Paycheck Protection Program Flexibility Act (H.R. 7010)
Legislative Overview

This bill makes several significant improvements to the Paycheck Protection Program including many of the American Hotel & Lodging Association's priorities. This legislation recognizes the long road ahead for recovery in the hotel industry and the need for flexibility to retain employees and keep the lights on.

Issue	Current Law/Regulations ***Paycheck Protection Program (PPP)***	Proposed Legislation ***Paycheck Protection Program Flexibility Act***
Covered Period	PPP funds must be spent within eight weeks of loan origination; June 30 is the end of the covered period to utilize loan proceeds	Increases to 24 weeks after loan origination, adding 16 weeks to original PPP eight-week period. Borrowers can also instead elect for an 8-week covered period of their choice ending prior to December 31, 2020.
75/25 Mandate on Payroll and Non-Payroll Expenses	Use on covered non-payroll expenses (rent, mortgage interest payments and utilities) is limited to 25% of total loan expenses for max loan forgiveness.	Increases limit to 40% of total loan expenditures if borrower seeks maximum loan forgiveness.
Loan Forgiveness Reduction for Full-Time Equivalent (FTE) Employee Retention/Recruitment	Borrowers are required to return to pre-crisis staffing levels for maximum loan forgiveness. Regulatory guidance sets a four-part test for borrowers seeking maximum loan forgiveness if they could not hire back all FTEs: 1) Written offer for same wage/hours, 2) Offer Rejection, 3) Employer maintains records, 4) Employer reports this rejection to state unemployment office within 30 days.	Loan forgiveness will not be reduced due to a lower number of FTEs if an employer 1) is unable to rehire a previous employee, 2) shows an inability to hire "similarly qualified employees" before Dec. 31, 2020, or 3) shows an inability to return to the "same level of business activity" as prior to Feb. 15, 2020 due to new standards for sanitation, social distancing, or any other safety requirements.
Terms of Loan	Two-year loan period at a 1% fixed interest rate. Loan payments deferred for six with interest accruing over that period.	Payments deferred until forgiven amount is remitted to lender. New PPP loans will have 5-year loan periods. Nothing will "prohibit" lenders and borrowers from "mutually agreeing to modify the maturity terms of a covered loan" for existing PPP loans.
Payroll Tax Deferment	PPP borrowers cannot deduct payroll tax expenses that would otherwise be deductible if they use the PPP loans to cover the expense and the loan is forgiven.	PPP borrowers will have full access to payroll tax deferment.