April 20, 2020

The Honorable Nancy Pelosi  
Speaker  
H-232, The Capitol  
Washington, D.C. 20515

The Honorable Kevin McCarthy  
Minority Leader  
H-204, The Capitol  
Washington, D.C. 20515

Dear Speaker Pelosi and Leader McCarthy:

As Congress continues our negotiations to craft another legislative package to respond to the impacts of the COVID-19 pandemic, we must include language clarifying the loan forgiveness provisions of the Paycheck Protection Program (PPP). Specifically, Congress must take action to expand the definition of what qualifies as eligible loan use for purposes of loan forgiveness.

While Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) allows for a PPP loan to be used for a variety of purposes—including inventory, supplies, and raw materials—Section 1106 of the CARES Act only allows for loan forgiveness for payroll costs, mortgage interest, rent, and utilities. While the intent of these stipulations on loan forgiveness—to ensure the continued employment of individuals throughout the country—is laudable, such stipulations ignore the reality that many of these businesses are facing.

A prime example of loan forgiveness not matching the reality on the ground can be found in the food distribution industry, which is an essential part of our food ecosystem. As a result of the disruptions associated with the coronavirus pandemic, the dynamics of how Americans buy and consume food products have changed virtually overnight. To keep Americans fed, the food distribution industry had to change as well—including shifting their supply chains, buying additional cleaning supplies and personal protective equipment, and accepting that a lot of their existing perishable inventory might be lost. This shift in how food was being distributed came at a cost, which—under the current law—will not be forgiven. Unfortunately, if we do not expand loan forgiveness, the PPP may merely provide upfront cash to prolong the viability of this industry now only to watch it sink into debt later.

We ask that any future legislation create additional flexibility in PPP loan forgiveness by extending eligible categories of loan forgiveness to include inventory that has been rendered unusable by the pandemic and the resulting business closures. This change will allow small businesses the flexibility to use the PPP loans as necessary to keep their businesses afloat and, in the process, ensure critical industries such as food distribution can continue meeting society’s needs during this crisis.

As a resource for small businesses, sole proprietors, contractors, and the self-employed, PPP loans were meant to both keep workers employed and to address the different contexts and needs of these businesses. Forcing small business owners to choose between abandoning critical aspects of their business or taking on additional debt that they cannot afford could result in these
businesses having to close their doors, further feeding into a loss of industry and higher unemployment at a time when Americans are struggling most.

Thank you for your ongoing work to address the economic impacts of this pandemic. Our swift action on this issue will help alleviate the concerns of our nation’s small businesses, which are vital to our country and our communities.

Sincerely,

Abigail D. Spanberger
MEMBER OF CONGRESS