



HBE

10 Minute Webinar

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SBA/PPP Loan Updates in December Stimulus Bill

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Key Highlights

- No tax implications from PPP Forgiveness – Expenses paid with PPP funds are now fully deductible.
- EIDL Advance Grants no longer reduce PPP Forgiveness and are non-taxable to recipients.
- Simplified Forgiveness procedures for loans less than \$150,000.
- Second round of PPP Loans for certain businesses.
- Updates to loan calculations for Schedule F Farmers.
- Non-taxability of SBA loan payments made on your behalf – and an increase from six months to nine months of payments.

*Note: As of late on December 22nd, President Trump indicated issues with the bill, which creates uncertainty. We are hopeful much of this framework remains, but the timeline is questionable.

Tax Implications of PPP Forgiveness

- Congress added language to match with their original intent
- All expenses paid with forgiven PPP funds are now fully deductible
 - Also, no basis or tax attribute issues from PPP forgiveness

EIDL Advance Grant Updates

- PREVIOUS: EIDL Advance Grants reduced the amount of PPP Forgiveness
- NEW BILL: Forgiveness is **NOT** reduced by EIDL Advance Grants
 - Loans that were already forgiven and EIDL grants that reduced forgiveness will need to be updated with the banks – more to come on what this process looks like
- EIDL Advance Grants are NOT taxable income to businesses

Simplified Forgiveness Filing

- Loans of \$150,000 or less are now subject to simplified filing requirements (likely similar to the 3508S for loans of \$50,000 or less)
 - SBA guidance expected soon
- Simplified application, less documentation
- Much yet to be announced/clarified

Second Round of PPP Loans

- New round of PPP loans for certain eligible businesses
 - Must demonstrate a revenue decrease of at least 25% in any quarter of 2020 compared to the same quarter in 2019
 - Includes rules to account for newer businesses
 - Available to businesses with 300 or fewer employees
 - 500 employees for businesses with more than one location
- More guidance to follow on how to document revenue losses/how to define revenue
- Payroll generally still uses 2019 calendar year, unless you opt for the most recent 12 months. Banks should have the payroll information already may just need to show the revenue drop.
- HBE will be ready to help businesses apply

Increase to PPP for Schedule F Farmers

- PPP loan amounts for compensation based on Gross Receipts not Net Income
 - Will result in additional amounts for farmers with a 2019 Schedule F Net Income below \$100,000 (including negative)
- Farmers who previously received a PPP loan will be able to work with their bank for an additional amount
- Farmers who were ineligible to apply previously should be able to apply when applications open up

Payments Made on Existing SBA Loans

- The CARES Act (March 2020) provided for the SBA to make six months of loan payments on behalf of certain existing SBA loans.
- This new bill provides two key updates on these loan payments:
 1. Payments on your behalf are NOT taxable income and the interest expense should still be deductible, even though the SBA paid it for your business
 2. Extension from six months of payments to nine months, which will be updated starting in February

Additional Information

- There was much more information included in this stimulus bill
- Highlights include:
 - Business meals are 100% deductible in 2021 & 2022
 - \$300/\$600 Charitable Deduction for taxpayers who don't itemize was extended for 2021, as well as 2020
 - \$600 stimulus to many taxpayers, similar to the previous \$1,200
 - Extension of unemployment insurance provisions
 - Extension of/additions to various business payroll credits and deferrals

QUESTIONS





Contact Information



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