

# **THE NEW STIMULUS ACT**

**The Big Changes that will Impact your  
Business**

**JANUARY 15, 2021**

**There is another round of PPP, but you may not be eligible.**

## Loan Overview

- \$285B authorized
- Less than 300 employees at a physical location
- \$2 million maximum
- For 2<sup>nd</sup> round, must have used all of the 1<sup>st</sup> round
- Availability: 2.5x payroll (some industries can be at 3.5x payroll)
- Expires 3/31/21
- 1<sup>st</sup> round loans still available under 1<sup>st</sup> round rules

## More Aid To Specific Industries

72	Accommodation and Food Service	7223	Special Food Services
7211	Traveler Accommodation	722310	Food Service Contractors
721110	Hotels (except Casino Hotels) and Motels	722320	Caterers
721120	Casino Hotels	722330	Mobile Food Services
721191	Bed-and-Breakfast Inns	7224	Drinking Places (Alcoholic Beverages)
721199	All Other Travel Accommodation	7225	Restaurants and Other Eating Places
7212	RV Parks and Recreation Camps	722511	Full-Service Restaurants
721211	RV Parks and Campgrounds	722513	Limited-Service Restaurants
721214	RV Parks and Vacation Camps (except Campgrounds)	722514	Cafeterias, Grill Buffets, and Buffets
7213	Rooming and Boarding Houses, Dormitories and Worker's Camps	722515	Snack and Non-Alcoholic Beverage Bars

## Eligible

- Most businesses and certain non-profit organizations
- Housing cooperatives
- News organizations
- Veterans' organizations
- Tribal businesses
- Self-employed individuals, sole proprietors, independent contractors
- Small agricultural co-operatives
- Many companies that filed bankruptcy

## Not Eligible

- Entities involved in political and lobbying activities, including engaging in advocacy in areas such as public policy or political strategy or otherwise describes itself as a “think tank” in any public document
- Entities affiliated with entities in the People’s Republic of China
- Registrants under the Foreign Agents Registration Act
- Entities that receive a grant under the Shuttered Venue Operator Grant program
- Publicly held companies
- Start-ups launched after Feb 15, 2020

## Revenue Test

- 25% reduction in gross receipts in any quarter of 2020 relative to the same 2019 quarter.
- Borrowers who were not in business during the first, second, or third quarter of 2019 but were in business during the fourth quarter of 2019 can compare the first, second, or third quarter of 2020 to the fourth quarter of 2019.

**If you have an existing PPP loan, you can request an increase.**



## Increase Your Loan

If your loan calculation has increased due to changes in interim final rules you are allowed to work with lenders to modify your loan value regardless of whether the loan has been fully disbursed.

**Seasonal employers are more fully defined.**

## Seasonal Employers

- The new act defines a seasonal employer to be an eligible recipient which:

(1) operates for no more than seven months in a year, or

(2) earned no more than 1/3 of its receipts in any six months in the prior calendar

This definition applies to any loan made before, on or after enactment including the forgiveness of the loan.

- Max amount new PPP loans is based upon 2.5 times the average monthly payroll costs for the 12-week that begins February 15, 2019 or March 1, 2019 and ends February 15th, 2020.

**The definition of "forgivable" expenses  
has been expanded.**

## Changes in Forgiveness

- Same expenses as before:
  - Payroll
  - Payroll-related expenses (including other employer-provided group insurance benefits such as group life, disability, vision, or dental insurance)
  - All rent and mortgage interest.

## Changes in Forgiveness

More expenses now allowed:

- Operations expenditures such as payment for any software, cloud computing, and other human resources and accounting needs.
- Property damage costs such as costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.
- Supplier costs such as expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are 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.

## Changes in Forgiveness

More expenses now allowed:

- Worker protection expenditure such as personal protective equipment and adaptive investments to help you 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.
- These definitions now also apply to loans made before, on, or after the date of enactment, including the forgiveness of the loan.
- The 60/40 cost allocation between payroll and non-payroll costs in order to receive full forgiveness will continue to apply.

**Forgiveness of PPP loans has been made a lot easier.**



## Easier Forgiveness for Loans Under \$150,000

- Borrower submits to the lender a certification that is not more than one page in length
- Description of the number of employees the borrower was able to retain because of the covered loan
- Estimated total amount of the loan spent on payroll costs, and the total loan amount
- Borrower must also attest that borrower accurately provided the required certification and complied with Paycheck Protection Program loan

## Easier Forgiveness for Loans Under \$150,000

- Your requirement to restore your full time employees and salaries and wages to pre Feb 15 2020 levels has been extended. Your loan forgiveness may still be reduced based on the number of employees and employee salary that fell more than 25 percent.
- Workforce to be restored to its pre-February 15 levels on the last day of the Covered Period
  - (A) beginning on the date of the origination of a covered loan; and
  - (B) 8 or 24 weeks from origination
- SBA can still audit. Make sure to keep your documentation for four years.

**You can deduct your PPP forgiveness expenses.**

## Full Tax Benefits

- Loans forgiven are not taxable
- Expenses used for forgiveness are deductible

## What We've Learned...

- There is another round of PPP, but you may not be eligible.
- If you have an existing PPP loan, you can request an increase.
- Seasonal businesses are more fully defined.
- The definition of "forgivable" expenses has been expanded.
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**There is special help for businesses in Low  
Income areas**

## What is a Low-Moderate Income Area?

Low-income area means a census tract as reported in the most recently completed decennial census published by the United States Bureau of the Census that has a poverty rate of at least 20 percent or in which the median family income does not exceed 50-80 percent of the greater of the statewide or metropolitan median family income.

## Business in Low-Moderate Income Areas

- Two set-asides (\$15 billion for initial PPP loans and \$25 billion for second PPP loans) for small businesses borrowers with 10 or fewer employees and businesses located in Low to Moderate Income (LMI) areas for loans up to \$250,000.
- Additional set-asides of \$15 billion for small community banks, small credit unions, and small agricultural credit institutions, and \$15 billion for mission-based community lenders like community development financial institutions (CDFIs), certified development companies (CDCs), minority depository institutions (MDIs), and SBA Microloan intermediaries.
- Special grants under EIDL program.



**The EIDL program is alive and well...and so  
are the grants.**

## Economic Injury Disaster Loans

- \$2 million, 30 years, 3.75% interest
- Administered directly through the SBA
- \$20 billion more allocated to the program.
- You can get an EIDL even if you have a PPP loan.

## Economic Injury Disaster Loans – Grants

- \$1,000/employee up to \$10,000 still applies for most employers – check with SBA?
- No longer have to deduct the amount of your EIDL grant from your PPP forgiveness amount.

## Economic Injury Disaster Loans – New Grants

- Low-Moderate Income Area opportunities:
  - Entities in low-moderate income communities that received an EIDL Advance are eligible to receive an amount equal to the difference of what the entity received under the CARES Act and \$10,000 because funding had run out
  - Also provides \$10,000 grants to eligible applicants in low-income communities that did not secure grants

**There are special grants for the arts industry.**

## Shuttered Venue Operator Grant Program.

- \$15 billion allocated
- Live venue operators or promoters, theatrical producers, live performing arts organization operators, museum operators, motion picture theatre operators, or talent representatives who demonstrate a 25 percent reduction in revenues with special amounts set aside for organizations with less than 50 full time employees.
- The SBA may make an initial grant of up to \$10 million dollars and a supplemental grant that is equal to 50 percent of the initial grant. The grants have to be used for specified expenses such as payroll costs, rent, utilities, and personal protective equipment.
- Can't get a new PPP if you participate.

**More forgiveness for other SBA loans**

## SBA Loan Program Forgiveness

- Applies to ALL businesses under 500 employees
- Section 7(a) Loans (\$5M)
- 504 (\$5M) and 504 Microloans (\$50K)
- Uses:
  - Working Capital
  - Inventory
  - Equipment
  - Property
  - Business Acquisitions



## SBA Loan Program Forgiveness

- **BANKERS INCENTIVES**  
Federal guarantee increased from 75% to 90%  
Waiving guarantee fees
- **EXISTING LOAN FORGIVENESS**  
Up to 8 months of forgiveness (3 months plus an additional 5 months if you're in a hard hit industry such as food service and accommodation, arts, entertainment and recreation, education; and laundry and personal care services) of principal and interest payments - capped at \$9,000 per month.
- **NEW LOAN FORGIVENESS**  
First 6 months of principal and interest (up to \$9,000 per month) is also forgiven.

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- Forgiveness of PPP loans was made a lot easier.
- You can deduct your PPP forgiveness expenses.
- There is special help for businesses in low to moderate income areas.

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- The EIDL program is alive and well...and so are the grants
- There are special grants for the arts industry.
- Existing SBA loan programs now have forgiveness.

**The Employee Retention Tax Credit has been expanded.**

## Employee Retention Tax Credit

	Old Rules	New Rules
Expiration	12/31/20	7/1/21
Number of employees	100	500
Business shut down	YES (that quarter)	YES (that quarter)
Or...Revenue loss	50% per qtr vs prior year	20% per qtr vs. 2019
Eligible wages cap	\$10K per year/employee	\$10K per quarter/employee
Credit calculation	50% up to \$10,000 wages	70% up to \$10,000 wages
PPP loans	NO	YES
Retroactive to 2020	NA	YES
Group health insurance included	NO	YES

**Deferred social security taxes have been extended.**

## Deferred Social Security Taxes

- Applies to any business
- Applies only to employer FICA/social security taxes
- Deferral for payroll through March 30, 2021
- Interest free
- Payback: 50% in 2021 and 50% in 2022

**Families First Coronavirus Response Act is  
now optional, but credit still available.**



# FAMILIES FIRST CORONAVIRUS RESPONSE ACT

- Not required past 1/1/21
- Provides compensation to employees affected by Covid
- Tax credit available through 3/31/21

**The Work Opportunity Tax Credit has been extended.**

## Work Opportunity Tax Credit

- Extended through 2025
- Applies to hires of veterans, long term (6m) unemployed, welfare recipients and others
- Credit \$1,200 - \$9,600 per employee

**The meals deduction has been increased.**

## Meals Deduction

- Meals 100% deductible through 2022

**Charitable contributions incentives have been extended.**

## Charitable Deductions

- Extended through 2021
- INDIVIDUALS  
\$600 for those married filing jointly and \$300 for other filers  
Deduction is over and above standard deduction
- CORPORATIONS  
25 percent of taxable income in 2021 instead of reverting to 10 percent.  
Cap on deductibility of food donations from corporations will stay at 25 percent of taxable income instead of reverting to 15 percent.

**If your business lost money in 2020 file your  
taxes NOW!!!**



## SPECIAL NET OPERATING LOSS CARRYBACKS

- Included in original March 2020 CARES Act
- Applies to tax years 2018-2020
- Carryback your loss for 5 years, get a refund on any taxes paid
- The quicker you file, the quicker you get your money.

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- You can deduct your PPP forgiveness expenses.
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- The EIDL program is alive and well...and so are the grants
- There are special grants for the arts industry.
- Existing SBA loan programs now have forgiveness.
- The Employee Retention Tax Credit has been expanded.
- Families First CRA now optional, but credit still available.
- Deferred social security taxes have been extended
- The Employee Retention Tax Credit has been extended.
- The meals deduction has been increased.
- Non-profits can now get more.
- If you lost money in 2020 (or 2018 or 2019) then file your taxes now.

# THANK YOU!

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