



RACCA members:

Happy 2021! Last year was a year no one could have predicted. We have all been affected one way or another. In time of uncertainties, staying informed is one way that we can feel more controlled during uncertain times. Here is some information that may help answer some of the questions you may have going into this year. We all hope for a better 2021 and I hope to see you all again soon.

Paycheck Protection Program (PPP)

SBA, in consultation with the U.S. Treasury Department, reopened the Paycheck Protection Program (PPP) for First Draw Loans the week of January 11, 2021. Here is a brief summary of the program as it reopened this year. For additional information on eligibility and rules and to stay up to date on the changes to the program, please visit the SBA's website at <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

	First Draw	Second Draw
Definition	Those who did not receive a PPP loan last year	Those who received a PPP loan last year and are applying for another PPP loan
Deadline	March 31, 2021	
Eligible expenses	Payroll costs, including benefits, mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations	
Additional requirement		25% reduction in gross receipts during any calendar quarter in 2020 compared to the same quarter in 2019
Applicant size	500 or fewer employees	300 or fewer employees
Loan size	Max at \$10m; calculated at 2.5 times of average total month payroll costs during calendar year 2019 or 2020	Max at \$2m, calculated at 2.5 times of average total month payroll costs during calendar year 2019 or 2020
Covered period	Anywhere from 8 weeks to 24 weeks after loan disbursement	
Loan forgiveness	60% of loan proceeds must be spent on payroll costs	

PPP Expense Deduction

The Internal Revenue Service and the Treasury Department released guidance on claiming deductions for expenses associated with Paycheck Protection Program loans that have been forgiven.



The guidance in [Revenue Ruling 2021-02](#) also reverses previous guidance issued last year by the IRS and the Treasury when Treasury Secretary Steven Mnuchin fiercely opposed the ability to deduct expenses related to forgiveness of PPP loans. Industry groups lobbied for the ability to write off such expenses, arguing it would help struggling businesses and was in line with congressional intent when the CARES Act was passed last year setting up the PPP loans as a way to get money quickly into the hands of desperate business owners. The COVID-related Tax Relief Act of 2020 amended the CARES Act to specify that no deduction would be denied, no tax attribute would be reduced, and no basis increase would be denied by reason of the exclusion from gross income of the forgiveness of an eligible recipient's covered loan.

SBA Debt Relief Payment

In April 2020, as part of the CARES Act, the SBA began making the SBA loan payments (Section 1112 payments) to cover principal, interest, and any associated fees for 6 months. The SBA released an Information Notice dated December 8th, 2020 that the debt relief will be taxed as income.

The Information Notice states that the SBA lenders who provided the debt forgiveness payments for both SBA 7a and 504 loan programs will be responsible for filling Form 1099 to the borrowers who received the debt forgiveness as Miscellaneous Income. The total amount received of Section 1112 payments will be reported as income to the borrower.

Is the stimulus payment of \$1,200 (or \$2,400 if married filing jointly) I received last year taxable income?

No, but it will need to be reported and reconciled on your 2020 tax return.

Want to learn more?

RACCA members who wish to learn more about these provisions and how to management cash flows for your business may contact me at the phone number or e-mail below.

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Disclaimer: this information provided in summary form and is not intended to be tax advice. Individuals should consult their tax advisors to determine eligibility.