CARES ACT 2.0 - PPP, EIDL, ERTC

Presented by Matthew Lescault and Cassandra Langley
Economic Aid Act
Signed into law on December 27th, 2020

• Additional Rulings on Economic Injury Disaster Loan/Advance
• Expanded Employee Retention Tax Credit
• Additional Funds for Payroll Protection Program Round 1
• Created Payroll Protection Program Round 2
Economic Injury Disaster Loan (EIDL)

The purpose of the EIDL is to provide relief to businesses that are currently experiencing a loss of revenue due to Covid-19.

It provides a low interest, 30-year maturity loan.

Not forgivable.

Must have substantial economic injury.
• EIDL loans cannot be used for bonuses or S Corporation distributions.

• Typically, cannot be eliminated in bankruptcy proceedings.

• Loans taken between 01/31/2020 and 04/03/2020 can be rolled into Round 1 PPP loans. (NEW)
EIDL Advance/EIDL Targeted Grant

EIDL Advance (No Longer Available)
- Released with Cares Act.
- $1,000/employee up to $10,000 grant.
- Did not require EIDL approval to receive.
- Originally reduced amount of forgiveness for the PPP loan.
- Economic Aid Act has revised and the EIDL now no longer reduces PPP forgiveness.
- Companies who have applied for PPP forgiveness with EIDL reduction should receive grant back from SBA totaling original EIDL Advance.

EIDL Targeted Grant:
- Released with Economic Aid Act
- Only available to previous applicants that did not receive full $10,000 grant due to decreased funding.
- No application process – SBA reaches out directly to those that qualify.
- Additional Requirements:
  - Low Income Community.
  - 30% revenue reduction.
  - Fewer than 300 employees.
Employee Retention Tax Credit (ERTC)

Three versions of the ERTC:
• 2020
• 2021
• Disaster Relief – applies to either or both years for non-COVID related events (not addressed)
ERTC 2020

• Equal to 50% of W2 employees' payroll in a qualified period up to $5,000 annually per employee.

• Must meet 50% revenue drop OR shut down as non-essential by local government.

• PPP applicants previously disallowed, new ruling has eliminated this restriction.

• May retroactively apply for 2020 credits.

• Additional limits for companies over 100 employees.
ERTC 2021

- Only applies to 2021 payroll.
- Equal to 70% of payroll up to $7,000/quarter/employee. Max $14K per employee.
- May still apply if received 2020 credits.
- Must meet 20% revenue drop OR shut down as non-essential by local government.
- May elect to receive credits in advance instead of waiting for 941 filing.
- Additional limitations raised to 500 employees.
Updates to PPP Round 1

- Additional funds released for new applicants.
- Partnerships may get PPP for both payroll costs AND partnership income (K-1).
- Tips qualify for payroll cost calculations.
- Group insurance considered payroll cost.
- New expenses allowed:
  - PPE and expense for employee safety
  - Operational expenses (software and subscriptions)
  - Civil unrest property damage (not covered by insurance)
  - Necessary supplier cost (requires pre-dated contract)
- Expenses used for forgiveness still tax deductible.
- Official ruling that ANY DATE between 8 and 24 weeks can be used – do not need to choose either/or.
PPP Round 2 has much of the same requirements as Round 1 with just a few additional notes:

- Must have received and completely used PPP1
- < 300 employees
- Cannot be associated with Lobbying or business in China
- Must show 25% gross revenue reduction
- Can use 2019 OR 2020 payroll amounts for application
Additional Notes

- Necessity Requirement
- Shuttered Venue Grant
- Bankruptcy issues
- Section 531
Questions?

Emails can be directed to: CareAct@impact-net.org