

8 Important Things in the New COVID-19 Relief Bill

PUBLISHED ON

December 29, 2020

President Donald Trump has signed a long-sought-after \$900 billion coronavirus relief bill. [The Coronavirus Response and Relief Supplemental Appropriations Act of 2021](#) provides a number of emergency coronavirus relief provisions for business and individuals, extending the original CARES Act from the spring.

Some of the bigger developments are a second shot at money from the Paycheck Protection Program, a U-turn on tax deduction eligibility and an update to the deferred payroll tax repayment. Here are eight interesting things your business likely will want to know when it comes to tax relief and additional funding:

TAX RELIEF

Expense Deductions

The relief included in the new bill clarifies that gross income will not include any amount that would otherwise arise from the forgiveness of the Paycheck Protection Program loan. It also states that deductions are allowed for otherwise deductible expenses paid with the proceeds of a PPP loan that is forgiven. This provision is important as the IRS initially took a contrary position. The new act confirmed that the IRS's position runs contrary to the intent of Congress in the CARES Act.

Further, the tax basis and other attributes of a borrower's assets will not be reduced as a result of the loan forgiveness.

Deferred Payroll Tax Extension

In August, the president allowed employers to defer withholding an employees' share of social security taxes from September 1, 2020, through December 31, 2020, and required employers to increase withholding and pay the deferred amounts ratably on wages paid between January 1, 2021, and April 31, 2021. This new bill provides that the repayment period is extended through December 31, 2021, and penalties and interest will not accrue until January 1, 2022.

Employee Retention Tax Credit

The bill clarifies that businesses will now be able to both take the Employee Retention Tax Credit and participate in the PPP.

Business Meal Deduction

Business meal deductions will be expanded to 100 percent for 2021 and 2022.

CONTINUATION OF PAYCHECK PROTECTION PROGRAM

Second Draw PPP Loans

An additional \$284 billion was allocated to the Paycheck Protection Program to allow certain borrowers to be

eligible for a second PPP loan with a maximum loan amount of \$2 million. In addition, small businesses that did not initially apply for a PPP loan may now apply. To be eligible for the second PPP loan, employers must not have more than 300 employees, have used the full amount of their PPP loan and need to demonstrate at least a 25% reduction in gross receipts in the first, second or third quarter of 2020 relative to the same 2019 quarter. The maximum loan amounts will be up to 2.5 times average monthly payroll or 3.5 times monthly payroll for business in accommodations and food service industries - which make up much of the hospitality industry.

Additional Eligible Expenses

The act expands the categories of expenses eligible for forgiveness under the Paycheck Protection Program. These additional costs include, but are not limited to, software, cloud computing, property damage from public disturbances, certain supplier costs and personal protective equipment for employees.

Simplified Forgiveness Application

For borrowers with loans under \$150,000, a borrower may receive forgiveness provided that the borrower signs and submits a certification regarding the expenses and an attestation that the borrower adhered to the Paycheck Protection Program borrower's requirements.

Grants for Shuttered Venue Operators

The bill authorizes \$15 billion for the U.S. Small Business Administration to make grants to eligible live venue operators or promoters, theatrical producers, live performing arts and others who can demonstrate a 25% reduction in revenues.

The act is very lengthy - more than 5,600 pages - leaving attorneys, accountants, tax professionals and other stakeholders of your business still studying the act to see how it could affect your business. If you have any particular questions about it, please [contact me](#) or anyone in the [Barley Snyder Business Practice Group](#).

DISCLAIMER: The information in this alert should not be construed as legal advice to be relied upon nor to create an attorney/client relationship. Please note that the reader's or an industry's specific situation or circumstances will vary and, thus, for example, an approach that is advisable in one industry may not be appropriate in another industry. If you have questions about your situation or about how to apply information contained in this alert to your situation or industry, you should reach out to an attorney.

The views expressed in this alert are those of each individual author and do not necessarily reflect the views of the firm or the firm's clients. The approach to the COVID-19 pandemic is particularly challenging and is evolving and, in many cases, can be controversial. Any views expressed in this alert are not intended to advocate for or endorse a particular governmental response to the pandemic.