



CORDELL, NEHER & COMPANY, PLLC

Certified Public Accountants

COVID Related Tax Relief Act of 2020

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Cordell, Neher & Company, PLLC, one of the largest Certified Public Accounting firms in North Central Washington with individual and business clients spanning the globe. The Firm has been providing businesses, not-for-profit organizations and individuals with financial and tax planning assistance for more than 50 years. The Firm is comprised of experienced, dedicated professionals with widely diverse backgrounds and areas of technical expertise. Because business and personal accounting today is so broad in scope, specialized expertise is needed to offer a full range of accounting services.



Today's Topics

- Direct Payments
- Federal Unemployment
- Changes to Paycheck Protection Program
- Second Round Paycheck Protection Program
- Grants for Shuttered Venue Operators
- Targeted EIDL Advance
- Taxability of Loan Forgiveness
- Payroll Taxes
- Employee Retention Credit
- Tax Law Changes



Direct Payments

- Payments of \$600 for each individual or qualifying child
- Subject to income phase-outs
- Direct deposited to bank account IRS used for 2019 tax refund or earlier stimulus payment



Federal Unemployment

- \$300 weekly Federal Unemployment payments extended through 3/14/21
- Maximum 24 weeks of Federal Benefits



Changes to Paycheck Protection Program

- Additional expenses eligible for forgiveness
 - Covered operations expenditures
 - Covered property damage costs
 - Covered supplier costs
 - Covered worker protection expenditures
- Payroll costs now include:
 - Group life, disability, vision, or dental insurance benefits paid by employer
- Borrower must be in operation prior to 2/15/20 in order to receive PPP Loan



Changes to Paycheck Protection Program

- Flexible Covered Period
 - Borrower chooses covered period between 8-24 weeks
 - Period must begin on origination date of loan



Changes to Paycheck Protection Program

- Increased Loan Available when:
 - Borrower returned or repaid part of a covered loan
 - Borrower didn't accept full loan amount
 - SBA guidance resulted in increased loan amount after initial application
- Farmers and Ranchers 2019 net earnings on Schedule F now qualifies as payroll for calculation of loan amount
- Initial loan must not have been forgiven in order to qualify for additional loan proceeds



Changes to Paycheck Protection Program

- Simplified forgiveness application for loans under \$150,000
 - Due within 24 days of enactment
 - Must not exceed one page
 - May only require:
 - Description of number employees recipient was able to retain
 - Estimated amount of covered loan spent on payroll
 - Total loan value
 - Requires borrower attestation of accuracy



Second Round Paycheck Protection Program

- Businesses with the following are eligible to apply for second draw on PPP Loan:
 - Under 300 employees
 - At least 25% decrease in gross revenues in any quarter of 2020 compared to the same quarter in 2019
 - \$284 Billion in funding for second round
- Simplified application available for loans under \$150,000



Second Round Paycheck Protection Program

- Maximum loan amount
 - 2.5x average monthly payroll for either calendar year 2019 or the 12 months prior to application
 - Seasonal employer may choose any average monthly payroll for any 12 week period between 2/15/19-2/15/20
 - Service industry businesses (NAICS Code begins with 72) can take 3.5x average monthly payroll



Second Round Paycheck Protection Program

- The following expenses qualify for forgiveness:
 - Payroll (except used for paid leave credits)
 - Interest on covered obligation
 - Covered operations expense
 - Covered physical damage
 - Payment on covered rent obligation
 - Covered utility payment
 - Covered supplier cost
 - Covered Worker protection expense
- Payroll must be at least 60% of forgiven expenses



Grants for Shuttered Venue Operators

- Eligible businesses:
 - Live venue operator or promoter
 - Theatrical producer
 - Live performing arts organization operator
 - Museum operator
 - Motion picture theatre operator
 - Talent representative
- Gross revenues for any quarter of 2020 at least 25% less than same quarter in 2019
- At time of application venue is open or intends to reopen
- Not available to PPP recipients



Grants for Shuttered Venue Operators

- Initial Grants 45% of 2019 revenues for entities in existence 1/1/19, for entities not in existence 1/1/19 six times average monthly revenue for 2019.
- Supplemental Grants of 50% of initial grants available if on 4/1/21 revenues for most recent calendar quarter are no more than 30% of the same quarter in 2019.
- Grants may be not be spent on:
 - Real estate purchases
 - Payments on loans originated after 2/15/20
 - Investments
 - Political contributions

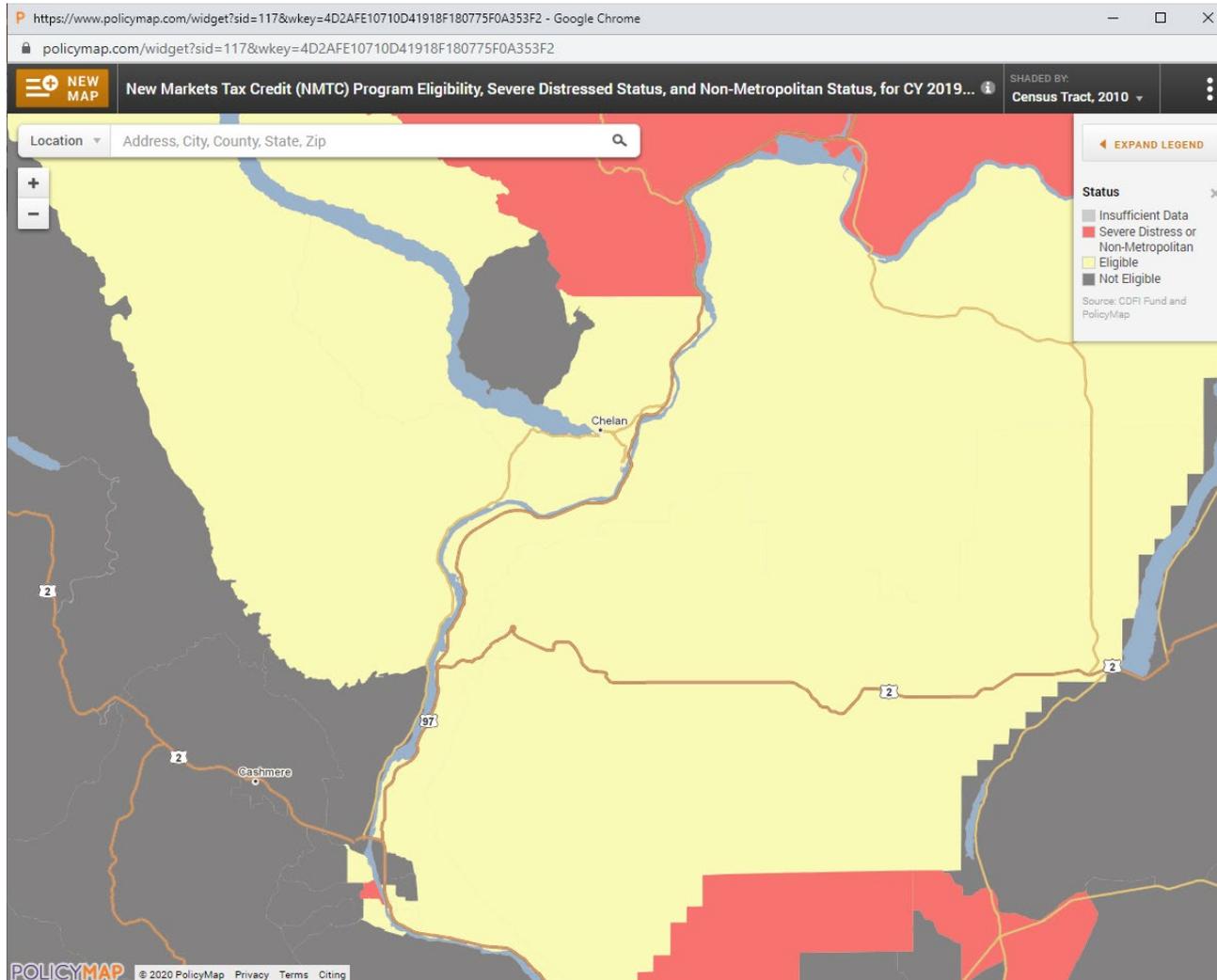


Targeted EIDL Advance

- EIDL Advance/Grant of \$10,000 total available to:
 - Non-Agricultural Enterprise
 - Located in a Low income Community
 - Suffering an economic loss of greater than 30 percent
 - Employing less than 300 employees
- Advances reduced by amount previously received.



Targeted EIDL Advance



Taxability of Loan Forgiveness

- Loan forgiveness is non-taxable and expenses paid fully deductible for:
 - PPP Loans
 - EIDL Advances
 - Grants for Shuttered Venues
- EIDL Advances no longer reduce PPP Loan forgiveness



Payroll Taxes

- Payroll tax deferral extended from 12/31/20 to 4/30/21
- Credits for paid sick and family leave
 - Extended from 12/31/20 to 3/31/20
 - Allows self-employed to use 2019 net earnings to determine average daily self-employment income
- Repayment for deferred portion of employees payroll taxes extended from 4/30/21 to 12/31/21



Employee Retention Credit

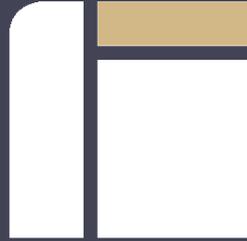
- CARES Act employee retention credit extended through 6/30/21 and expanded:
 - Credit rate increased from 50% to 70% of qualified wages
 - Limit on qualified wages increased from \$10,000 per year to \$10,000 per quarter
 - Increase in number of employees counted in wage base from 100 to 500
 - Reduction in required year-over-year gross receipts decline from 50% to 20%
 - PPP Borrowers may qualify for credit for all wages not paid with PPP Funds (retroactive back to 3/13/20)



Tax Law Changes

- Farmers allowed to retain two year NOL Carryback instead of five years provided in CARES Act
- 100% deduction for business meals 1/1/21-12/31/22
- Flex Spending Accounts may rollover unused amounts for 2020 and 2021
- Medical expense deduction floor permanently decreased from 10% to 7.5%





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