers using the new covered period will be obligated to maintain payroll levels for an extra 16 weeks, all of which have the ability to impact loan forgiveness.

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Of all of the amendments to the PPP in the PPPFA, I find the ability to elect the original 8-week period, and its related obligation to maintain payroll levels only through June 30, 2020, most interesting. For some borrowers, it may be more advantageous to maintain payroll levels only through June 30, 2020. On others, it may be more advantageous to keep their employees on unemployment and then rehire them, when the unemployment benefits run out, maintaining payroll level for extra 16 weeks.

Please note that you cannot use PPP funds to pay your employees for the same pay period that the employees are claiming unemployment. There are still many unanswered questions on the PPP forgiveness and the PPPFA have created many new questions. We are waiting on clarifications from the SBA, and the Treasury Department, on these questions and we will keep you updated as soon as we learn more about them.

The Federal Reserve also recently announced three new programs to add liquidity for small to mid-size businesses. I will be studying these programs along with the SBA disaster loans in the coming months, should additional liquidity be required for your business to survive, if the current downturn in economic activities get extended.

In addition to PPP, there are other provisions in the CARES Act, adding liquidity to survive the current pandemic for businesses with employees, sole proprietors with no employees, shareholders, partners, landlords, employees and retirees. We are available to assist you in evaluating your options. For our letters regarding the PPP and the COVID-19 related things to consider, please go to our website at [www.ksgallp.com](http://www.ksgallp.com)

Please call us for assistance in getting your PPP forgiven and/or adding liquidity to survive the current pandemic. We will see a number of resurgences of COVID-19, before a widely available vaccine is found.

So, stay healthy, do social distancing and let's flatten the curve.

Sincerely,



Steven Y.C. Kang, CPA  
Managing Partner  
KSGA, LLP

*Proverbs 15:23*



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