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HIGHLIGHTS OF THE LONG AWAITED SECOND COVID-19 RELIEF BILL

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Highlights of the Long Awaited Second COVID-19 Relief Bill

On Dec. 27, President Trump signed the long awaited \$900 billion COVID stimulus deal. The legislation, called the Consolidated Appropriations Act, 2021, is intended to help families and small businesses who are continuing to be adversely impacted by the COVID-19 pandemic.

At nearly 5,600 pages, this bill is a record breaker. Considering the rush to get it approved, many questions are surely going to arise and more details will continue to be released. The information contained below is not intended to be all-inclusive and should serve as a general guide to some of the aspects of the bill we feel are most widely applicable. As more information becomes available, we will update you with additional communication.

Included in the large Appropriations Act is the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act). The Economic Aid Act includes \$284 billion allocated to the Small Business Administration (SBA) for the Paycheck Protection Program (PPP), and includes some important changes to this loan program. Below are details on this newest round of PPP Funding:

Who is eligible?

- Second-time borrowers (PPP2) who:
 - Have 300 or fewer employees and
 - Can show a 25 percent gross revenue decline in any quarter in 2020 compared to the same quarter in 2019 and
 - Have used or will use the full amount of their first PPP loan.
- First-time borrowers including:
 - Most businesses with 500 or fewer employees, who are eligible for other SBA 7(a) loans
 - Sole proprietors, independent contractors, and eligible self-employed individuals
 - Any business with fewer than 300 employees per physical location that has a NAICS code starting with 72 (accommodation and food services)
 - Nonprofits, including churches
- 501(c)(6) business leagues and destination marketing organizations
 - With 300 or fewer employees
 - Chamber of commerce, economic development, tourism
 - Subject to lobbying threshold (15 percent of receipts, no more than \$1 million of cost)

How much can you borrow?

- Maximum loan amount is \$2 million
- Loan amount = 2.5 times average total monthly payroll costs
 - PPP borrowers with NAICS codes starting with 72 (hotels and restaurants) can get up to 3.5 times their average monthly payroll costs

Deductible expenses eligible for loan forgiveness include:

- The same expenses as were eligible under PPP 1
 - Payroll costs
 - Covered Mortgage interest
 - Rent
 - Utility payments
- Covered worker protection expenditures and facility modification costs
 - Personal Protective Equipment (PPE)
 - Costs to comply with COVID-19 federal health and safety guidelines
- Covered supplier costs
 - Expenses to a supplier that are essential to current operations
- Covered operating cost such as software or cloud computing services
- Payroll costs should be at least 60 percent

New and improved:

- Expenses paid for with PPP proceeds will be expressly tax-deductible, even if the loan is forgiven
 - This applies to all PPP loans, including PPP loans obtained earlier in 2020 through the first round
- Includes a simplified forgiveness application for loans made for \$150,000 or less
- Repeals the requirement that PPP borrowers deduct the amount of any EIDL advance from their PPP forgiveness amount

Timeline:

- The SBA is required to establish regulations by Jan. 6, with loan applications likely to be accepted 7-10 days thereafter
- The PPP2 program ends on March 31, 2021

Other key provisions in The Consolidated Appropriations Act, 2021

- Additional 2020 recovery rebates for individuals (stimulus checks)
- \$600 for individuals or \$1,200 for married couples
- Phases out by 5 percent of the excess over AGI thresholds
 - Single phase-out is \$75,000 - \$87,000
 - MFJ phase-out is \$150,000 - \$174,000
- \$600 per qualifying child (under 17 years old) phases out at same rate as parent(s)
 - If single, and at AGI of \$80,000, parent payment is \$350 and child payment is \$350 for a total of \$700

- An additional \$20 billion has been allocated to provide Economic Injury Disaster (EIDL) Grants to businesses in low-income communities
- \$15 billion allocated for grants to shuttered live venues, independent movie theaters and cultural institutions
- Itemized deduction for medical expenses to be subjected to a floor reduction to 7.5 percent is made permanent
- Temporary allowance of full deduction for business meals
 - Effective for expenses after Dec. 31, 2020 and before Jan. 1, 2023
 - For only food and beverages provided by a restaurant
- Certain charitable contributions are deductible by non-itemizers
 - \$300 individuals or \$600 married couples – above the line deduction for 2020 has been extended to 2021
- Modification of limitations on charitable contributions
 - 100 percent of AGI limit extended from 2020 to 2021
- Extension of unemployment benefits for 11 additional weeks including \$300 per week Federal supplement for those receiving unemployment benefits from Dec. 26, 2020 to March 14, 2021
- Flexible Savings Account (FSA) balances can be rolled from the 2020 tax year into 2021, and 2021 balances can be rolled into 2022
- Extends and expands the Employee Retention Tax Credit through July 1, 2021
 - Previously, you were ineligible for a credit if you received a PPP loan. Now, if you received a PPP loan, you may still qualify for the credit for wages that were not paid for with PPP proceeds
 - Beginning on Jan. 1, 2021 and going through June 30, 2021, the credit has been expanded to help increase eligibility and increase the credit

The full text of the Consolidated Appropriates Act, 2021 can be read [here](#).

As more information becomes available about these additional resources, we will be sure to update you.

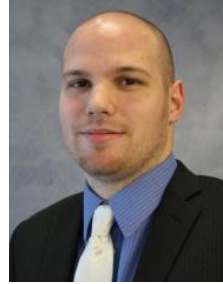
If you have any questions, please reach out to us directly and we will be happy to try and help you.

CONTACT US

Zinner & Co. LLP, is here to help. If you have any questions or would like to talk to someone about ways you and/or your business can take advantage of these government support programs, please reach out to one of our Recovery Specialists:



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ABOUT ZINNER

In 1938, Harry Zinner had a vision for long term success. He founded a Cleveland-based bookkeeping firm that focused on integrity, commitment and a pledge to help individuals, not-for-profit organizations and closely-held companies grow and prosper, not just for today, but for decades to follow.

Today, Zinner & Co. provides tax, accounting and management advisory services to guide businesses from startup to succession planning and help individuals create a solid financial foundation.

Our Beachwood, Ohio office is home to a dedicated team of CPAs and management advisors that provide a full slate of services beyond traditional tax and accounting. Contact us to discover how we can help you achieve your greatest financial potential.

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