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## COVID-19 UPDATE | DECEMBER 24, 2020

### POTENTIAL IMPACTS OF THE CONSOLIDATED APPROPRIATIONS ACT ON THE PAYCHECK PROTECTION PROGRAM

On Monday, December 21, the US Senate and House passed a \$900 billion COVID-19 relief bill called the Consolidated Appropriations Act 2021, which would provide support to millions of Americans, including households, small businesses, health care providers, government programs like unemployment assistance and vaccine development and distribution, as well as the transportation industry and other industries critically impacted by the pandemic.

As of Tuesday evening, December 22, the President has indicated dissatisfaction with the bill, specifically in the areas of foreign spending, and the amount of individual stimulus payments proposed. While we wait to find out whether Congress will amend the bill, we thought it was important to inform you of the significant impacts the proposed bill would have to the Paycheck Protection Program.

As currently proposed, the Consolidated Appropriations Act would provide \$284 billion to the Small Business Administration (SBA) for its Paycheck Protection Program (PPP), and outlines several new key provisions, including:

- **Tax deductibility of PPP expenses**

The Act specifies that business expenses paid with forgiven PPP loans are tax deductible. This supersedes previous IRS guidance that such expenses could not be deducted, and aligns with the original intent of the CARES Act, which is to provide a tax-free forgivable loan to qualifying businesses.

- **Second round of PPP loans available for previous borrowers**

PPP borrowers who have 300 or fewer employees who have used, or will use, the full amount of their first PPP loan, and can show a 25% gross revenue decline in any 2020 quarter as compared to the same quarter in 2019 may apply for a second PPP loan of up to \$2 million. Forgiveness calculations and good faith certifications similar to the first round of PPP loans apply.

- **Additional funding for first-time borrowers**

First-time PPP borrowers from the following groups may apply for a PPP loan of up to \$2 million:

- o Businesses with 500 or fewer employees that are eligible for other SBA 7(a) loans
- o Sole proprietors, independent contractors, and eligible self-employed individuals; not for profits, including churches
- o Accommodation and food service operations with fewer than 300 employees per physical location.

- **Borrowers who have not already applied for forgiveness may increase their loan amount for certain qualified expenses**

The Act allows PPP borrowers who have not already applied for forgiveness to increase the amount of their original PPP loans for group life, disability, vision or dental insurance. There is also a new calculation based on gross income available for borrowers who are farmers.

- **Borrowers who returned their PPP funds may reapply**

The Act allows PPP borrowers who returned part or all of a previous PPP loan to reapply for the maximum amount available to them.

- **Additional expenses eligible for forgiveness**

In addition to payroll, rent, mortgage interest and utilities, the Act has expanded qualified expenses to include COVID-related costs, including worker protection such as PPE, work place adaptations or property damage costs, certain supplier costs, as well as certain operational expenses such as software, cloud computing, human resources and accounting needs. At least 60% of forgivable loan funds must still be used for payroll costs.

- **Simplified loan forgiveness process for small loans**

The SBA is expected to release a simplified forgiveness process for loans of \$150,000 or less. The Act specifies that a borrower will receive forgiveness if they sign and submit a one-page certification to their lender that includes:

- o The number of employees the borrower was able to retain because of the loan
- o The estimated total amount of the loan spent on payroll costs
- o The total loan amount

- **Clarified forgiveness calculations**

The Act also repeals the requirement that PPP borrowers deduct the amount of any Emergency Injury Disaster Loan (EIDL) Advance from their PPP forgiveness amount.

These provisions are not yet final, and we will continue to update you on the status of this bill and any changes that occur as it is finalized and signed into law. However, if you believe you qualify for a second PPP loan, it may be beneficial to start to prepare by taking the following steps so that you are ready to apply should the application window open in early January:

- Gather and review your 2019 and 2020 quarterly revenue information to determine if you meet the 25% revenue reduction threshold.
- Gather your 2019 and 2020 payroll information, including gross payroll, group health insurance, retirement benefits paid, employer state and local taxes, group life, vision and dental insurance

As always, CRR is closely following all PPP developments in order to best help our clients achieve maximum loan forgiveness. Please don't hesitate to contact us at [ppp@crrcpa.com](mailto:ppp@crrcpa.com) with any questions you may have, or visit our COVID-19 Resource Center at [www.crrcpa.com/covid19](http://www.crrcpa.com/covid19) for the latest updates, alerts and impacts.

We're in this together.