



Paycheck Protection Program Changes Under Latest COVID-19 Relief Package

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On December 20, members of the House and Senate finally agreed to a second significant stimulus package. Although we do anticipate additional clarifications and guidance, as has been the case with the first stimulus package, below are some key initial takeaways:

- Eligible recipients may receive a second PPP loan. Eligibility for a second loan will be similar to the first round with the following changes: (a) number of employees reduced from 500 to 300; (b) borrower has or will use the full amount of their first PPP loan; (c) borrower experienced a 25% drop in gross receipts during a quarter in 2020 relative to that same quarter in 2019.
 - o The second round of loans will be 3.5 times 2019 average monthly payroll for businesses with NAICS codes starting with 72 (hotels and restaurants) and the same 2.5 times payroll for all other eligible businesses, capped at \$2 million for all.
- Expenses paid for with forgiven PPP loans **are** deductible for federal tax purposes. This supersedes prior guidance from the IRS stating these expenses were not deductible. Guidance for deductibility at the state and local level remains to be seen.
- Additional expense categories have been added to non-payroll costs eligible for forgiveness on PPP loans. These expense categories include covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection costs, all of which are still capped at 40% of forgiveness. If you have not obtained 100% forgiveness under the prior guidelines, SKP recommends delaying the submission of your application until your forgiveness calculation can be re-evaluated.
- For borrowers under \$150,000, required reductions in forgiveness amounts due to salary/headcount reductions may no longer be applicable. Additionally, there will be a new one-page simplified forgiveness application.
- 501(c)(6) organizations, excluding professional sports leagues and organizations with the purpose of promoting or participating in a political campaign or other activity, are now eligible for PPP loans.
- Covered Periods can now be anywhere between 8 and 24 weeks, no longer restricted to 8 *or* 24 weeks. This change will enable borrowers to cut off the application period before having a workforce reduction that could trigger forgiveness reductions.



- For companies that received an EIDL Advance, the amount of the Advance will no longer reduce the amount of your PPP forgiveness.
- The Employee Retention Credit (ERC) has always been an option for businesses in lieu of a PPP loan. However, the ERC was generally only beneficial to businesses not eligible for a PPP loan as the PPP loan was usually greater than the ERC and a business could not utilize both programs. The ERC has now been extended through July 2021 and it appears that a business may now claim both the ERC and PPP, with restrictions on double-dipping of the same expenses for both programs.

As always, Spielman Koenigsberg & Parker, LLP is here to assist you with your needs to ensure you qualify and are properly applying for all eligible COVID-19 relief. Contact us for further guidance.