



Covid-19 Breaking News

News Flash – December 22, 2020

Getting you the answers to the many questions related to Covid-19 and its impact to you is our first priority. Things continue to evolve and change very rapidly, but please know that our team is working as quickly as possible to understand all that is taking place and going to the source for the answers. Our goal is to get you answers and information that is in your best interest and not get waylaid with distractions.

Last night the house and the senate passed a massive 5,593-page bill titled the Consolidated Appropriations Act, 2021 (CAA, 2021). Included within the CAA are many additional pandemic relief provisions. Below are some of the key highlights:

PPP Loan Expenditures are Tax Deductible - Congress Overrules Internal Revenue Service!

The Internal Revenue Service (IRS) took the position last spring that forgiven expenditures related to the PPP loan would not be deductible. This appeared to fly in the face of Congressional intent as the original CARES Act had indicated that PPP Loan Forgiveness would not be a taxable event. Nonetheless the IRS stood by their position. The CAA, expected to be signed by the president today, makes clear that the PPP loan is tax free and the related forgiven expenses are fully deductible.

New PPP Loan to be Available

The CAA also includes \$284 billion in new funding for another round of PPP loans. The new loans are aimed at a number of particular businesses including minority and women-owned businesses as well as businesses that “show losses of 25% or higher compared to 2019”. We believe the latter is based on revenue – as in cash receipts. ***There will be much more detail available as soon as Treasury and SBA update their guidance for this new round of PPP loans.***

Simplified Forgiveness Application for current PPP Loans

PPP Loans of \$150,000 or less will be eligible for a simplified loan forgiveness application that is to be no more than one page long and won’t require additional documents (unless to substantiate revenue loss as part of the new second round of PPP funding). You must still maintain records and documentation for at least 6 years given the SBA may continue to audit or review to check for fraud.

Recommendation: Wait for the new application if your loan is between \$50,000 – \$150,001. The SBA has 24 days to provide banks with the new application but it may take your bank longer to implement these changes. Anyone who received a loan of \$50,000 or less can apply now using an existing simplified one-page application (Form 3508S).

EIDL Advance/Grant doesn't have to be repaid

The new bill repeals the requirement to deduct the amount of any EIDL advance from the PPP forgiveness amount. This means you will not have to repay any amount should your PPP loan be fully forgiven. In addition, the bill specifies that EIDL grants are now excluded from gross income and therefore not taxable.

SBA Loan Payment Subsidy

Any payment for certain SBA loans made on your behalf as described under the original CARES Act will be excluded from gross income and therefore not taxable.

Unemployment Benefits Extended

Supplemental federal payments on top of state unemployment benefits were set to expire. Supplemental weekly payments of \$300 are now extended to March 14, 2021. Coverage for self-employed and those not typically covered by regular state unemployment has also been extended.

FFCRA Credits Extended

The Family First Coronavirus Relief Act required certain employers to offer sick pay for employees impacted by the Coronavirus. Employers would then receive a credit on their employment tax return for 100% of the costs incurred. This was set to expire on December 31. It appears that starting in January, employers will no longer be required to offer sick pay under the Act, but those that choose to do so can continue to qualify for the employment tax coverage through March 31, 2021.

Business Meals Temporarily 100% Deductible

Traditionally, only 50% of costs for meals have been allowed as tax deductions. A temporary allowance of 100% of meals has been added, but it does not take effect until January 1, 2021. It will last through the end of 2022, so businesses will only have two years to take the full deduction before it goes back to 50%. Other restrictions, such as the meal centering around a legitimate business purpose and avoiding extravagant or excessive amounts remain.

Numerous Other Tax Extenders

Congress included several other tax extenders for various tax provisions that were set to expire this year. More information to come.

Dental Group, LLC - We continue to work both in the office and remotely. Our meetings will be done via teleconference and or online collaboration. If you plan to drop off documents, please call ahead to coordinate a time when we will be in the office as there is no safe place to leave documents at the door.

If you have any questions, please do not hesitate to contact us directly at (425) 216-1612.