BILL PASSES HOUSE AND SENATE WITH OVERWHELMING BIPARTISAN SUPPORT

PPP ELIGIBLE EXPENSES DEDUCTIBLE

The Consolidated Appropriations Act, 2021 has passed both the House and Senate and will now move to the President to be signed into law.

The most significant provision of the bill provides tax relief to recipients of Payroll Protection Program (PPP) funds. The language specifically states that no amount of PPP funds shall be included in gross income AND no deduction (of eligible expenses) shall be denied. This is fantastic news for PPP borrowers!

The Act also simplifies the forgiveness application for loans under $150K, expands the list of eligible expenses and repeals the provision that required PPP forgiveness be reduced by the EIDL advance. Finally, the PPP borrower can choose a unique “covered period” as any time frame between 8 and 24 weeks.

In addition to lifting the PPP tax burden and simplifying PPP forgiveness, the Act provides additional support for small business in the form of a “second draw” of PPP funding; extension and expansion of payroll tax credits; extension of SBA debt relief; and target expansion of the Economic Injury Disaster Loan (EIDL) Program.

“Second Draw” PPP Funding Eligibility
- Less than 300 employees (500 employees if there is more than one location)
- Demonstrate a revenue reduction of 25 percent or more for any quarter of 2020 relative to the same quarter of 2019
- Increases the loan amount for Accommodations and Food Service businesses
- Makes 501(c)6s eligible

**Extension of SBA Debt Relief**
- All borrowers with qualifying loans approved by the SBA prior to the CARES Act will receive an additional three months of P&I, starting in February 2021. Going forward, those payments will be capped at $9,000 per borrower per month.
- After the three-month period described above, borrowers considered to be underserved—namely the smallest or hardest-hit by the pandemic—will receive an additional five months of P&I payments, also capped at $9,000 per borrower per month.
- SBA payments of P&I on the first 6 months of newly approved loans for all loans approved between February 1 and September 30, 2021, also capped at $9,000 per month.

**Payroll Tax Credits**
- Extends and expands the refundable ERTC, which was established in the CARES Act, through July 1, 2021.
- Expands eligibility for the credit by reducing the required quarter-over-quarter decline in gross receipts from 50% to 20%.
- Modifies the threshold for treatment as a ‘large employer’ by increasing the 100-employee delineation for determining the relevant qualified wage base to employers with 500 or fewer employees.
- Increases the credit rate, from 50% to 70%.
- Raises the limit on per-employee creditable wages from $10,000 for the year, to $10,000 for each quarter.
- Provides that employers who receive PPP loans may still qualify for the ERTC with respect to wages that are not paid for with forgiven PPP proceeds.

**Targeted Expansion of EIDL Program**
- Provides $10,000 grants to eligible applicants.
- Must be in a low-income community.
- Have suffered an economic loss of greater than 30 percent.
- Not more than 300 employees.

Please consult your Somerset Advisor for additional information and how these provisions will apply to you directly. If you don’t already work with Somerset, now is a great time to connect. Please contact us at 317.472.2200 or info@somersetcpas.com with any questions. As always, we are here to help.