

01.06.20 Federal Stimulus Updates

On December 27, President Trump signed into law the Consolidated Appropriations Act, 2021. The Act includes, among other things, a second round of the Paycheck Protection Program (PPP) and revisions to deductibility of PPP expenses. Below are key takeaways.

I. Paycheck Protection Program (Round 2) & PPP Revisions

- a. The new round of PPP, or PPP2 as it is being called in the media, contains many similarities to the first round of the PPP but also has several important differences.
- b. Who's Eligible?
 - i. **First-time qualified borrowers and, for the first time, to businesses that received a previous PPP loan.**
 - ii. Eligible Previous PPP Borrowers:
 1. May apply for another loan of up to \$2 million, provided they meet the following conditions:
 2. Conditions:
 - a. Have 300 or fewer employees
 - b. Have used or will use the full amount of their first PPP loan
 - c. **Can show a 25% decline in any 2020 quarter relative to the same quarter in 2019**
 - iii. First-time borrowers from the following groups:
 1. Businesses with 500 or fewer employees that are eligible for other SBA 7(a) loans
 2. Sole proprietors, independent contractors, and eligible self-employed individuals.
 3. Not-for-profits, including churches.
 4. Accommodation and food services operations (those with North American Industry Classification System (NAICS) codes starting with 72 with fewer than 300 employees per physical location.
- c. PPP Loan Terms
 - i. **As with PPP1, to be eligible for full loan forgiveness, PPP2 borrowers will have to spend no less than 60% of the funds on payroll over a covered period of either 8 or 24 weeks**
 - ii. PPP borrowers can receive a loan of up to 2.5x their average monthly payroll costs in the prior year to the loan or the calendar year, the same as PPP1, but the maximum loan is only \$2M. PPP borrowers with NAICS codes starting with 72 (generally, hotels and restaurants) may receive up to 3.5x their average monthly payroll costs, again subject to a \$2M maximum.
 - iii. Simplified Application & Other Terms
 1. **Loan Forgiveness: For PPP1 and PPP2, loans up to \$150,000 may be forgiven in full if the borrower signs and submits a certification (of not more than one page) that provides minimal information (number of employees retained due to PPP loan, estimated amount of loan spent on payroll expenses, and total loan value) and agrees to retain relevant records for a period of four years (employment records) or three years (all other records)**
 2. Act repeals the requirement that PPP borrowers deduct the amount of any EIDL advance from their PPP forgiveness.

II. Individual Rebates (Stimulus Round 2) & Continued Unemployment Benefits

- a. Stimulus:
 - i. \$600 (\$1,200 for eligible individuals filing a joint return) plus \$600 for each qualifying child
 - ii. Income limitations and eligibility requirements are similar to those set forth in the CARES Act.
 - iii. NOTE: This amount could increase from \$600 to \$2,000 per person under the CASH Act.
 - 1. Currently, the House has approved the proposed bill.
 - 2. Legislation is now in the US Senate, where its future is unclear.
- b. Unemployment Benefits: Act extends (for 11 weeks, through March 14th, 2021) federal unemployment insurance benefits of \$300 a week for unemployment individuals.

III. Tax-Related Changes to PPP (Note: Please talk to your accountant or CPA for any specific tax advice)

- a. Business Provisions:
 - i. PPP Deductible Expenses:
 - 1. **Act specifies that all business expenses paid with forgiveness PPP loans ARE tax-deductible (for PPP1 and PPP2).**
 - 2. This supersedes IRS guidance that such expenses would not be deductible.

The timeline for opening PPP2 applications has yet to be determined.

For additional detail on the Consolidated Appropriations Act, 2021, see the following article. [COVID-19 relief bill addresses key PPP issues - Journal of Accountancy](#)

Thanks,
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