



## Frequently Asked Questions COVID-19 Federal Relief

*Signed into law December 27, 2020*

*Last update: January 4, 2021*

*\*new since last update*

**Q: If my business already received a PPP loan, can I receive a 2<sup>nd</sup> one?**

A: Yes, small businesses can apply for a Paycheck Protection Program Second Loan as long as they have no more than 300 employees and can demonstrate at least a 25 percent reduction in gross revenues between comparable quarters in 2019 and 2020.

**Q: What is the maximum amount a business can receive for a 2<sup>nd</sup> PPP loan?**

A: The maximum loan is 2.5X average monthly payroll costs, up to \$2 million.

**Q: What changes were made to payroll calculation costs?**

A Borrowers may now include additional group insurance payments when calculating their PPP payroll cost, such as vision, dental, disability and life insurance plans.

**Q: Can a restaurant receive more?**

A: Yes, small businesses assigned to the industry NAICS code 72 (Accommodation and Food Services) can receive a PPP second loan equal to 3.5X average monthly payroll costs in recognition that these businesses have been hit particularly hard by restrictions imposed because of public health and safety precautions.

**Q: How does the forgiveness process work for 2<sup>nd</sup> time PPP borrowers?**

A: Borrowers receive full loan forgiveness if they spend at least 60 percent of their PPP second draw loan on payroll costs over a time period of their choosing between 8 weeks and 24 weeks.

**Q: How does the legislation streamline the PPP loan forgiveness process?**

A: For loans under \$150,000, borrowers only need to sign and submit a one-page certification listing the loan amount, number of employees retained, and estimated amount of loan spent on payroll costs.

**Q: Is there anything specific for very small businesses?**

A: Yes, the legislation calls for set-aside funds to support first-time PPP borrowers with 10 or fewer employees and second-time PPP borrowers with 10 or fewer employees.

**Q: Can my business deduct expenses paid for using forgiven PPP loans?**

A: Yes, Congress reversed an earlier IRS guidance to allow for expenses to be deducted.

**Q: When will my business be able to apply for a 1<sup>st</sup> or 2<sup>nd</sup> PPP loan?**

A: Treasury and SBA will have 10 days after the bill passed to stand up this new round of PPP. The bill passed on Dec. 21, 2020.

**Q: Other than payroll, what forgivable expenses can PPP loan funds be used on?**

A: New eligible expenses may include operations, property damage costs, supplier costs, and worker-protection expenditures.

**Q: Are the Economic Injury Disaster Loan (EIDL) Advance Grants available again?**

A: Yes, the legislation provides an additional \$20 billion for EIDL Advance grants and allows for businesses to receive grants if they haven't been able to do so yet.

**Q: Were changes made to the EIDL program?**

A: Yes, two notable changes include the repeal of the requirement that the EIDL advances be subtracted from PPP forgiveness amount and creates a process through which existing grantees who received less than \$10,000 can receive higher grant levels.

**Q: If my businesses didn't apply for the PPP the first time, can we still do so?**

A: Yes, the application process is expected to open within 10 days of Congress passing the legislation (Dec. 21, 2020).

**Q: How are entertainment establishments being supported?**

A: The legislation establishes a \$15 billion grant program to support shuttered live venues, theaters, museums, and zoos that have experienced significant revenue losses.

**Q: How are farmers being supported?**

A: Schedule F farmers may base their loan amount on gross income instead of net income. They may also reapply for the higher amount if they use other calculations on their first round of PPP

**Q: How are local new media being supported?**

The legislation expands eligibility to include local newspapers, television, and radio stations to receive a PPP loan even if they are owned by a larger entity that would not be eligible

**Q: What kind of additional aid is available to small businesses?**

A: Businesses taking a PPP loan will now be able to take the [Employee Retention Tax Credit](#) (ERTC), when previously they were only allowed to opt into one or the other. The new law also extends the ETC through July 1, 2021. The legislation also increases the fully refundable portion of qualified wages from 50% to 70%.

**Q: What changes were made to employee-side payroll tax deferrals?**

A: The repayment deadline has been extended from April 2021 to December 31, 2021. Not all employers chose to make changes to employee withholdings for Medicare and Social Security, but if your employer did, you now have a longer repayment period, meaning a smaller reduction in paychecks to make up for the missed payments in 2020.

**Q: What other industry tax relief did Congress include in the legislation?**

A: The list includes:

- Disaster Tax Relief for victims of the Derecho and other 2020 disasters. Among other things, it creates an employee retention credit for businesses in disaster zones, allows for penalty-free use of retirement funds for disaster mitigation, provides additional housing tax credit allocations in disaster zones.
- Employee Retention Tax Credit for COVID is improved and extended for two quarters in 2021
- Paid Sick Leave Tax Credit established by Families First Act this spring will be extended through March, but there will be no mandate to provide leave beyond the end of this year.
- Craft Beverage Modernization Act – The bill makes the excise tax cuts for breweries, distillers, etc.. permanent.
- Tax Exclusion for Student Loan Payments by Employer extended for 5 years.
- Makes restaurant meals a fully deductible business expense for two years. Most business meals had been 50% deductible since the 2018 Tax Cut & Jobs Act.
- Extension of Charitable Giving Deduction Boost – The CARES Act made the charitable giving deduction available to non-itemizers up to a certain level in 2020. The bill extends this for one year.
- 5-year extension of several expiring tax provisions, including the Work Opportunity Tax Credit, the New Markets Tax Credit, and the Paid Family/Medical Leave Tax Credit (not to be confused with the one established by Families First).

**\*Q: Before he signed this stimulus package into law President Trump indicated he plans to “red-line” the bill and send it back to Congress to highlight the changes he would like to see. What changes will happen effect will this have on what the original bill Congress passed?**

A: There are no changes to the bill Congress passed and the president signed into law. US Presidents do not have the ability to line-item veto legislation. If he “red-lines” any part of the legislation, it will be mere suggestions to Congress to make on future legislation.

**\*Q: Will states still be able to use unspent funds received with the CARES Act?**

A: Yes, the latest federal bill extends the deadline for states to be able to use CARES Act funds to Dec. 30, 2021. [Click here](#) to view how the State of Iowa has allocated previous federal coronavirus relief funding.