



TAX PLAN – FEB ‘21

THE CONSOLIDATED APPROPRIATIONS ACT: 6 Ways It May Help Your Small Business

While another stimulus plan waits in the wings, we're still learning about the impact of the previous one on small businesses.

It was a long time coming, but it's finally here. On December 27, 2020, then-President Trump signed a \$900 billion stimulus bill into law, the **Consolidated Appropriations Act**. Along with many new provisions, the CAA expanded some elements of the earlier **CARES Act**.

President Biden has unveiled a \$1.9 trillion package that would provide, among other things, more support for small businesses, the unemployed, and poverty-stricken individuals. It would also include funds for state and local governments and COVID-19 vaccinations and testing, in addition to \$1,400 stimulus checks to qualified Americans.

When and if the **American Rescue Plan** gets passed and signed, there will be a lot more relief coming your way. For now, we're still unpacking the details of the late 2020 \$900 billion package, as we're told its funds have not all yet been allocated. Here's a look at some of what your small business needs to know.

The Paycheck Protection Program

The Paycheck Protection Program (PPP) was very popular when it was rolled out last year as a part of the CARES Act. So popular, in fact, that we heard numerous stories about small, struggling businesses being shut out because larger companies with existing banking relationships and more financial resources beat them to it.

\$285 billion in loans has been reserved for the PPP this time around. And the rules have gotten stricter and more targeted, allowing those missed the first time to secure much-needed funds. These loans are now capped at \$2 million. They're earmarked for companies that experienced a minimum 25 percent reduction in sales for at least one quarter during 2020, and which employ fewer than 300 individuals.

Further, \$12 billion in loans has been reserved for minority-owned businesses. And publicly-traded companies will not be allowed to apply. Businesses can now deduct expenses incurred in administering their forgiven PPP loans that would previously have been considered ordinary and necessary business expenses. This change is retroactive to the CARES Act.

Relief for Restauranters

The restaurant industry, which was hit particularly hard by COVID-19 closures and reductions in business, will benefit from the tax break for corporate meal expenses. Rather than the 50 percent

deduction that's been allowed since the Tax Cuts and Jobs Act was signed into law, companies will be able to deduct 100 percent of business meals at restaurants for the 2021 and 2022 tax years.

Extension for Deferred Payroll Taxes

You may recall that President Trump allowed businesses to defer payment of the employee-side payroll tax between September 1, 2020 and December 31, 2020 in certain cases. The repayment deadline has been moved from April 30, 2021 to December 31, 2021. The original deferral deadline of December 31, 2020 still stands.

Extension of Paid Sick and Family Leave Tax Credits

In response to work absences due to COVID-19, eligible employers could receive refundable payroll tax credits for compensation paid to employees who had to take time off between April 1, 2020 and December 31, 2020. Employers are not required to offer this leave between January 1, 2021 and March 31, 2021, but they will be eligible for the tax credits if they do.

Additional Funding for the Economic Injury Disaster Loan Program (EIDL)

Small businesses and nonprofit organizations who have suffered temporary revenue losses because of COVID-19 were eligible for loans to cover financial obligations and operating expenses that they were unable to meet due to the pandemic. Funds for this program ran out in mid-2020, but the CAA added \$20 billion for new EIDL grants. The deadline is December 31, 2021, but you should apply as soon as possible in case the money is depleted quickly again.

Employee Retention Credit (ERC) Extended

This provision in the CARES Act was designed to encourage eligible employers whose businesses were affected by COVID-19 to keep employees on their payrolls. It was a fully-refundable tax credit that was equal to 50 percent of qualified wages (with limitations). It originally expired on January 1, 2021, but the CAA extended this to June 30, 2021 and modified the original regulations in ways advantageous to both employers and employees.

Many Critical Limitations

As with all tax laws, the individual provisions of the CAA come with many restrictions. Your business may or may not be eligible for all of the individual elements mentioned here. Rules for the second round of PPP loans are especially complex. If your operations and finances have been affected by COVID-19, we want to hear from you. Contact us, and we'll schedule time to see if you can get some relief from your losses.

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