

IOWA DEPARTMENT OF CULTURAL AFFAIRS

IOWA ARTS COUNCIL PRODUCE IOWA STATE HISTORICAL SOCIETY OF IOWA

Updates to the Paycheck Protection Program

Congress enacted updates to the CARES Act Paycheck Protection Program on June 5, 2020.

Thank you to [Americans for the Arts](#) for the following summary:

This week, Congress passed [H.R. 7010](#) which is now law to provide much-needed flexibility for Paycheck Protection Program borrowers to get their loans fully forgiven. The bill now heads to the President's desk to sign into law.

Here are the seven key highlights providing additional PPP loan forgiveness flexibility:

1. Borrowers will now have the **choice** to extend the "covered period" of their PPP Loan from the original 8 weeks to up to 24 weeks or through December 31, 2020, whichever comes first.
2. The forgiveness formula on allowable use of funds changes from a minimum of 75% on payroll related expenses and a maximum of 25% on specific overhead expenses to a new formula of 60%-40% respectively.
3. For any amount of the PPP loan not forgiven (if applicable), the term of the loan would extend the minimum maturity of the loan from 2 years to 5 years with a maximum maturity of 10 years, still at a low interest rate of 1%.
4. Monthly loan repayments on any amount of the loan that is not forgiven (principal+1% interest+fees) would be deferred until SBA compensates your lender for the forgiven amount (about 150 days). If the borrower does not apply for loan forgiveness within 10 months of the last day of the loan's covered period, then the borrower will need to begin monthly loan repayments based on the entire loan amount (principal+1% interest+fees).

5. The forgiveness rehire date requiring borrowers to bring back the same number of employees by June 30, 2020, that they had prior to February 15, 2020, will now be extended to on or before December 31, 2020. Forgivable reasons providing amnesty for not being able to rehire the same number of employees will expand to include the inability to comply with COVID-19 sanitation and social distancing guidance from HHS, CDC or OSHA.
6. The deadline to apply for a PPP loan would now be extended from June 30, 2020, to December 31, 2020. Please note that because several large companies and chain restaurants recently returned their previously awarded multimillion-dollar PPP loans, there is now more than \$130 billion in available funds for eligible nonprofits, companies, and gig workers to apply for PPP loans.
7. This legislation also corrected an item in the original CARES ACT and would now allow employers who receive PPP loans to be also eligible to defer payment of the employer's portion of a W-2 employee's 2020 FICA tax so that 50% can be paid in 2021 and 50% in 2022.

Next, the Treasury Department and SBA will have to amend its Paycheck Protection Program FAQ guidelines and regulations, as well as amend the recently released Borrower's Loan Forgiveness Application. Please stay tuned for these items and a new webinar that AFTA will present this month to answer your PPP loan forgiveness questions. More than 104,000 PPP forgivable loans totaling \$7.6 billion alone have been awarded to the Arts, Entertainment and Recreation Sector.

###