

May 12, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Dear Secretary Mnuchin,

The National Association of Manufacturers thanks you for your ongoing work to implement and oversee the Paycheck Protection Program, which has proven to be a vital lifeline for America's small manufacturers. The COVID-19 outbreak has had a dramatic impact on these businesses, and the PPP is allowing them to keep their doors open and their workers on the payroll. But due to recent developments, some are losing confidence in the program. To ensure that small manufacturers receive the promised and much-needed help, the NAM respectfully urges you to issue clarifying guidance on several key issues:

- **Provide certainty to manufacturers that have received PPP loans.** Recent guidance on review of loans in excess of \$2 million can be interpreted to retroactively disqualify small businesses from participation in the program, notwithstanding their good faith compliance with required certifications regarding financial need at the time a loan application was made. As you know, PPP loan amounts are based on a company's payroll. Just because a company is able to compensate its employees well does not mean that it has access to other sources of liquidity; rather, above-average pay is indicative of the highly skilled workforce necessary for modern manufacturing. As such, the NAM respectfully encourages you to avoid applying one-size-fits-all criteria or bright-line tests that exclude or subject to enhanced scrutiny entire classes of companies that have complied with the terms of the program and are using their PPP funds to keep Americans employed and paid during the crisis.
- **Address contradictions in PPP guidance.** From the outset of the PPP, businesses have been required to count only their U.S.-based employees to determine if they meet the program's size tests. However, new guidance released last week contradicted the existing rules, calling into question the eligibility of manufacturers that received PPP loans under the previous standard and creating confusion among current applicants. To help protect American jobs, we respectfully encourage you to clarify that only U.S.-based workers are counted for the size test.
- **Allow access to the full benefit of the PPP.** Under the CARES Act, forgiven PPP loans are not subject to taxation, but a recent IRS notice would deny the deductibility of payroll costs for PPP loan recipients—increasing federal tax liability at a time of significant capital scarcity. We encourage you to reconsider this guidance in order to provide maximum liquidity to small manufacturers participating in the PPP.

Resolving these important issues will allow small businesses to confidently support workers with funds from the PPP. I welcome the opportunity for our staffs to discuss these issues in further detail. And on behalf of the NAM and the men and women who make things in America, thank you again for your continued leadership.

Sincerely,


Jay Timmons