1. The PPP Flexibility Act: Everything You Need to Know - YouTube

<https://www.youtube.com/watch?v=Kg4ffPSzncY>

Transcript:

okay hi folks and Oskar here from bench accounting and today we've got a very important update on the PPP the Paycheck protection program in particular this relates to the PPP flexibility Act and it contained a huge number of important updates on the way that the PPP works and the way flex and the way forgiveness works so a number of important updates coming your way in this video as ever this video corresponds to a blog article on the bench website do have a look at that we'll put the link in the description below this video

massively recommend checking that blog article out and making sure that you understand every one of the updates they're gonna be talking about talking about now but to dive into it first of all a couple of sort of nuts and bolts changes about the about the program previously we've been talking about the fact that it's a two-year loan at 1% and now that the duration of the loan has changed it's been extended to a 5 year loan so any monies that need to be repaid as part of the PPP you have five

years to make that repayment and it's still a 1% loan one thing that hasn't changed however is the deadline for applications it remains the same at June the 30th 2020 which is obviously coming up at the end of this month so if you're on the fence there's still roughly a hundred billion dollars of PPP funding available so at the time of this video anyway so I do recommend if you're on the fence definitely definitely think about applying but to dive in some of the things that have changed with the

way that the PPP works the first is to do with this idea of payroll costs and how much you need to spend on payroll costs in order to qualify for forgiveness now if you've been paying attention previously you will have heard us talk about and me talked about in these videos this idea of the 7525 rule which is 75% of the PPP funds had to have been spent on payroll costs in order to qualify forgiveness now the PPP flexibility act has relaxed this number down to 60% so now you need to only spend at least 60% of the loan on payroll costs and the

remainder so up to 40% can be spent on those other forgivable expenses so things like business mortgage interest rent and lease agreements and business utilities and can make up the additional 40% of the loan tying in to that is the actual forgiveness period itself or what's known as the covered period now previously this has been an 8 week period so when you receive the loan the disbursement the loan it comes into your bank account that you had an 8 week period in which to spend the money and then you could qualify and then you

could apply for forgiveness afterwards this has been extended as well this is out to 24 weeks so they've tripled the the period in which you can spend the PPP funds and an important distinction here is that it's it's 24 weeks or the 31st of December this year whichever comes earlier so it in actual fact if you receive the money for the PPP after the 16th of July you won't get the full 24 weeks because you'll arrive at the 31st of December first but it for all intents and purposes it's changed from

an 8 week period to a 24 week period and what that's going to mean for you is that in theory you should be able to spend the the full amount of the PPP now on payroll costs so on paying your employees you know you'll be able to get a far higher number of payroll runs in that 24 week period and you can just use all the money on payroll costs now that it's been extended the extension does apply to all loans however if you receive the money already and you've been working on an eight-week period you

can keep it you can elect to keep the covered period at an 8 week period and then you know start applying for forgiveness sooner if you'd like to but that that option to extend to the 24 weeks is available to all borrowers the next updates that's worth discussing is this idea of rehiring employees and and for those who sort of understood the forgiveness criteria beforehand there's this idea of maintaining headcount to sort of pre covert levels in order to qualify for full forgiveness and it was this idea if you should keep your the

same number of FTEs or full-time equivalents if that FTE number had dropped in between February 15th and April the 26th of this year you could still qualify for full forgiveness if you rehired employees by the time you got to June the 30th that was the sort of cutoff date now the PPP flexibility Act has extended that cutoff date to the end of the year to December the 31st of 2020 so again the cupboard period is much longer but if you have had to furlough employees or let employees go you have until the end of the year to

rehire them and still qualify for full forgiveness of your loan there is a new exemption to do with the rehiring of employees that you should also be aware of now if you can document that you are trying to rehire employees that you had to let go you were trying to replace employees that had to let go let go and you couldn't find a suitably suitably qualified replacements or indeed if you can show that for safety reasons you couldn't fill the gap of the person you had to let go your forgiveness again

will not be affected under this new exemption now we haven't had a huge amount more sort of guidance as to how you're going to be able to document those things but that's something that's been that's been laid out in the PPP flexibility Act next thing I'm going to talk about is actually to do with payroll tax the cares Act one of the things that it's brought about was actually a bit of tax relief for small businesses and it was in the form of deferring Social Security tax payments

and it was going to be 50% was going to be due at the end of 2021 and the remainder the other 50% was going to be due at the end of 2022 but there was a caveat which was if you'd applied PPP funds and received forgiveness that deferment of your taxes didn't apply to you and they were going to be due sort of immediately now the flexibility Act has removed that caveat so that even if you apply for PPP funds you got forgiveness you still qualify to be able to defer those Social Security tax payments until at least the

end of 2021 so as a reminder 50% of your payroll taxes will be due by 31st December 2021 and the other 50% by the 31st of December 2022 and the last update that I'm going to talk about on this video is the actual repayment of the loan itself now if you didn't qualify for forgiveness for some of the funds or you need to you need to repay them previously the way the PPP loan was structured was that the you don't have to make any repayments for the first six months now this has been scrapped and now you don't have to make any repayment

of the loan until after your sort of forgiveness application has been has been processed and completed now under the flexibility Act you have after the end of your covered period you have up to ten months to apply for forgiveness and then once that application has been processed and completed you've heard the result then you have to then you can worry about making repayment of the loan so this whole six months deferment has been scrapped and it's now a much longer period until you have to actually even

if you do have to start repaying it you have a lot longer to wait until you have to make those payments so every one lot of changes in the PPP flexibility Act completely changed a lot of the way that we sort of understood the idea of the covered period and forgiveness and even the length of the loan and when you have to repay it so I do as I said at the beginning this video recommend having a look at the blog arts a little article that we're going to link in the description below as it's going to lay

out all of these changes for you to kind of really understand them as you sort of receive the money and start using those PPP funds but as ever thank you very much for watching if we get any more updates the program will of course be sharing them to the can also do subscribe if you want to see that content when it comes through but thanks very much