

June 8, 2020



CHAMBER of COMMERCE

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MEMBER NEWS

Preble County Recovery Edition 56

Member News & Updates



From State of the Heart Care: State of the Heart Care has scheduled “**Camp Encourage at Home,**” a virtual weekend camp, July 10-12, for children experiencing grief, providing them a safe place to come together virtually in an environment of love and acceptance. Camp Encourage at Home is open to any child, ages 6-15, courtesy of State of the Heart Care. For

additional information, visit the website [HERE](#), or contact Camp Director Ashlee Slavin or Assistant Director Sara DePoy at 800-417-7535.

BBB’s Women in Business Networking’s virtual Koffee Talks will remain virtual in June. In July, the meetings will start to meet in person in Preble County again, according to facilitator Stefanie Price. If you would like to join a Zoom Koffee Talk in June, please register and use a link below for the week you want to join:



June 12 Meeting

<https://zoom.us/j/97267576467?pwd=K1R1ejhiNEhIL0hDSzlxTmdaQ1NTZz09>

June 19 Meeting

<https://zoom.us/j/92562301628?pwd=bzlkQ05ua0M0SIRoYnQySmVHd1R6UT09>

June 26 Meeting

[Join our Cloud HD Video Meeting now](#)

Federal Paycheck Protection Program Flexibility Act signed

On Friday, June 5, President Trump signed into law the Paycheck Protection Program Flexibility Act (PPPFA) in an attempt to address many concerns expressed by the small business community around the Paycheck Protection Program (PPP) aimed at providing COVID-19 relief.

On May 27, the House passed the PPPFA by 417-1 and the Senate approved it by unanimous consent on June 3. The new law addresses the following flaws in the original PPP program created under the CARES Act:

PPPFA changes the amount of loan needed for payroll to 60 percent. The biggest complaint around the PPP loan program was that it required businesses to spend 75 percent of the loan on payroll. For those businesses shut down due to COVID-19, this meant playing the role of unemployment office, paying their workers to stay home and do no work. The PPPFA reduces the amount of the loan needed to be spent on payroll from 75 percent to 60 percent, thus increasing the amount of funds available for other expenses from 25 percent to 40 percent.

While this new breakdown was less than the 50-50 split business groups advocated for, it is still an improvement. However, the law does not change the list of expenses eligible for forgiveness. It still includes rent, mortgage payments, utilities, and interest on loans. Again, this is quite a restriction on businesses that need funds for inventory, personal protection equipment, expenses around remote working, and other needs. Business groups will continue to lobby to expand eligible expenses.

PPPFA extends the time period to use funds from 8 to 24 weeks. The second biggest issue around PPP was that it required businesses to spend the funds in the eight-week period from the date funds were received. For a business shut down by government mandate, this amounted to spending funds when, perhaps, conserving them was in order. Business owners clamored to have the flexibility to spend the loan after reopening, especially on payroll when workers returned to work and were not sitting idle.

PPPFA pushes back a June 30 deadline to rehire workers to Dec. 31. Small businesses took issue with the PPP requirement that all workers had to be rehired by June 30, 2020, in order for their salaries to count towards forgiveness. Many businesses were concerned they might not be open, or certainly not at full capacity by this date, and would once again, be required to pay employees for not

working. Under the new law, businesses now have until Dec. 31, 2020, to rehire workers in order for their salaries to count towards forgiveness.

It is important to note, however, that the law did not change how salaries are calculated towards forgiveness. The payroll calculation used in the loan application still applies to the forgivable amount. So, employee compensation eligible for forgiveness is still capped at \$100,000, and until further guidance, employer owners and contractors are still capped at \$15,385. Presumably with the new law, however, having an extra six months of expenses eligible for forgiveness will make up for any gaps and ensure 100 percent forgiveness of the loan.

PPPFA eases rehire requirements. As the intent of PPP was to keep the same number of employees on the payroll as was used to calculate the loan, it required a business to rehire the same number of full-time employees or full-time equivalents by June 30, 2020. The only exception to this rule was if an employer could document in writing an attempt to rehire an employee who rejected this offer.

The new law makes two significant changes to these requirements. First, it extends the rehire date to Dec. 31, 2020, and second, it adds additional exceptions for a reduced head count. The law states a business can still receive forgiveness on payroll amounts if it:

- Is unable to rehire an individual who was an employee of the eligible recipient on or before Feb. 15, 2020;
- Is able to demonstrate an inability to hire similarly qualified employees on or before Dec. 31, 2020; or
- Is able to demonstrate an inability to return to the same level of business activity as such business was operating at prior to Feb. 15, 2020.

It remains unclear how to “demonstrate the inability to rehire similarly qualified employees” or what the standard “to demonstrate the inability to return to previous levels of business activity” would be, but hopefully forthcoming guidance will elaborate. The good news appears to be that even with a reduced head count based on these exceptions, if 60% of the loan is still used on payroll throughout the remainder of 2020, it will be forgiven. Certainly, a business will need to document in writing as thoroughly as possible its efforts to rehire employees through Dec. 31, 2020.

PPPFA extends the repayment term from 2 years to 5. The new law also eases repayment terms in the event loans or portions of them are not forgiven. A business now will have five years at 1% interest to repay the loan. Further, the first payment will be deferred for six months after the SBA makes a determination on forgiveness. Since under current regulations your bank has 60 days to make a forgiveness determination and the SBA an additional 90 days, this means you could have up until May of 2021 to make the first payment on the loan.

In addition, the PPPFA also allows borrowers to take advantage of the CARES Act provision allowing deferment of the employer’s payroll taxes for Social Security. Previously, PPP did not permit deferment of these taxes on the forgivable portion of the loan.

Treasury guidelines still provide for SBA loan audits. While this new law certainly addresses many concerns and should ease the requirements for full forgiveness of PPP loans, it is not a complete fix. Namely, it does not address the issues around SBA audits of loans as outlined in the Treasury Department [“Interim Final Rules”](#) on PPP loans issued late on May 22.

According to [PPP Loans FAQs](#), the SBA could audit any loan at its discretion to determine if “the borrower may be ineligible for a PPP loan, or may be ineligible to receive the loan amount or loan forgiveness amount claimed by the borrower.” This includes loans under \$2 million, which have a “safe harbor” on the issue of whether economic uncertainty made the loan necessary.

So, despite the changes to PPP, the SBA can still look at how a business calculated the original loan amount and review whether it had “access to credit elsewhere” when determining if all or a portion of the loan should be forgiven. All businesses, especially those with loans in excess of \$2 million, should prepare to explain why the funds were financially necessary at the date of application.

This comes down to the issue of liquidity. Did a business have large cash reserves or lines of credit it could have tapped to stay afloat during the shutdown? If so, the SBA may determine the borrower was ineligible for the PPP loan. While borrowers should not worry about criminal penalties if such a determination is made, outright fraud excepted, they could be required to repay the loan in full.

It remains doubtful that the SBA will conduct many audits of PPP loans, as almost 4.5 million have been doled out, and it simply does not have the capacity to review many. That being said, thorough documentation of the financial health of the business at the time of the loan application and detailed tracking of how the loan is expended will prevent any issues down the road. It is important to note that the responsibility for accurately calculating the loan amount and the forgiveness amount rests with the borrower.

There are still plenty of questions left unanswered and fixes necessary, however, so more regulations will be forthcoming with more changes to the PPP program for sure.

(From Bradstreet & Company. Originally published on AllBusiness.com. by Neil Hare.)



Reid Health

CHAMBER CHAMPION

From the Statehouse

Governor DeWine announced on Friday, casinos, racinos, amusement parks, and water parks will be permitted to reopen on Friday, June 19. **You can find the sector-specific guidance for casinos and racinos [HERE](#).** Additionally, Governor DeWine also authorized the Memorial Golf Tournament to be held from July 13-19.

Governor DeWine also announced that he has directed Adjutant General John C. Harris Jr. to work with Ohio Department of Public Safety Director Tom Stickrath to set up enhanced procedures to ensure that members of the Ohio National Guard do not have ties to hate groups. The announcement comes after a member of the Ohio National Guard was removed from a mission in Washington, D.C., after the FBI uncovered information that the individual expressed white supremacist ideology on the internet prior to the assignment. The Ohio National Guard and Ohio Department of Public Safety are fully cooperating with the FBI investigation. The Guardsman has been suspended from all missions at this time, and following due process, it is highly likely that he will be permanently removed from the Ohio National Guard.

For the week ending May 30, the Ohio Department of Job and Family Services (ODJFS) reported 34,575 initial jobless claims to the U.S. Dept. of Labor. Over the last 11 weeks, ODJFS has distributed more than \$3.5 billion in unemployment compensation payments to more than 668,000 claimants. Of the more than 1 million applications the agency has received, nearly 94 percent have been processed, with about 6 percent pending.

Current Ohio data: As of Sunday, June 7, there were 38,476 confirmed and probable cases of COVID-19 in Ohio and 2,377 confirmed and probable COVID-19 deaths. A total of 6,497 people have been hospitalized, including 1,657 admissions to intensive care units. In-depth data can be accessed by visiting coronavirus.ohio.gov.

Current Preble County data: Preble County Public Health reported, as of Friday, June 4, there have been 39 total confirmed and probable cases of COVID-19, 32 of which have reportedly recovered, and six of which are active. The remains one COVID-19-related death in the county.

Upcoming event



Virtual Business After Hours, Wednesday, June 17, from 5-7 p.m. via Zoom: Legislative Update with U.S. Congressman Warren Davidson. Join us for a member-only update from Congressman Davidson, and more

during this special virtual Business After Hours. Watch for additional details. Register to attend online [HERE](#).



It takes all
of us working
TOGETHER
to grow a healthy
community.

Find additional resources & upcoming meetings at
WWW.PREBLECOUNTYOHIO.COM