

The Latest Stimulus Bill: COVID-19 Relief, Tax Updates, and PPP2

Aldrich CPAs + Advisors

Consolidated Appropriations Act of 2021

- Paycheck Protection Program loan refresh
- Expenses utilized for PPP forgiveness are deductible
- 100% deduction for business meals provided at a restaurant through end of 2022
- Employee retention credit expansion
- FFCRA credit extension until March 31, 2020 (limits not changed)
- Individual payroll tax deferral repayment extended to December 31, 2021



- Expanded employee retention credit introduced in the CARES Act and extends it through June 30, 2021
- PPP loan recipients eligible for ERC (no PPP paid wages though)
- Several changes retroactive to 2020 and new qualification and calculation rules for 2021



Retroactive to 2020

- If qualifications are met for 2020 = file amended payroll tax returns to claim the ERC
- Qualifications
 - Full or partial suspension of business operations due to a government order **or** a decline in gross receipts (more than 50% decline when compared to the same quarter in 2019)
 - If over 100 employees, only wages paid to employees not providing services qualify for the credit
 - Wages paid between March 12, 2020 and December 31, 2020 qualify
- Credit Amount
 - 50% of up to \$10,000 of wages per employee per year (max credit of \$5k per employee per year)

New Rules for 2021

- Qualifications
 - Full or partial suspension of business operations due to a government order **or** a decline gross receipts (more than 20% decline when ***comparing 2021 to the same quarter in 2019***)
 - If over 500 employees, only wages paid to employees not providing services qualify for the credit
 - Wages paid between January 1, 2021 and July 1, 2021 qualify
- Credit Amount
 - 70% of up to \$10,000 of wages per employee per **quarter** (max credit of \$7k per employee per **quarter**)

- Additional funding available for both first-time borrowers and businesses that previously received a PPP loan
- Eligibility requirements for applying for PPP2 include:
 - 300 or fewer employees (1st time borrowers = 500 employees)
 - Used or will use the full amount of their first PPP loan on eligible expenses by disbursement date of new loan
 - Demonstrate a 25% gross revenue decline in any 2020 quarter compared with the same quarter in 2019 (does not include receipts on sale of capital assets)



- Maximum loan amounts = \$2 million (2nd draw; 1st draw is \$10M)
- At least 60% must be spent on payroll
- Same eligible costs, but new relief package adds:
 - Covered worker protection and facility modification expenditures, including personal protective equipment, to comply with COVID-19 federal health and safety guidelines
 - Expenditures to suppliers that are essential at the time of purchase to the recipient's current operations
 - Covered operating costs such as software and cloud computing services and accounting needs
- Tax deductibility of expenses and still exempt forgiveness status



- Loan applications can be submitted until March 31, 2021
- Sufficient documentation needed
 - Needs, ongoing economic uncertainty
 - Uses – all eligible expenses from loan date through covered period
 - FTEs and changes
- Covered period options (8 vs. 24 week period through 12/31/2020) (PPP2 is also 8 or 24 week period, but same calculation of loan amount of 2.5 months of average monthly payroll)
- 3.5 times average monthly payroll for certain industries
- Loan term (2 vs. 5 years) – must request change for pre June 5, 2020 loans



- Work Opportunity Tax Credit extended 5 years
- 179D deduction for energy efficient buildings made permanent
- 45L Energy-Efficient Home Tax Credit made permanent
- New Markets Credit (NMTC) extended 5 years with \$5b annual allocation
- Alternative fuel credit extended 1 year



Planning Considerations

- Qualified improvement property technical correction
- Net operating loss carryback (five years for 2018-2020)
- Research tax credit
- Employee retention credit
- High tax exception for GILTI
- New retirement plans



Q&A



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