

# COVID Relief Bill: What It Means for Your Business

January 13, 2021



**THE SECOND DRAW**

# The COVID Relief Package

The Consolidated Appropriations Act, 2021 (Act) generally provides the annual funding for the federal government and contains what is commonly known as the COVID-19 Relief/Stimulus Bill which provides several important rules giving further COVID-19 relief. These include, among other things, revisions to the Paycheck Protection Program (PPP), expansion of the employee retention tax credit and changes to other employer-related tax provisions.

Below is a summary that highlights some of the PPP and tax provisions that support businesses and what they mean for you.

To get the latest information and updates [visit our blog](#).



## THE PAYCHECK PROTECTION PROGRAM (PPP2) PROVISION

Allows eligible businesses to access a second draw of Paycheck Protection Program (PPP2) loans with expanded flexibility.

### Loan Amount

PPP2 borrowers may receive a loan amount of up to 2.5 times their average monthly payroll costs in the year prior to the loan, the same as with PPP1.

PPP2 borrowers with NAICS codes starting with 72 (hotels and restaurants) can get up to 3.5 times their average monthly payroll costs, again subject to a \$2 million maximum.

### Loan Cap

The maximum loan amount has been cut from \$10 million to \$2 million.



## WHO'S ELIGIBLE TO APPLY

A second draw of PPP loans will be available to first-time qualified borrowers and to businesses that previously received a PPP1 loan.

### Previous PPP Loan Recipients

- Have 300 or fewer employees
- Have used or will use the full amount of their first PPP loan
- Can show a 25 percent decline in gross revenue in any 2020 quarter compared to the same quarter in 2019

### First-time Borrowers

- A business with 500 or fewer employees that is eligible for other SBA 7(a) loans
- Sole proprietors, independent contractors, and eligible self-employed individuals
- Not-for-profits, including churches
- Accommodation and food services operations with fewer than 300 employees per physical location (those with North American Industry Classification System [NAICS] codes starting with 72).

### 501(c)6 Organizations

- Have 300 or fewer employees
- Do not receive more than 15 percent of receipts from lobbying. The lobbying activities must comprise no more than 15 percent of the organization's total activities and have cost no more than \$1 million during the most recent tax year that ended prior to Feb. 15, 2020.

### Borrowers who returned all or part of the PPP1 loan



## LOAN FORGIVENESS

A second draw of PPP loans will be available to first-time qualified borrowers and to businesses that previously received a PPP1 loan.

### Eligible Expenses

As with PPP, the costs eligible for loan forgiveness in PPP2 include payroll, rent, covered mortgage interest, and utilities. PPP2 also makes the following potentially forgivable:

- Payment for any business software or cloud computing service that facilitates business operations, product or service delivery, the processing, payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records, and expenses.
- The cost of employer-provided employee benefits can be included in the total cost of payroll for the PPP loans, such as Temporary Disability Insurance (TDI), group life, dental and vision insurance.

### Spending Requirement

To be eligible for full loan forgiveness, PPP2 borrowers will have to spend at least 60 percent of the funds on payroll.

### Time Period

The covered period for using the funds for eligible expenses is anytime between 8-24 weeks after loan origination.

### Tax Treatment

PPP loans are not taxable, and eligible expenses paid from these funds are tax deductible.

### Simplified Application

For businesses that borrow \$150,000 or less, significantly simplifies the forgiveness process.

- Loans up to \$150,000 will 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).

## OTHER KEY HIGHLIGHTS

### Economic Injury Disaster Loan (EIDL)

The \$10,000 Economic Injury Disaster Loan (EIDL) advance provided by the SBA will no longer (as under prior law) reduce the amount of PPP loan forgiveness.

## WHEN WILL PPP2 APPLICATIONS BE ACCEPTED?

On Wednesday, January 13, [the SBA and Treasury announced](#) updated dates for reopening the PPP2 portal.

### Upcoming Deadlines:

- **Monday, January 11** - Accepting First Draw (first-time PPP borrowers) PPP2 Loan applicants at Community Financial Institutions (CFIs)\*
- **Wednesday, January 13** - Accepting Second Draw (repeat PPP borrowers) PPP2 Loan applicants at Community Financial Institutions (CFIs)\*
- **Friday, January 15** - Accepting First and Second Draw PPP2 Loan applicants at small lenders (Lenders with \$1 billion or less in assets)
- **Tuesday, January 19** - Accepting First and Second Draw PPP2 Loan applicants at all participating lenders

\*Community Financial Institutions (CFIs) include Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs), Certified Development Companies (CDCs), and Microloan Intermediaries.

**Loan Application** - the SBA released the applications for the second draw of Paycheck Protection Program (PPP2) loans. Linked below are the applications for:

[First Draw Borrower \(First-Time PPP Borrower\)](#)

[Second Draw Borrower \(Previous PPP Loan Recipient\)](#)

**We encourage you to start talking with your lender now** as PPP2 loans will be accepted on a first-come, first-served basis.

### For simplicityHR Clients

Once the PPP2 application is released by the SBA, the HR Symphony PPP Reporting feature will be updated to incorporate and feature the new rules. Clients of simplicityHR will be notified of the updated release.

Our team of experts is standing by to support and simplify your PPP2 application process.





## TAX PROVISIONS

Many key tax provisions for businesses are included in the bill.

### Paid Sick and Family Leave Credits

- The bill **does not** extend the Families First Coronavirus Response Act (FFCRA) mandate that employers provide emergency paid sick leave and expanded family and medical leave. That mandate expired on December 31, 2020.
- The law **does** extend payroll tax credits for employers who voluntarily grant FFCRA leave to their employees through March 31, 2021.

### Employee Retention Tax Credit (ERTC)

- Repeals the provision, denying the ERTC to employers who receive a PPP loan. Employers cannot apply the ERTC to payroll costs funded with forgiven PPP loan funds.
- Extends the ERTC to apply to wages paid before July 1, 2021 (instead of January 1, 2021).
- Increases the credit from 50 percent to 70 percent of qualified wages paid between January 1, 2021 and June 30, 2021.
- Increases the per-employee limitation on applicable wages during the first two calendar quarters of 2021 from \$10,000 total to \$10,000 per calendar quarter. In combination with the increased credit percentage, this increases the maximum credit per employee from \$5,000 to \$14,000 for the first two quarters of 2021.
- Makes the ERTC available to businesses that experienced a decline of at least 20 percent in gross receipts (instead of a 50 percent decline) as compared to the same calendar quarter in 2019.
- Modifies the small employer definition to apply to employers that have 500 or fewer employees (instead of 100 or fewer employees).





## WORK OPPORTUNITY TAX CREDIT

The bill also extends the Work Opportunity Tax Credit for five years.

## UNEMPLOYMENT ASSISTANCE

The bill provides billions more toward helping unemployed workers, such as:

- Extends federal unemployment insurance benefits of \$300 a week for 11 weeks from December 26, 2020, to March 14, 2021.
- Increases the maximum number of weeks an individual can claim state and federal unemployment benefits to 50 weeks, up from 39 weeks.
- Extends and phases out Pandemic Unemployment Assistance (PUA), a temporary federal program covering self-employed and gig workers, to March 14, 2021.
- Extends and phases out Pandemic Emergency Unemployment Compensation (PEUC), which provides individuals with additional weeks of federal unemployment coverage after regular state unemployment runs out, to March 14, 2021.
- Allows workers with PUA or PEUC benefits who have time left on March 14, 2021, a transition period during which they can continue to use the time through April 5, 2021.

## Flexible Spending Arrangements

Allows workers to roll over unused funds in their health and dependent care flexible spending accounts.

## Deferred Payroll Taxes - Deadline Extension

The due date for the withholding and payment of the employee share of Social Security taxes on certain wages was originally postponed until the period of January 1, 2021 to April 30, 2021. The bill extends the deadline for employees to repay these deferred taxes until December 31, 2021.

## Business Meal Deductions

Temporarily allows 100 percent business expense deduction for business meals and beverage expenses provided by a restaurant that are paid between January 1, 2021, and December 31, 2022.

## Tax Credit for Employee Retention in Disaster Zones

The bill creates tax relief for individuals and businesses in presidentially declared disaster zones not related to COVID-19. Employers who operated in a qualified disaster zone are allowed a tax credit of 40 percent of qualified wages up to \$6,000 (maximum credit of \$2,400 per eligible employee). Relief is available for disasters declared between January 1, 2020 and 60 days after the law's enactment.

Have a question for our HR experts? [Contact simplicityHR](#) to learn more about the advantages of having our team of professionals on your side as you navigate the COVID Relief Bill.

*This article is for informational purposes only and does not constitute legal advice. Readers should first consult their attorney, accountant, or adviser before acting upon any information in this article.*



*From the Remote Desk of Barron Guss*

## To our clients and members of our business community,

COVID-19 continues to change the landscape of Hawai'i business profoundly. The constant flow of everchanging information regarding the crisis continues to overwhelm business owners and we are here to help. At simplicityHR we always do our best to simplify this information so you can make informed decisions and do what's best for your company.

For the last 50 years, we've taken to heart our responsibility to not only serve, but to make a difference with our clients and our community. While tomorrow's business landscape may look different, our commitment will remain the same – to support your business today, tomorrow, and for the next 50 years.

Sincerely,

A handwritten signature in black ink that reads "Barron L. Guss".

Barron L. Guss  
President and CEO

## About Us

simplicityHR by ALTRES serves as the human resources “back office” for more than 2,200 local businesses. We provide expert payroll processing, HR administration, workers' compensation coverage and claims management, health care plans, and exceptional employee benefits packages, as well as training for managers and staff.

### Questions?

Call our team at **(808) 791-4900**

