



## New PPP Loan Parcel & Extended Tax Provisions Packaged In 2021 COVID Relief Bill

*Fuoco Group presents this information to the members of the Medical Society as a member benefit.*

### Extension and Enhancement of PPP Loans

The Consolidated Appropriations Act, 2021, makes available an additional \$284 billion in PPP loans.

What does the “ACT” mean for you and your practice?

- If you are a first-time borrower that meets the eligibility criteria, you can apply because the availability of PPP Loans has been extended.
- If you are an existing PPP borrower looking to come back to the well, have 300 or fewer employees, and experienced a 25% or more reduction in gross receipts, you can apply for another loan.
- If you are a 501(c)6 nonprofit organization or housing cooperative with 300 or fewer employees, a Church or religious organization, you are now eligible to apply for a PPP Loan.

(Of course certain rules and exemptions apply to the above.)

What has changed?

- Loans are now capped at \$2 Million. The formula is still 2.5 x average monthly payroll costs for 2019 or the most recent 12-month period.
- Payroll costs must still make up 60% of forgivable expenses BUT forgivable costs also now included: expenditures for operations or delivery goods and services; costs for property damage; supplier costs; PPE and worker protection costs, as well as capital expenditure to facilitate an entity's compliance with health and safety standards.
- Benefit costs now include employer-paid group life, disability, vision and dental insurance in addition to employer-paid health and retirement benefits.

What's easier?

- There is to be a simple, forgiveness application for PPP loans up to \$150,000 (almost automatic forgiveness we are told!). This will be a one-page form, to be issued within 24-days.
- Reduction of the loan forgiveness amount by the amount of any EIDL advance of up to \$10,000 is repealed.

How are taxes impacted?

- Now expenses paid with the proceeds of PPP loans **are fully deductible for federal tax purposes**, whether or not the loan is expected to be forgiven.
- It is confirmed that tax-exempt PPP forgiveness income increases tax basis for partners in Partnerships and S Corporation shareholders.
- Tax credits extended to March 31, 2021, for employers who make payments to employees under the FFCRA, Emergency Paid Sick Leave Act and Expanded FMLA. Program is now voluntary NOT mandatory.
- The Employee Retention Credit has been extended through the first 2 quarters of 2021.
- The “ACT” retroactively removes the exclusion from the ERC for PPP borrowers, even though a credit cannot be obtained for wages treated as covered expenses for PPP purposes.

- More ERC changes:
  - Credit amount increases to 70% of qualified wages,
  - Cap on qualified wages is increased from \$10,000 total to \$10,000 per quarter,
  - Reduction in gross receipts to qualify if the business was not shut down by government order is now reduced to 20% year-over-year.
  - Businesses with less than 500 employees can now take the credit for all employees, and
  - Some non-profits now qualify as eligible employers.

Miscellaneous goodies benefitting businesses:

- Deductions for 2021-2022 business meals provided by restaurants will now be fully deductible, and no longer subject to a 50% cap.

Just when you thought things could not become more complex, new legislation brings about welcome changes, but with it more questions. The new bill includes a bevy of tax relief provisions along with a long list of tax extenders, extension of expiring unemployment benefits and eviction protections. Let us help guide you. Contact Lou Fuoco CPA, at [CPA@Fuoco.com](mailto:CPA@Fuoco.com) or call toll free 855-542-7537 for assistance.