
Bailey, Carr CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



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Latest Covid-19 Relief Bill Addresses Key PPP Issues

The latest Covid-19 Relief bill signed into law by President Trump contains multiple issues involving PPP loans.

First there is a new round of loans. There is \$325 billion aid for small businesses in the form of first and second PPP loans and \$20 billion for Economic Injury Disaster Loans (EIDL). There is also \$15 billion for live venues, movie theaters and cultural institutions. There is \$12 billion earmarked for low-income and minority communities.

The PPP loans are available for first time borrowers as well as borrowers that received loans the first time around. For second time borrowers, they must have 300 or fewer employees, have used the full amount of their first PPP loan and they must show a 25% gross revenue decline in any quarter of 2020 compared to the same quarter in 2019. There are also forgivable PPP loans for business leagues and chambers of commerce.

First time borrowers of PPP loans must have 500 or fewer employees and be eligible for other SBA 7(a) loans. Sole proprietors, independent contractors and self-employed individuals are qualified. Not-for-profits, including churches, also qualify. Food service and accommodation operations qualify with fewer than 300 employees per location.

Covered expenses for the forgiveness of the new loans are basically the same as the first loans. It includes payroll, rent, mortgage interest and utilities. Newly included are worker protection and facility modifications such as PPE, operating costs like software, cloud computing and accounting costs.

The amount forgiven of either the first-time loans or second time loans will not be reduced by the \$10,000 EIDL.

To be eligible no less than 60% of funds must be spent on payroll over a covered period of 8 or 24 weeks.

Tax deductibility for PPP expenses. Under the new bill any business expenses paid with forgiven PPP loans are tax-deductible. The bill states, “no deduction shall be denied, no tax attribute shall be reduced, and no basis increase shall be denied.” This is true for both the first and second round of PPP loans. This is directly reversing the effects of the IRS Rev. Rul. 2020-27.

Employee Retention Tax Credit (ERTC). Another provision of the new law expands the Employee Retention Tax Credit (ERTC), which was part of the original CARES Act. Businesses that received PPP loans can now also claim the ERTC tax credit for wages they paid to

employees from money that did not come from a PPP loan.

As usual, if any of the issues addressed above gives rise to any questions, we are always here to be of assistance.

Best Regards,
Bailey, Carr CPAs, P.C.

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