U.S. Congressman
Jimmy Panetta
Proudly Serving California's 20th Congressional District

Paycheck Protection Program Improvement Proposal

Congressman Jimmy Panetta and Joint Economic Committee Vice Chair Don Beyer

Background:

- The Paycheck Protection Program created by the CARES Act should be a lifeline to many businesses, providing forgivable loans to cover up to 8 weeks of payroll, rent, utilities, and mortgage interest.
- However, structural and regulatory issues have hobbled the program, making it difficult for small businesses, especially in the hospitality industry, to use the loans effectively.
- Other small businesses have been unable to secure loans in the first place, while larger, publicly traded companies have received large loans.

Paycheck Protection Program Improvement Proposal:

- Provides dedicated funding for the smallest businesses and prevents publicly traded companies from receiving PPP funding.
- Provides more clarity and flexibility for loan forgiveness and payroll requirements.
- Allows small businesses to spread out payroll payments over a longer period of time and covers payroll paid before the loan was received.

Summary of Provisions to Improve the PPP:

Making PPP More Accessible for Small Businesses:

- Provides $660 billion for the PPP program overall, with amounts reserved for businesses with fewer employees, including:
    - $240 billion set aside for employers with fewer than 10 employees
    - $180 billion set aside for employers with 10 or more but fewer than 50 employees
- Prevents publicly traded companies from crowding out smaller businesses by prohibiting them from receiving PPP loans, with exceptions for independently owned and operated franchisees.
- Provides banks increased processing fee incentives for the smallest loans and lowering fees banks receive for processing the largest loans.
- Requires lenders to publicly report what percentage of their lending is going to small, medium, and large businesses.

Increasing Clarity and Flexibility of the Program:

- Clarifies rules regarding the minimum percentage of the loan that must to be spent on payroll and its effect on loan forgiveness by creating a sliding scale so that forgiveness is reduced, not forfeited.
- Provides small businesses with more time to rehire employees and utilize payroll forgiveness by pushing back the June 30, 2020 rehiring date to August 31, 2020 and allowing businesses to pay their 8 weeks of payroll over a 16-week period without losing forgiveness.
- Recognizes the efforts already made to preserve jobs by allowing businesses to be used on payroll expenses made after March 15, regardless of when the loan was disbursed.
- Gives businesses more time to pay back loans by allowing them to convert their PPP loan into an Economic Injury Disaster Loan, which can have a much longer repayment term, if they choose to accept the higher interest rate and forfeit loan forgiveness.

Making PPP more Accessible for Smaller Nonprofits:

- Expands PPP eligibility for nonprofits regardless of type, to support local chambers of commerce and labor unions and other non-profits providing critical COVID-19-related support to their memberships.
- Prevents PPP from subsidizing lobbying by preventing employees who are federally registered lobbyists from counting towards value of the PPP loan, and preventing loan forgiveness payroll costs for lobbyists.