



On December 27th, President Trump signed the new **Consolidated Appropriations Act, 2021**, into law. The burning question on many business owners' minds is: what was done about Paycheck Protection Program (PPP) loan changes? The answer includes tax deductibility for business expenses paid with forgiven PPP loans, fresh PPP funding options, and the opportunity for businesses facing income reductions to apply for a second loan. Following is a high-level summary of the new PPP provisions.

Tax deductibility for PPP expenses

The bill specifies that business expenses paid with forgiven PPP loans are tax deductible. This supersedes IRS guidance that such expenses could not be deducted and brings the policy in line with what the AICPA and hundreds of other business associations have argued was Congress's original intent when it created the original PPP as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Who is eligible to apply for the PPP2 (second round of PPP loans)?

PPP2 loans will be available to first-time qualified borrowers and, for the first time, to businesses that previously received a PPP loan. Specifically, previous PPP recipients may apply for another loan of up to \$2 million, provided they:

- Have 300 or fewer employees
- Have used, or will use, the full amount of their first PPP loan
- Can show a 25% gross revenue decline in any 2020 quarter compared with the same quarter in 2019

PPP2 will also permit first-time borrowers from the following groups:

- Businesses with 500 or fewer employees that are eligible for other SBA 7(a) loans
- Sole proprietors, independent contractors, and eligible self-employed individuals
- Not-for-profits, including churches
- Accommodation and food services operations (those with North American Industry Classification System (NAICS) codes starting with 72) with fewer than 300 employees per physical location

The bill allows borrowers that returned all or part of a previous PPP loan to reapply for the maximum amount available to them.

If you have any questions about eligibility or the application process, please contact our office at 864.242.1418.