



Good morning everyone, I hope you and your family are safe and doing well.

Last night the Senate and House of Representatives passed the \$900 billion COVID relief bill. [The full bill can be read here.](#)

Of the many provisions in the bill was the reinstatement of the Payroll Protection Program (PPP). Below are the details that I know at this point in time. Please understand that this is brand new legislation and I have not had a lot of time to digest and get into every nuance of the bill. I wanted to get this out to you quickly so that you could begin preparing either for a second round of funding or adjust your tax planning.

Who can qualify?

PPP loans will be available to both first time borrowers and businesses that have already received PPP loans.

First time borrowers will be limited to the following groups:

- Businesses with 500 or fewer employees that are eligible for other SBA 7(a) loans
- Sole proprietors, independent contractors, and eligible self-employed individuals
- Non Profits, including churches
- Accommodation and food services operations (those with NAICS codes starting with 72) with fewer than 300 employees per physical location.

Previous PPP recipients may apply for another loan if:

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

PPP loan terms

The terms look to be the same as the prior PPP program.

- Borrowers can receive a loan amount of up to 2.5 times their monthly payroll cost up to \$2 million.
- Borrowers with NAICS codes starting with 72 (hotels and restaurants) can get up to 3.5 time their average monthly payroll costs.
- For loan forgiveness, you will have to spend 60% of the funds on payroll over the covered period, either 8 weeks or 24 weeks.
- Loan forgiveness if proceeds are used for payroll, rent, covered mortgage interest, and utilities.
- New legislation also makes the following uses potentially forgivable:
 1. Covered worker protection and facility modification expenditures,

- including personal protective equipment to comply with COVID-19 safety guidelines.
2. Expenditures to suppliers that are essential at the time of purchase to the recipient's current operations.
 3. Covered operating costs such as software and cloud computing services and accounting needs.

Application for Forgiveness

- Simplified forgiveness application process for loans of \$150,000 or less. The SBA is mandated to create a simplified application within 24 days after the bill is enacted. This will be a huge relief for our small business owners.
- Repeals the requirement that PPP borrowers deduct the amount of any EIDL advance from their PPP forgiveness.

Tax Deductibility for PPP Expenses

- The bill specifies that business expenses paid with forgiven PPP loan are tax deductible. This is a huge win for the small business owner!

Again, please remember that this is brand new legislation and we have not had time to dig into every nuance. I wanted to get this out to you as quick as possible so that you are informed.

I will continue to update you as I learn more. I hope you and your family have a Merry Christmas!

Thank you!

Below is a link to our YouTube channel that has other really good content dealing with tax and business related issues. Subscribe to the channel to be notified of new videos we post.

[REH CPA YouTube Channel](#)

Thank you!

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