

PPP Extension Act of 2021

Cross References

- Public Law 117-6

Signed into law on March 30, 2021, the PPP Extension Act of 2021 extends the covered period and the funding period for the Paycheck Protection Program (PPP) from March 31, 2021 to June 30, 2021. The Small Business Administration (SBA) is not allowed to accept any new lender applications during the period starting June 1, 2021 through June 30, 2021.

The PPP was first enacted under the CARES Act to provide SBA loans to eligible businesses as a result of the economic hardships caused by COVID-19. The loans are designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive the loan if employees are kept on the payroll during a “covered period” and the money is used for payroll, rent, mortgage interest, or utilities. If loan proceeds are not used for these expenses, the business is required to repay a portion or all of the loan. Any amount that is forgiven is not taxable.

On June 5, 2020, the Paycheck Protection Program Flexibility Act of 2020 was signed into law, which provided additional funding for PPP loans, extended the “covered period,” and allowed more money to be spent on non-payroll costs, such as mortgage interest, rent, and utilities. To be eligible for loan forgiveness, at least 60% of the loan proceeds must be used for payroll costs and no more than 40% for mortgage interest, rent, or utilities.

The Consolidated Appropriations Act, 2021, extended the PPP to March 31, 2021, and provided an additional \$806.5 billion in funding. The law also allowed additional expenses to be added to the 40% category, such as certain operational expenses, property damage costs, supplier costs, and certain worker protection expenditures. The law also allowed for a second draw PPP loan for smaller and harder-hit businesses with a maximum loan amount of \$2 million. The law also allows for a tax deduction for expenses paid for with loan proceeds, even if the loan is forgiven and the loan forgiveness is not taxable.

The new law does not change any of these previous provisions, other than extending to June 30, 2021 the covered period and the ability for SBA to provide funds for loan applicants.