

Second Stimulus Update

Consolidated Appropriations Act

December 30, 2020

Second Stimulus Payment

A second stimulus payment will be available, the details of which are as follows:

- A onetime stimulus payment of \$600 for each individual
- A onetime stimulus payment of \$1,200 for married or joint filers
- A onetime stimulus payment of \$600 for any dependents age 16 and under

In order to qualify for the full second stimulus payment, you will need to have earned less than \$75,000 (for individuals) or \$150,000 (for married/joint filers) in 2019.

If your adjusted gross income is higher than those thresholds, then the stimulus payment is reduced by \$5 for every \$100 of adjusted gross income over those thresholds.



New PPP Loans and Rules

The new act reopened the popular Paycheck Protection Program (PPP) by allocating an additional \$285 billion for the program. Small businesses that obtained an initial PPP loan can qualify for a second round of loans. More flexible rules have been added to provide for forgiveness of the loans, including clear guidelines that forgiveness of a PPP loan is not taxable.

However, eligibility for a second PPP loan is stricter than before. A borrower will have to have fewer than 300 employees and be able to establish, in general, that they experienced a 25% drop in gross receipts during the first, second, or third quarter in 2020 relative to that same quarter in 2019. The new act caps PPP loans at \$2 million. The act also sets aside \$12 billion specifically for minority-owned businesses.

The bill gives the SBA 10 days to implement the new rules



PPP Loan Deductibility

PPP Borrowers will not lose the income tax deduction that was expected to be available for expenses paid from PPP loans for items that are normally tax deductible

While the original “Coronavirus Aid, Relief, and Economic Security Act” (“CARES Act”) made it clear that the forgiveness of a PPP loan would not be included in income, the proposed language for the new legislation clearly indicates that expenses paid with a PPP loan will be deductible using the normal rules associated therewith.



PPP and ERC

PPP Borrowers are now eligible to go back and claim ERC for 2020 beginning March 12, 2020

Any payroll costs – W-2 wages or health care costs – for which a taxpayer claims an ERC are NOT eligible to be forgiven as part of the PPP process. Thus, while a taxpayer may BOTH claim the ERC and borrow a PPP loan, they cannot do it on the SAME wages or health care costs.



ERC (Employee Retention Credit) 3/12/2020 – 12/31/2020

The CARES Act created a new refundable payroll tax credit for employers that retained their employees during 2020 despite the impact of COVID-19.

That credit was equal to 50% of the first \$10,000 of qualified wages paid by an eligible employer during 2020, leading to a maximum credit of \$5,000 per employee.

Eligible employers were determined on a quarterly basis to include those that were either: (1) partially or fully shut down due to government orders, or (2) suffered a decline of 50% or more in gross receipts when comparing the 2020 quarter to the same quarter in 2019.

- For eligible employers that had more than 100 employees, qualified wages only included amounts paid to employees who did not provide services.
- For eligible employers with 100 or fewer employees were able to include wages paid to all employees as qualified wages during the applicable quarters.
- Eligible employers generating the credit as a result of a shutdown are only able to obtain the credit for the wages paid during the period of the shutdown.



ERC (Employee Retention Credit) 1/1/21 – 6/30/21

The Bill extends the availability of the ERCs to qualified wages paid through June 30, 2021 and enhances the program in many ways:

- The ERC for wages paid between 1/1/2021 and 6/30/2021 will be equal to 70 percent of qualified wages, rather than 50 percent of such qualified wages;
- For 2021 qualified wages, the ERC cap is increased from \$10K of wages/EE/year to \$10K of wages/EE/Quarter;
- In 2021, any employer with a reduction in gross receipts of 20 percent (rather than 50 percent) can take advantage of the ERC and, for purposes of calculating the reduction in gross receipts, an employer can use its prior quarter gross receipts to determine eligibility;
- The ERC originally applied to all employee wages paid by an employer with 100 or fewer employees while employers with more than 100 employees could include only wages paid to employees who are not performing services due to the business suspension or significant decline in gross receipts. The 100 employee threshold is increased to 500 employees for the period from January 1, 2021 to June 30, 2021;
- Employers with 500 or fewer employees can receive an advance refund of the credit based on 2021 qualified wages paid during the same quarter of 2020;
- Qualified wages for purposes of the ERC originally could not exceed the amount an employee would have been paid for working an equivalent number of hours during the 30 days immediately preceding the applicable period. This restriction is eliminated for 2021 wages, allowing employees to treat bonus pay as qualified wages in many situations; and



EIDL Advance Non-Taxable and No Longer Reduces PPP Loan Forgiveness

The Act also replenishes the EIDL Advance fund, which allows businesses suffering a substantial economic injury to apply for an advance that does not need to be repaid or up to \$1,000 per employee limited to \$10,000 total.

Prior law stated that any EIDL Advance received would reduce PPP Loan Forgiveness, essentially requiring the Advance to be repaid.

The new Act repeals this provision so the receipt of an EIDL Advance will have no impact on PPP loan forgiveness. Borrowers that have already applied for and received loan forgiveness presumably may now amend their application to request that the \$10,000 EIDL Advance (or amount actually received) not reduce their forgiveness amount and request repayment.



Simplified Application for Loans Under \$150,000

Borrowers who received less than \$150,000 in PPP loans during the first round will now only have to submit a one-page application for forgiveness, but all of the same rules apply.

Think about filling out the long application but actually submitting the short application, with your answers in the long application being ready for review in case you are ever audited.



FFCRA Extension

The original FFCRA mandatory paid leaves put in place April 1, 2020, still apply through December 31, 2020.

If you have fewer than 500 employees, your FT, PT and seasonal employees are entitled to Emergency Paid Sick Leave or Expanded FMLA if they get sick, have symptoms, are awaiting a test, are caring for someone who is sick, or are home with children whose school or place of care is closed due to Covid-19.

These wages will be paid by the government through tax credits to eligible employers for up to 80 hours/Employee (max \$511/day) for Emergency Paid Sick Leave) and up to 12 weeks – first 2 weeks unpaid - (max \$200/day) for Expanded FMLA.

These credits were scheduled to end on December 31, 2020, but are extended by the Bill until March 31, 2021. These extended credits are only available to employers who are required to provide the FFCRA leave through December 2020. Employers in that category who voluntarily continue to provide leave under the original FFCRA guidelines will be eligible for the tax credits through March 31, 2021.

If an employee used all or part of their entitled FFCRA hours in 2020, they can use the balance (if any) in 2021.



Unemployment Benefits

The new relief act provides an additional \$300 per week for all workers receiving unemployment benefits, through March 14, 2021 (and possibly longer). The act also extends the Pandemic Unemployment Assistance (PUA) program, with expanded coverage for independent contractors, self-employed individuals, and gig workers.

It's not yet clear when states will roll these benefits out, but the additional \$300 is slated to cover the weeks starting from Dec. 26, 2020 and ending on or before March 14, 2021. However, you're unlikely to see this money in your unemployment check for at least another few weeks; states need guidance from the Department of Labor on how to implement the bonus payments.



We are answering your questions live on the air right now.

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Questions?

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questions@dominionpayroll.com





Don't forget to wash your hands!

