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Will your PPP loan forgiveness period be extended?

Many of you are approaching the final days of your PPP loan forgiveness period and are asking about some last minute planning options as you have not been able to achieve full forgiveness. The good news is that you may have more time to achieve forgiveness. At our latest PPP loan forgiveness presentation we mentioned that there was pending legislation that may extend your covered period for PPP loan forgiveness. This legislation now has a name, the PPP Flexibility Act of 2020. This Act passed the House by an overwhelming majority of 417 - 1. The Senate has returned from recess and Senator McConnell has said this bill will come to a vote soon.

Since it has such overwhelming support, we wanted to share highlights of how this would impact your calculations if it is passed by the Senate and signed into law.

- The covered period would be extended to 24 weeks or up to December 31, whichever is shorter. This is an extension of the 8 weeks and June 30 time frames
- Non-payroll expenses can be up to 40% of the expenditures rather than the current 25% limitation.
- Any amounts not forgiven could be paid back over 5 years rather than the current 2 years.
- The loan deferment is extended to one year past the covered period.
- You must apply for forgiveness within 10 months of the end of the covered period or you will have to begin making payments on the loan.
- Borrowers would have until December 31 to get hiring back to February 15 levels.
- There are new safe harbors for good faith effort to hire or re-hire employees as well as an exception for businesses that cannot get back to full hires due to COVID worker or customer safety compliance.

There are a couple things not in this Act:

- The Act does not state that businesses can deduct the expenses used for forgiveness.
- Although the period for forgiveness is expanded, the amount of the loan that you are eligible does not increase.

It is even more important that you do not repay a loan solely because you may not achieve forgiveness under the current rules. These changes, if enacted, would make forgiveness much easier to achieve.

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