**Stetston University College of Law   
COVID-19 Alumni Webinar Series**COVID-19: PPP Updated

Presented by Professor Andrew D. Appleby

January 20, 2021

**Slide #1:** COVID-19: PPP Update, January 20, 2021  
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Image of Professor Appleby

**PROFESSOR APPLEBY:** Hi everyone. My name is Andrew Appleby. I teach tax and business law courses here at Stetson. You may remember me from past webinars such as COVID-19: Tax Issues, COVID-19: Small Busines Loans. Well we wanted to follow up on those presentations because, unsurprisingly, a lot has changed since June. We have actually had a whole second round of those small business loans and some leniency provisions that you may want to understand if you are considering these loans or if you are taking some of the PPP loans in the past.

**Slide #2:** PPP Overview

* Small Business “Paycheck Protection Program” (PPP)
  + Forgivable loan
    - 1% Interest, payments deferred six months.
  + Initial $349B exhausted in two weeks.
    - Additional $320B as of Apr. 27, 2020
      * New Round ($284B) as of Jan. 11, 2021.

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**PROFESSOR APPLEBY:** So just as a reminder, these are small business loans primarily the Paycheck Protection Program, where the goal really was to make sure that small business are able to have the capitol where they can retain their workforce. It is a forgivable loan – it is a loan – but it has favorable terms 1% interest, with some deferred payments. If you use the funds or the designated purposes, you can actually apply for forgiveness – you don’t have to pay the loan back - another benefit is that it is tax free. So, all the amount that you got forgiven is tax-free as well. So, a really important program with a lot of benefits here. So now we have had two rounds of the PPP funding and now we are working on our third round which just opened as of January 11, 2021.

**Slide #3:** PPP Changes

* Businesses can now deduct expenses even if they are paid with forgiven PPP funds.
* Four new types of expenses are eligible (up to $40%)
  + Software and cloud computing services
  + Public disturbance related property damage
  + Covered supplier costs
  + Covered worker production costs
* Flexibility determining relevant time period to use the PPP funds.
* Streamlined forgiveness for borrowers with loans under $150,000.

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**PROFESSOR APPLEBY:** We have some important changes as I mentioned one of the biggest changes is that businesses can now deduct expenses even if they paid those expenses with funds that were forgiven. So you apply for the PPP, you get a certain amount of money, you apply later for forgiveness, so you get free money essentially, and then now you can also deduct all of the expenses or the salary or rent that you actually paid for with those PPP funds. This is a big change from what the situation was prior to this new provision and so now you can get that really double benefit of the free money which is also tax-free and then also getting a tax deduction for the expenses. There are some new types of expenses that are eligible as well. Up to 40% of the overall expenses that you use with the PPP funds can still qualify for forgiveness. It used to be fairly limited to rent, electricity, and things like that. It has now been expanded to software cloud computing services to public disturbance related property damage that isn’t covered by insurance, so more expenses now where you can use the PPP funds and l qualify for the forgiveness. There's also additional flexibility determining the relevant time period in which to use those funds used to be the eight weeks following when you receive the funds and now there's some flexibility in there as well on the timing. There is also now is streamline forgiveness process for borrowers who owes less than $150,000 to make that forgiveness process a little bit easier.

**Slide #4:** PPP Round Two

* PPP Round Two
  + January 11, 2021 through March 31, 2021.
  + Businesses that previously received PPP can get second round of PPP.
    - $2M limit
  + Borrowers must have fewer than 300 employees and establish a 25% drop in gross receipts during a quarter in 2020 relative to that same quarter in 2019.
  + Can now take both PPP and Employee Retention Credit (ERC).

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**PROFESSOR APPLEBY:** So, the second round of the PPP funds started on January 11 and runs through March 31 and businesses that previously received funds can still get the second round. The second round of funding - limited to 2 million dollars and is really targeted at the smaller businesses. So, borrows have to have fewer than 300 employees and have to be able to establish a 25% drop in gross receipts during a quarter in 2020 compared to that quarter in 2019. That's actually more lenient than some of the other iterations past, it used to be 50% drop and now 25% drop in the gross receipts. And really importantly, employers can now take both the PPP and the Employee Retention Credit. We discussed both of these programs in previous webinars. It used to be one or the other but now employers can take both of those. There are also some increases in qualified wages and other things that make both of these programs a little broader than they were before.

**Slide #5:** Contact Information

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**PROFESSOR APPLEBY:** Very quick overview of the changes, the second round. If you do have any questions, please feel free to reach out. I am always happy to talk

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