

# New Covid-19 Relief Bill for Businesses and Nonprofits

## SPECIAL TO CARIBBEAN BUSINESS

On Dec. 27, 2020, a new \$900 billion Covid relief bill, the Consolidated Appropriations Act of 2021, was signed into law to provide more than \$300 billion in aid for small businesses. The most significant provision of the act is the funding of the Paycheck Protection Program (PPP), for \$284 billion.

Now that the PPP is back, it gives the hardest-hit businesses the opportunity to obtain a second loan. If no PPP loan was obtained during the first round, this is a new opportunity to take advantage of this program. The new round of PPP loans opened to all participating lenders on Jan. 19, 2021 and will be open until March 31, 2021, commented Marta Rodríguez, Senior Advisory Manager for leading accounting and advisory firm Kevane Grant Thornton.

### PPP eligibility

The new PPP round will be available to first-time qualified borrowers (PPP 1.0) and to businesses that previously received a PPP loan (PPP 2.0). PPP 1.0 borrowers will be subject to the program's original eligibility rules. The original PPP was generally available to businesses with up to 500 employees that certified that "current economic uncertainty makes this loan request necessary" to support their continuing operations.

Previous PPP recipients may apply for up to \$2 million with PPP 2.0 if they meet the following three requirements:



- have 300 or fewer employees;
- have used or will use the full amount of their first PPP loan; and
- can demonstrate a 25 percent gross revenue decline in any 2020 quarter compared with the same quarter in 2019.

The bill allows borrowers that returned all or part of a previous PPP loan to reapply for a second-round loan.

### PPP Loan Forgiveness

The new bill includes provisions that simplify the loan forgiveness process for loans under \$150,000, and details additional eligible costs that can now be included in the loan forgiveness calculation. These changes also apply to borrowers who

have not yet applied for forgiveness for their original PPP loan. Borrowers should watch for updates to the guidance since normally programs that are rolled out this quickly may be subsequently amended.

The loan application and the subsequent forgiveness calculation can be a complicated process since there are many factors to consider, such as reduction in number of employees and salaries, and limits in qualifying expenses. The assistance of a qualified accounting professional is key to understanding the guidance. This is where a CPA's knowledge and judgement can make all the difference, commented Rodríguez, who is a CPA and Certified Valuation Analyst (CVA).

### Tax matters and changes in the bill:

- Expenses paid with PPP funds are now deductible for federal income tax purposes. This was already permitted for Puerto Rico income tax purposes under Act 57-2020.
- The bill extends the deferral of an employee's share of social security tax on wages paid from April 30, 2021, until Dec. 31, 2021.
- Extends the tax credit provisions of Families First Coronavirus Response Act (FFCRA) Credits through March 31, 2021
- Extends the Employee Retention Tax Credit (ERC) through June 30, 2021.

Businesses may now claim the ERC and the PPP loan, with certain limitations.

At Kevane Grant Thornton, we are committed to keeping you updated of any developments that may affect the way you do business in Puerto Rico. Please contact us for assistance in relation to this or any other matter, we will be glad to assist you.



**Marta Rodríguez, Senior Advisory Manager for Kevane Grant Thornton**