

Employee Retention Tax Credits + Second Draw PPP Loans

Clients & Friends -

We have a couple of important items we wanted to share. In an email we sent you last week, we advised those who took first round Paycheck Protection Program (PPP) loans to hold off on filing applications for loan forgiveness based on changes in the recently passed Consolidated Appropriations Act 2021. We also advised that if you have already submitted your application, you should contact your lender to see if they can halt the processing of your application. That advice still stands.

Employee Retention Credits

Many of you may have received emails related to Employee Retention Credits (ERC) urging action prior to January 31, 2021. As your trusted advisor, we are taking a more measured approach based on the guidance we have seen thus far. The resources needed for action have not yet been issued nor has guidance from the Small Business Administration (SBA) or Treasury Department been released.

Below is a link to an article from our January 8th newsletter detailing the ERC - we encourage you to read it if you have not already done

so: <https://www.checkpointmarketing.net/n.cfm/page/e105/key/416238386G2528J3801971N9N229483P0P10396335T0/>.

PPP Loan Reopening - Details on Second Draw PPP Loans

The SBA, in consultation with the Treasury Department, announced on Friday, January 8, that the Paycheck Protection Program (PPP) will re-open this week for new borrowers and certain existing PPP borrowers. To promote access to capital, **initially only community financial institutions will be able to make First Draw PPP Loans on Monday, January 11, and Second Draw PPP Loans on Wednesday, January 13. The PPP will open to all participating lenders shortly thereafter.** Click [here](#) for the link to the Second Draw PPP Loan application.

Below are some guidelines as to eligibility for a Second Draw PPP Loan.

An applicant is eligible for a Second Draw PPP Loan if it is:

- A business concern
- Independent contractor
- Eligible self-employed individual
- Sole proprietor
- Nonprofit organization eligible for a First Draw PPP Loan
- Veterans organization
- Tribal business concern
- Housing cooperative
- Small agricultural cooperative
- Eligible 501(c)(6) organization or destination marketing organization
- An eligible nonprofit news organization

But must have:

- Previously received a First Draw PPP Loan
- Has used, or will use, the full amount of its First Draw PPP Loan, including the amount of any increase in its First Draw PPP Loan
- Not more than 300 employees
 - NAICS Code beginning with 72 is allowed to have not more than 300 employees per physical location
 - Eligible news organizations are allowed to have not more than 300 employees per physical location
- Experienced a reduction in revenue in calendar year 2020, measured as follows:
 - Gross receipts during any quarter in 2020 that demonstrate at least a 25 percent reduction from the applicant's gross receipts during the same quarter in 2019. If quarterly gross receipts are not available, calendar year or year-end reduction of 25% in 2020 compared to 2019 is acceptable.
 - Not in business during the first or second quarter of 2019, but was in business during the third and fourth quarters of 2019, the applicant had gross receipts during the first, second, third, or fourth quarter of 2020 that demonstrate at least a 25 percent reduction from the applicant's gross receipts during the third or fourth quarter of 2019.
 - Not in business during the first, second, or third quarter of 2019, but was in business during the fourth quarter of 2019, the applicant had gross receipts during the first, second, third, or fourth quarter of 2020 that demonstrate at least a 25 percent reduction from the fourth quarter of 2019.
 - Not in business during 2019, but was in operation on February 15, 2020, the applicant had gross receipts during the second, third, or fourth quarter of 2020 that demonstrate at least a 25 percent reduction from the gross receipts of the entity during the first quarter of 2020.
 - An applicant that was in operation in all four quarters of 2019 is deemed to have experienced a revenue reduction if it experienced a reduction in annual receipts of 25 percent or greater in 2020 compared to 2019 and the borrower submits copies of its annual tax forms substantiating the revenue decline.

If you would like our assistance with questions related to Employee Retention Credits or Second Draw PPP Loans, please contact your Jackson Thornton tax advisor or Jason Wells at jason.wells@jacksonthornton.com.

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

Jackson Thornton provides the information herein for general guidance only, and does not constitute the provision of tax advice, legal advice, accounting services, investment advice, or professional consulting of any kind. The information provided herein should not be used as a substitute for consultation with professional tax, accounting, legal, or other competent advisors. Before making any decision or taking any action, you should consult a professional advisor who has been provided with all pertinent facts relevant to your particular situation. Tax articles herein are not intended to be used, and cannot be used by any taxpayer, for the purpose of avoiding accuracy-related penalties that may be imposed on the taxpayer. The information is provided "as is," with no assurance or guarantee of completeness, accuracy, or timeliness of the information, and without warranty of any kind, express or implied, including but not limited to warranties of performance, merchantability, and fitness for a particular purpose.