

NEW STIMULUS BILL OFFERS LIFELINES FOR SMALL BUSINESS - PPP & BEYOND

LEGAL ALERT

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HOGE • FENTON

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On Monday, December 21, 2020, Congress passed a \$900 billion pandemic relief package that would inject another round of long-awaited cash to businesses and individuals who are in financial distress due to the COVID-19 pandemic. President Trump signed the bill on Sunday night, December 27, 2020.

Notably, the new relief plan will bring significant changes and clarifications to Paycheck Protection Program loans. Here are some highlights:

- **Tax deduction:** The most exciting change is that the new relief bill finally responds to the outcry of borrowers by making clear that income tax deductions are allowable for expenses paid with proceeds of a forgiven PPP loan (PPP forgiveness is still not taxable income, and tax basis and other attributes of the borrower's assets will not be reduced).

- **New Pool:** Adds an additional **\$284 billion** for PPP loans, expands relief to nonprofit organizations and will offer additional support to struggling small businesses.
- **Second draw:** Allows some businesses to receive an additional PPP loan (“Second Draw”), which is targeted to smaller and harder-hit businesses. Businesses must have less than 300 employees per location and demonstrate at least a 25% reduction in gross receipts in the first, second, or third quarter of 2020 relative to the same 2019 quarter. Businesses that were not in business for all quarters must demonstrate appropriate reductions during the months they were in business (for example, they can compare earlier 2020 quarters rather than compare to 2019). Applications submitted on or after January 1, 2021, are eligible to utilize the gross receipts from the fourth quarter of 2020 in this analysis.
- **Borrowing Amount:** Allows entities in industries assigned to NAICS code 72 (accommodation and food services) to receive loans of up to **5 times** their average monthly payroll cost (increased from 2.5).
- **Forgiveness:** The definition of qualified expenses was expanded to include software, cloud computing, human resources, payroll, billing and accounting, costs related to “property damage and vandalism or looting due to public disturbances” that occurred during 2020 and are not covered by insurance, supplier costs, and worker protection related to social distancing, sanitation or other safety requirements.
- **Simplified Forgiveness Application:** The bill mandates a simplified forgiveness application (“not more than one page in length”) for loans up to \$150,000. The application will require a description of the number of employees the borrower was able to retain because of the covered loan, the estimated total amount of the loan spent on payroll costs, and the total loan amount.
- **Dedicated Funding to Live Venues and other Businesses:** The bill provides \$15 billion for live venues, independent movie theaters, and cultural institutions. Funds are also earmarked for non-profits and news outlets that weren’t eligible in the first round.

In addition to the changes made to the PPP program, the new stimulus bill also provides additional relief, including:

- Individuals making up to \$75,000 a year will receive a payment of \$600, while couples making up to \$150,000 will receive \$1,200, in addition to \$600 per child.
- 11 weeks of unemployment insurance benefits of \$300 per week for jobless Americans through March 14, 2021.
- Extension to a moratorium on evictions to January 31, 2021 that was slated to expire at the end of the year. The incoming Biden administration can extend the deadline further.
- \$25 billion in emergency assistance to renters.

Meet Our Attorneys



Darlene Chiang provides domestic and international clients with practical legal solutions to resolve issues as they progress through their critical lifecycle milestones from formation, debt and equity financing, entering strategic technology transfer and commercial transactions, to successful exit by merger and acquisitions. Darlene has extensive experience representing high growth companies and their investors as well as mature privately held companies and their founders. Darlene is fluent in Chinese and routinely works with international companies to set up and expand their US presence.



Tim Maximoff counsels his clients in estate planning and estate and trust administration, tax, business, and related matters. Tim works with his clients and their accountants and financial advisors in tax and business planning and, when necessary, represents individual, estate, and business clients in federal, state, and property tax audits, appeals, and litigation. Tim uses his 30 years of experience to explain to clients the practical issues, complex law, and tax rules that impact their situation and help them reach their planning goals.

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