



**GLENN BURDETTE**

## **COVID-19 RESOURCE UPDATE**

*JANUARY 6, 2021*



### **Summary:**

A new year and a fresh look to the newsletter.

Much like Judge Smails, we've been waiting a long time for the updated stimulus package. And it has arrived. A lot to unpack.

Let's do this, 2021!

### **IN THIS ISSUE:**

**CONSOLIDATED  
APPROPRIATIONS ACT  
UPDATE**



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# COVID Relief Updates 1/6/2021

## Happy New Year!

- In a back-and-forth effort rivaling that of Olympic Ping-Pong, Congress and the President finally agreed on December 27, 2020 to an updated COVID-19 Relief bill. Called the “Consolidated Appropriations Act, 2021”, this thing is massive. Like, 5,593 pages-long massive. I can’t believe we waited this long for something with such a boring name.
- But don’t judge this book by its cover! It has a lot of great stuff in it, and some are starting to say it is more impactful than the original bill.
  - Probably the folks who wrote the bill are saying that, but hey, I digress.
- Let’s talk about the PPP Program changes and updates first.

## Expenses Paid for With PPP Loan Funds Are Tax Deductible

- Ha! - Take that IRS!

## Yeah, But They Are Still Not Deductible For California.

- DAMN!!! I knew I shouldn’t have celebrated early.

## New Simplified Forgiveness for PPP Loans of \$150K or Less

- There will soon be a one-page forgiveness application for borrowers seeking forgiveness for loans of \$150K or less.
- You’ll need to attest to:
  - The # of employees you were able to retain because of the PPP loan.
  - How much you spent on payroll costs,
  - The total loan amount,
  - *That you complied with the rules, and*
  - That you have retained all the relevant records, will keep payroll records for 4 years, and all other records for 3 years.

# COVID Relief Updates 1/6/2021

- This sounds like great news for many borrowers, however, that 4th bullet above is problematic.
  - Whereas borrowers of \$50K or less don't have to worry about the **full-time equivalent reduction rules** when completing Form 3508S, that doesn't appear to be the case with this new forgiveness application. You will most likely still need to go through the longer exercise of proving that you have achieved full forgiveness, and if so, you get the benefit of a shorter form.
  - Not much of a prize at the bottom of that Cracker Jack box, but let's wait to see the actual application before passing judgment.

## Second Draw PPP Loans

- \$284B was allocated for a second round of PPP loans. Hooray!
  - But, there are some new rules around eligibility.
    - You must have less than 300 employees, and,
    - Have experienced a 25% or more drop in gross receipts for a calendar quarter in 2020, as compared to the equivalent quarter in 2019, and,
    - Have used or will use the full amount of their first PPP loan before the disbursement date of the second loan.
    - There is a 90-day wait period between first and second draw loans.
    - The company can't be publicly traded, can't receive 15% or more of receipts from lobbying activities, can't use the funds for lobbying activities, can't be organized under the laws of the People's Republic of China or have a board member who is a resident of China.
- Max loan amount for the second draw is \$2M.
- 501 (c) (6) organizations can also qualify, provided they don't spend more than \$1M on lobbying, as can Destination Marketing Organizations.
- How do I calculate my second PPP loan amount?
  - Pretty much the same way as the first time, unless you are in the hospitality or food services industries (restaurants, hotels, etc.)
  - It's your **average monthly payroll costs** in the one year period prior to the loan, or the calendar year, x 2.5.

# COVID Relief Updates 1/6/2021

- **BUT**, if you are in the hospitality or food services industry, **it's 3.5 times.**
  - That's significant – a 40% increase!
- And, **average monthly payroll costs** now include group life, disability, vision or dental insurance as well.
- And they chopped up the pot of money so that borrowers with 10 or less employees, are in low-income areas, or who haven't had a first draw have their own dedicated pools to draw from.
- **Additional Expenses Are Now Eligible For Forgiveness (including on Round 1 Loans)**
  - Costs related to software or cloud computing that facilitates business operations (inventory, HR, sales, Accounting, etc.).
  - Costs related to property damage caused by public disturbances and not covered by insurance.
  - Costs paid to a supplier for goods essential to the operation of the business, related to a contract, PO or order of goods prior to taking out the loan (or at any time during the loan if the goods are perishable).
  - Costs related to worker protection so that the business complies with health and safety guidelines (masks, gloves, drive-thru window, sneeze guard, outdoor business space, etc.).
  - Applications will be coming soon and will be open through March 31, 2021.
  - The Covered Period can be any time period between 8 and 24 weeks.
  - You must still spend at least 60% of loan funds on payroll to achieve full forgiveness.

## Families First Coronavirus Relief Act Extension

- The current FFCRA was supposed to expire December 31, 2020, but has been extended to March 31, 2021.
- This extends the employer-paid sick and family leave time, as well as the tax credits related to FFCRA.
- Once again it includes Self-Employed individuals and now they can use 2019 wages to calculate it instead of 2020 if they'd prefer.

# COVID Relief Updates 1/6/2021

## Employee Retention Credit

- The previous credit was a refundable payroll tax credit for 50% of qualified wages (\$5,000 max credit per employee).
- The new Act expands the program through June 30, 2021.
- It also increases the credit to 70% of qualified wages.
- You used to have to show a 50% decline in gross receipts (year over year).
  - Now it is only a 20% decline,
  - And you can use prior quarters instead of prior years to calculate the decline.
- Business with 500 or less employees can use this (instead of 100).
- If you took out a PPP Loan, *it used to be that you couldn't use this credit.*
  - *But now you can*, provided you don't include any wages in your PPP forgiveness that you used to claim this credit.
  - *This is significant and by using good timing, you can find a big benefit here.*

## Unemployment

- Federal Pandemic Unemployment Compensation (\$300/week) is extended to March 14, 2021.
- Pandemic Unemployment Assistance (PUA) also extended to March 14 (or April 5 if you have not reached the maximum number of weeks, which is now 50).
- Work-sharing benefits and the waiver around the week of waiting are also extended.

## Other Provisions

- Business meals purchased from a restaurant after December 31, 2020 are now 100% deductible (was 50%). This will stay the same for 2021 and 2022.
- The “Trump Says You Can Defer The Withholding Of Your Payroll Taxes and Pay Them Back Later Or If I Am Re-Elected I Might Waive Them Entirely” Program also gets extended to December 31, 2021. Because.....we Americans are so good with our credit? Hmmm, let's take a generally poorly thought-out program that nobody really liked and extend it. Check.

# *COVID Relief Updates 1/6/2021*

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- Transportation companies get \$45 billion in funding.
- Live venues, museums, movie theatres, and cultural institutions get \$15 billion in funding.
  - However, if you use this funding you cannot get a PPP Loan.
- Extends debt relief where the government makes payments of principal and interest on any qualifying SBA loan for three additional months starting February 1, 2021, up to \$9K/month.

There is much more in this Act, more than I can address in one newsletter without exploding your eyeballs. We will provide on-going updates as we understand more about it and updates are released.

Which, by the way will be right smack-dab in the middle of Tax Season. So us CPA's have that going for us. Which is nice.