

Senate Passes Changes to Small Business PPP Loan Program

By Erik Wasson, Laura Litvan and Mark Niquette | Bloomberg

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The Senate cleared changes to the popular Paycheck Protection Program on Wednesday that will allow small businesses more flexibility in using the rescue loan funds. The bill, which passed the House last week on a 471-1 vote, now heads to President Donald Trump's desk for his signature.

Senators gave unanimous consent for the legislation hours after Wisconsin GOP Senator Ron Johnson had raised objections.

The coronavirus program provides forgivable loans to help small businesses make their payrolls during the Covid-19 crisis. The bill would extend an eight-week period -- when proceeds must be spent for loans to be forgiven -- to 24 weeks or until the end of the year, whichever comes first.

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Businesses would also have as long as five years, instead of two years, to repay any money owed on a loan, and they could use a greater percentage of proceeds on rent and other approved non-payroll expenses.

Timing is urgent because the eight-week spending period began expiring last Friday for the first loan recipients after the Small Business Administration program opened April 3. Businesses -- especially in the restaurant and hospitality industry, which are only recently getting the green light to reopen -- say they need more time to distribute pay.

Utah Senator Mike Lee had also objected to language he and Johnson said would lengthen the application deadline. Maine Senator Susan Collins didn't oppose the bill but said she was concerned about the way the House drafted a provision reducing the current requirement that 75% of a loan be used on payroll.

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Restaurants and other small businesses have said they want flexibility to spend more on overhead expenses, especially in high-rent areas. The bill, H.R. 7010, would instead require that 60% of a loan be used on payroll.

The House bill creates a "cliff," Collins said in a statement. The current PPP program allows partial loan forgiveness if a company uses less than 75% of a loan for payroll, but the House bill appears to state that none of the loan would be forgiven if the 60% threshold isn't met.

"Instead, the employer is saddled with a debt for the entire amount, and no portion of the loan is forgiven or converted to a grant," Collins said.

Senate Small Business Chairman Marco Rubio last week sought guidance from Treasury on whether that issue can be addressed through regulation. Treasury and the SBA haven't responded to requests for comment.

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Funds Remaining

About \$130 billion remains from the second round of \$320 billion that Congress approved for PPP. The initial round of \$349 billion was tapped in just 13 days.

There was broad support during a Senate Small Business Committee hearing Wednesday for extending the eight-week loan forgiveness period and changing the rule that 75% of proceeds must be spent on payroll. Republican Senator Joni Ernst of Iowa highlighted a sportswear business in her state that kept 27 workers employed with a PPP loan despite a 96% decline in revenue. But with ballparks and other venues where the apparel is sold still closed -- and the firm's eight-week period expiring this week -- the workers will be furloughed, she said.

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Michael Strain, director of economic policy studies at the American Enterprise Institute, called the 75% payroll rule -- set by SBA and Treasury -- “a mistake” because it limits the program’s ability to help companies such as those in high-rent cities that need to spend more money on expenses.

“A business that cannot pay its rent also cannot continue paying its workers,” Strain told the committee.