

# BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS



Dear valued client:

President Trump has finally signed the \$900 billion pandemic relief package that was passed by Congress. Given that the act is 5,593 pages in length, there is probably something for just about everyone in this legislation. Below we will outline what is in this package for small businesses.

1. Congress heard the howling from its constituents after the IRS tried to make the funds received from PPP taxable by disallowing the expenses they paid. This bill makes PPP funds non-taxable by allowing these deductions.
2. Includes \$284.5 billion for first and second forgivable Paycheck Protection Program (PPP) loans.
  - a. A small business can receive a second PPP loan if they have less than 300 employees and can demonstrate a revenue reduction of 25%. Accommodation and food service businesses (NAICS Code 72) can use three and a half months of payroll to determine the loan size. All other entities use two and a half months of payroll, similar to the first round of PPP loans.
  - b. The Act creates a streamlined revenue reduction requirement for loans of \$150,000 or less—borrowers are only required to submit a certification statement regarding the revenue loss at the time of submitting the loan application and must provide proof of the revenue loss at the time they submit a forgiveness application.
  - c. Applicants for second draw loans of up to \$150,000 are eligible for a simplified certification of revenue test. These applicants may certify that the business meets the applicable revenue loss requirements at the time the application is submitted, but may be required to provide documentation supporting the reduction in revenue at the time the borrower submits an application for forgiveness.
  - d. The loan amount is based on the payroll costs for the most recently completed 12 months or an alternative is to use 2019 payroll costs.
  - e. Maximum loan amount reduced to \$2 million.
  - f. Expands PPP eligibility for 501 (C)(6) nonprofits, including local newspapers, radio, and television broadcasters, and destination marketing organization
3. Other loan related provisions:
  - a. If you received one of the EIDL grants up to \$10,000 and also received a PPP loan, the grant will no longer become a PPP loan that is not forgivable.
  - b. If you received six months of payments on an SBA loan as a benefit from that round, that benefit will no longer be considered taxable income.
  - c. The bill creates strong incentives for banks (and non-bank lenders) to make new SBA loans. If you receive one before 9/30 – all fees will be waived, and the first six months of payments will be forgiven entirely – up to \$9,000 per month. (Please note that this benefit is up until 9/30 or when the allocated money runs out).
  - d. If you own a commercial property and run your business out of it, you can qualify for an SBA 504 loan to refinance the loan with fees waived and the ability to take advantage of long term fixed rates.

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4. Payroll Tax Deferral: Workers whose payroll taxes have been deferred since September would be given until Dec. 31, 2021, to pay back the government, instead of through April 30, 2021, as originally directed by the Treasury Department.
5. Paid Leave Credits: The measure would extend credits for paid sick and family leave provided under the second coronavirus relief package through March 31, 2021.
6. The Families First Coronavirus Response Act (FFCRA) provided a refundable tax credit for the mandated paid sick leave and family leave for private-sector employers with under 500 employees:
  - a. This bill extends the tax credit through March 31, 2021, for employers that continue to offer paid sick and family leave to their employees.
  - b. The bill **does not** extend the FFCRA provisions that required the public sector employers (state and local government entities) to provide emergency paid sick and family leave.
  - c. The unfunded federal mandate for state governments to provide emergency paid sick and family leave is still set to sunset on Dec. 31, 2020.
  - d. The bill does allow private sector employers and self-employed individuals to claim the tax credit for voluntarily providing emergency paid leave that is provided through March 31, 2021
  - e. Extends and expands the CARES ACT employee retention tax credit (ERTC).
  - f. Beginning on Jan. 1, 2021, and through June 30, 2021, the provision does the following:
    - . Increases the credit rate from 50% to 70% of qualified wages.
    - . Expands eligibility for the credit by reducing the required year-over-year gross receipts decline from 50% to 20% and provides a safe harbor allowing employers to use prior quarter gross receipts to determine eligibility.
    - . Increases the limit in per-employee creditable wages from \$10,000 for the year to \$10,000 for each quarter.
    - . Increases the 100-employee delineation for determining the relevant qualified wage base to employers with 500 or fewer employees.
7. Includes \$13 billion for agriculture production in new agricultural aid, including direct payments to farmers, producers, protections for food and agriculture workers, and specific support for smaller producers. A few of the items are:
  - a. Approximately \$5 billion for supplemental \$20 per acre payments to all row crop producers.
  - b. \$225 million for supplemental payments to producers of specialty crops like fruits, nuts and vegetables.
  - c. Up to \$3 billion for supplemental payments to cattle producers, contract growers of livestock and poultry, dairy farmers, and producers who were forced to euthanize livestock or poultry due to the COVID crisis.
  - d. \$1.5 billion to fund purchases of food, including seafood, for distribution to those in need, and to provide worker protection measures, and retooling support, for farmers and farmers markets.
  - e. \$400 million for a Dairy Product Donation Program, modeled after the 2018 Farm Bill pilot milk donation program.
  - f. Establishes a loan calculation for the initial round of the PPP loans for farmers and ranchers, and allows Farm Credit System Institutions to be eligible to make loans under the Paycheck Protection Program.

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8. Health Legislative Add-Ons include:

- a. Provides for a one-time, one-year increase in the Medicare physician fee schedule of 3.75% to support physicians and other professionals in adjusting to changes in the Medicare physician fee schedule during 2021, and to provide relief during the COVID-19 public health emergency.
- b. Extension of the temporary suspension of Medicare sequestration; provides for a three-month delay of the Medicare sequester payment reductions through March 31, 2021.

As mentioned in the introduction to this email, the Act is 5,593 pages in length, so there may be provisions not outlined above that will impact you. As we read and learn more, we will provide further information. As always, please reach out to us at Brickley DeLong if you have questions or need more information.

Sincerely,

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive, flowing style.

Brickley DeLong, P.C.