

Two Key Bipartisan Bills to Improve the Payroll Protection Program (PPP)

Key Points:

- **On Thursday, the House will consider, under suspension of the rules, two key bipartisan bills to improve the Payroll Protection Program: the Payroll Protection Program Flexibility Act and the TRUTH Act – both led by Rep. Dean Phillips (D-MN). Below is information about both of those bills.**

Bipartisan Payroll Protection Program Flexibility Act

- **The bipartisan Paycheck Protection Program Flexibility Act was introduced by Reps. Dean Phillips (D-MN) and Chip Roy (R-TX). The bill has numerous Democratic and Republican cosponsors. This key bill provides needed flexibility to the Paycheck Protection Program, originally created by Congress in the CARES Act in April, in order to make this key program more accessible and usable to the small businesses that need it the most.**
- **This bipartisan bill is supported by numerous organizations, including the National Small Business Association, Small Business Majority, Small Business Roundtable, U.S. Chamber of Commerce, National Restaurant Association, Independent Restaurant Association, NFIB, International Franchise Association (IFA), U.S. Hispanic Chamber of Commerce, National Association of Women Business Owners, US Travel Association, American Hotel and Lodging Association, Associated General Contractors of America, National Independent Automobile Dealers Association, National Association of Wholesaler-Distributors, National Newspaper Association, National Association of Manufacturers, and others.**
- Under the current Paycheck Protection Program, the PPP loan converts to a grant as long as the small business uses the loan within eight weeks of the CARES Act enactment – that is, by June 30 – and uses at least 75 percent of the loan proceeds on payroll and the rest for such necessary expenses as rent, mortgage interest, and utilities. Many small businesses, particularly very small businesses, have reported that, with these restrictions, the loans do not meet their needs.
- Many Members of Congress have heard from small business owners who are not applying for the relief program, even though they need it, because they do not believe they can meet the current requirements for making the loan forgivable. Many Members have also heard from many small business owners who have received PPP loans but are afraid to use the money because of the inflexible, one-size-fits-all rules.
- **The bill makes the PPP program more flexible in the following key ways, in order to make it more accessible and usable for the vulnerable small businesses that need it the most:**
 - **Allowing loan forgiveness for expenses beyond the 8-week covered period to 24 weeks and extending the rehiring deadline.** Back in March, the PPP program was established as an eight-week program, ending on June 30. However, it is clear that the economic effects of the pandemic will affect small businesses long past June 30. The current eight-week timeline does not work for local businesses that could only very recently have customers and those that are only allowed to open with very heavy restrictions. Small businesses need the flexibility to spread the loan proceeds over the full course of the crisis, until demand returns.
 - **Increasing the current limitation on the use of loan proceeds for nonpayroll expenses from 25 percent to 40 percent.** Currently, under regulations issued by the Trump Administration, the PPP loans require that no more than 25 percent of loan proceeds can be spent on non-payroll expenses such as rent, mortgage interest, and utilities. This limitation has prevented many small businesses, such as independent restaurants, from applying to the program because their rent is significantly more than 25 percent of their monthly expenses. The 40 percent limitation in this bill is much more realistic.

- **Extending the program from June 30 to December 31.** By ensuring the PPP program will operate for 24 weeks, rather than only eight, this bill will ensure that many more truly small businesses will be able to take advantage of the program.
- **Extending loan terms from two years to five years.** According to the American Hotel and Lodging Association, full recovery for that industry following both the September 11, 2001 terrorist attacks and the 2008 recession took more than two full years. This was also true for many other industries. If the past is any indication of the future, it will take many businesses more than two years to achieve sufficient revenues to pay back the loan.
- **Ensuring full access to payroll tax deferment for businesses that take PPP loans.** The purpose of PPP and the payroll tax deferment was to provide businesses with liquidity to weather the crisis. Receiving both should not be considered double-dipping. Businesses need access to both sources of cash flow to survive.

Bipartisan Small Business Transparency and Reporting for the Underbanked and Taxpayers at Home (TRUTH) Act

- **The bipartisan TRUTH Act was introduced by Reps. Dean Phillips (D-MN) and Brian Fitzpatrick (R-PA). This bill will improve transparency in SBA lending – including in both the PPP and EIDL programs.**
- **Specifically, the bill improves the transparency of SBA lending by:**
 - Requiring the SBA to publicly identify all borrowers with loans above \$2 million and provide an explanation of the decision-making process under which such funds were disbursed, including for both PPP and EIDL loans above this amount.
 - Requiring the SBA to publicly disclose the amount of assistance provided to socially and economically disadvantaged small business owners, and women- and veteran-owned small businesses.
- We cannot accept a situation in which bigger businesses with access to other sources of liquidity are pushing to the front of the line to get loans, at the expense of those with the greatest need, particularly, the minority-, women- and veteran-owned businesses that are struggling the most during the pandemic.