

## Sweeping Stimulus Package Offers Good News for Businesses and Individuals Alike

Clients & Friends -

Early last week, Congress passed a comprehensive stimulus package that brings good news to many Americans. President Trump signed the Consolidated Appropriations Act 2021 into law last night. The Act, which is the largest bill ever passed by Congress (at over 5,500 pages) contains over \$900 billion of additional stimulus funding, and provides for several key tax extenders and other tax changes.

### Business Provisions

**PPP Loans** - One of the most anticipated portions of the law involves the PPP. As part of this stimulus package, certain businesses can apply for a **second round of funding**. To qualify, businesses need to have fewer than 300 employees and demonstrate a loss in gross receipts of 25% or more. Additionally, the bill allows for more expenses to be included in forgiveness.

For companies that have already applied for PPP loans, one of the main questions has been the deductibility of expenses forgiven under the PPP program. Under the CARES Act, PPP forgiveness was not considered taxable. However, shortly after the CARES Act came out, the IRS issued Notice 2020-32, stating taxpayers who receive forgiveness cannot deduct covered costs. The Consolidated Appropriations Act fixes this issue and states "no deduction shall be denied, no tax attribute shall be reduced, and no basis increase shall be denied" for expenses paid with PPP proceeds. This is definitely welcome news for taxpayers who received PPP loans.

In addition to the tax deductibility fix, PPP borrowers with loans under \$2 million will welcome the new streamlined SBA loan forgiveness procedures. PPP borrowers with loans of \$150,000 or less will be able to attest, on a single-page form to be released, that they complied with PPP requirements. The SBA is to create a new simplified application within 24 days of the legislation's passage so that should be coming by mid-January 2021.

Finally, the Act provides for additional eligible nonpayroll expenses, classified as covered operations expenditures, covered property damage costs, covered supplier costs and covered worker protection expenditures as forgivable costs and repeals the requirement that the SBA deduct an EIDL Advance from the PPP loan forgiveness amount.

**Employee Retention Credit** - The provision modifies and extends the CARES Act employee retention credit. Specifically, the employee retention credit is:

- Increased from 50% to 70% of eligible wages
- Expanded to include \$10,000 for any calendar quarter per employee rather than \$10,000 for all quarters
- Simplified for 'small employers' with 500 employees instead of 100 employees
- Extended to an Employee Retention Credit period (during which an employer can pay and count qualified wages) that ends June 30, 2021 rather than Dec. 31, 2020

The Act also contains many other provisions favorable to businesses including:

- Permanent extension of 179D Energy-Efficient Building Deduction
- Extension of Work Opportunity Tax Credit (WOTC)
- Extension of New Market Tax Credit (NMTC)
- Extension of green energy investment tax credit and production tax credit
- Temporary allowance for deduction of business meals

## Individual Provisions

**Direct payments to individuals** - The Act authorizes direct payments to individuals (calling it an advance tax credit) in the amount of \$600 per individual taxpayer (\$1,200 for married filing jointly) and \$600 per qualifying child. The new provision imposes a requirement that all taxpayers and dependents must disclose a valid social security or taxpayer identification number.

As with the first round of direct payments through the CARES Act, this second round phases out for individuals making more than \$75,000 or couples making more than \$150,000. Treasury Secretary Mnuchin said the IRS could begin making these payments as soon as this week. If there has been a decrease in income or an increase in family size for 2020, any additional payment due can be claimed as a tax credit when filing the 2020 tax return. These payments are not federally or state (Alabama) taxable.

**Unemployment benefits** - \$300 in extra unemployment benefits were extended through March 2021. These benefits are taxable. The bill also extends the Pandemic Unemployment Assistance (PUA) program, with expanded coverage to the self-employed, gig workers, and others in nontraditional employment, and the Pandemic Emergency Unemployment Compensation (PEUC) program, which provides additional weeks of federally funded unemployment benefits to individuals who exhaust their regular state benefits.

**Housing** - \$25 billion was allocated for emergency rental aid and the national eviction moratorium was extended through January 31, 2021.

As you can imagine, there is much more information to share that may affect you, your business, and your tax planning. Please contact your Jackson Thornton tax advisor for assistance. We will continue to share updates and additional information in the coming days.

For the latest information and updated forms, please visit our COVID-19 news and updates [page](#).

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