



Simply put, this bill contains *many* anticipated provisions by the small business community, including:

1. Tax deductibility of PPP loan forgiveness expenses – there will be no tax liability resulting from forgiven PPP or PPP2 loans.
2. Automatic forgiveness of PPP loans under \$150k –those borrowers with loans under \$150k should wait to seek forgiveness until the simplified form is provided by SBA.
3. PPP 2.0 (Second Draw Loans) will be available (likely starting in January) for qualified businesses that previously received a PPP loan – especially welcome by businesses that continue to feel the detrimental effects of COVID.
4. Companies that did not previously receive a PPP loan may now apply for a PPP loan using the original criteria.
5. 501(c)(6) organizations are now eligible for PPP loans under the original criteria.
6. Extension of the SBA debt relief program and related forgiveness of principal and interest payments is not taxable.
7. EIDL advances are no longer taxable nor do they offset forgiveness related to PPP loans.

Below are additional details regarding the bill. Please take a look at this information and register for our upcoming webinars for additional clarification.

In the meantime, if you have questions, you may reach out to your Rea advisor or reply to this email and we will make sure your questions are seen by members of our PPP Task Force.

WEBCAST
What Does The New Stimulus Bill Mean For Businesses?



**Thursday, January 7, 2021
10-11 a.m. EST**

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Don't forget to register for next week's webinar, "What Does The New Stimulus Bill Mean For Businesses?"

PPP Forgiveness & Additional

Provisions Be Aware Of:

1. **Forgiveness related expenses are deductible**
 - a. This provision also clarifies that the tax basis and other attributes of the borrower's assets will not be reduced as a result of the loan forgiveness. *The provision is effective as of the date of enactment of the CARES Act.* The provision provides similar treatment for *Second Draw PPP loans*, effective for tax years ending after the date of enactment of the provision.
2. **Simplified Forgiveness Application (so-called "Automatic Forgiveness")**
 - a. *For loans under \$150,000:*
 - i. *Sign and submit a certification that is one page in length, which includes:*
 1. the number of employees the borrower was able to retain because of the covered loan,
 2. the estimated total amount of the loan spent on payroll costs, and
 3. the total loan amount.
 - ii. *Attest that complied with Paycheck Protection Program loan requirements.*
 - b. Applies to loans made before, on, or after the date of enactment, including the forgiveness of the loan.
3. **Second Draw Loans (PPP2)**
 - a. For harder-hit businesses
 - b. New applications should be available within about a week. Eligible clients should discuss a Second Draw (SD) Loan with their lender now. SD Loans

WEBCAST

New Year, New HR Compliance Considerations



Wednesday,
January 13, 2021
9-10 a.m. EST

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[Registration is also open for our upcoming HR webinar, "New Year, New HR Compliance Considerations"](#)

are expected to be funded starting in January.

- c. Maximum SD loan amount of \$2 million. *Borrowers may receive an SD loan amount of up to 2.5X the average monthly payroll costs in 2019. Entities in the Accommodation and Food Services industries may receive loans of up to **3.5X average monthly payroll costs**.*
- d. Borrower employs not more than 300 employees;
- e. Have used or will use the full amount of their first PPP loan; and
- f. *The borrower had at least a 25 percent reduction in gross receipts in any calendar quarter of 2020 compared to the same 2019 quarter.*
- g. Businesses with multiple locations that are eligible entities under the initial PPP requirements may employ not more than 300 employees per physical location.
- h. May only receive one PPP second draw loan.
- i. Loan forgiveness.
 - i. *Additional eligible expenses:*
 - 1. **Covered operations expenditures.** Payment for any software, cloud computing, and other human resources and accounting needs.
 - 2. **Covered property damage costs.** Costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.
 - 3. **Covered supplier costs.** Expenditures to

a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that is essential to the recipient's operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.

4. **Covered worker protection expenditure.** Personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or any equivalent State and local guidance related to COVID-19 during the period between March 1, 2020, and the end of the national emergency declaration.

5. **These additional expenses apply to original PPP loans also.**

- ii. 60/40 cost allocation between payroll and non-payroll costs
- iii. Same covered period (between 8 and 24 weeks)
- iv. Clarifies that other employer-provided group insurance benefits are included in payroll costs. *This includes group life,*

disability, vision, or dental insurance.

- v. Applies to loans made before, on, or after the date of enactment, including the forgiveness of the loan.

4. Businesses that passed on a PPP loan initially may apply now using the same criteria

- a. Businesses that repaid all or a portion of their initial PPP loans may re-apply for the amount repaid using the same criteria.
- b. Farmers and ranchers who operate as a sole proprietor, independent contractor, self-employed individual, who report income and expenses on a Schedule F, and were in business as of February 15, 2020, may utilize their gross income in 2019 as reported on a Schedule F. Lenders may recalculate loans that have been previously approved to these entities if they would result in a larger loan.

5. 501(c)(6) and Destination Marketing Organizations are now eligible for PPP loans, if:

- a. The organization does not receive more than 15 percent of receipts from lobbying;
- b. The lobbying activities do not comprise more than 15 percent of activities;
- c. The cost of lobbying activities of the organization did not exceed \$1,000,000 during the most recent tax year that ended prior to February 15, 2020, and
- d. The organization has 300 or fewer employees.

6. Extension of the SBA debt relief program

- a. Subsidizes payment of principal and interest (P&I) on small business loans guaranteed by the SBA under the 7(a),

504 and microloan programs, established under the CARES Act.

- b. All borrowers with qualifying SBA loans prior to the CARES Act *will receive an additional three months of P&I, starting in February 2021. Going forward, those payments will be capped at \$9,000 per borrower per month.*
- c. After the three-month period described above, *borrowers considered to be underserved—namely the smallest or hardest-hit by the pandemic—will receive an additional five months of P&I payments*, also capped at \$9,000 per borrower per month. They include food service and accommodation; arts, entertainment and recreation; education; and laundry and personal care services.
- d. *Gross income does not include forgiveness of these loans.* The bill also clarifies that deductions are allowed for otherwise deductible expenses paid with the amounts not included in income by this section, and that tax basis and other attributes will not be reduced as a result of those amounts being excluded from gross income.

7. Emergency EIDL Grants

- a. *PPP borrowers must no longer deduct the amount of their EIDL advance from their PPP forgiveness amount.*
- b. The Administrator shall issue rules that ensure borrowers are made whole if they received forgiveness and their EIDL was deducted from that amount.
- c. Provides additional targeted funding for eligible entities located in low-income communities through the EIDL Advance program.
- d. Makes entities in low-income communities that received an EIDL Advance eligible to receive an amount

equal to the difference of what the entity received under the CARES Act and \$10,000.

- e. Provides \$10,000 grants to eligible applicants in low-income communities that did not secure grants because funding had run out.
- f. *Gross income does not include forgiveness of emergency EIDL grants.* The bill also clarifies that deductions are allowed for otherwise deductible expenses paid with the amounts not included in income by this section, and that tax basis and other attributes will not be reduced as a result of those amounts being excluded from gross income.