

STIMULUS PACKAGE UPDATE FOR MANUFACTURERS



PRESENTED ON
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Amy Reynalt, MBA

Manager, HBK Manufacturing Solutions

Amy is a Manager of HBK Manufacturing Solutions and is located in the Youngstown, Ohio office. She joined HBK in 2019 after spending more than 13 years in the manufacturing industry.

Amy helps manufacturing companies navigate their strategic and financial matters. She works closely with clients to support them with managerial tasks including budgeting, cost accounting, process documentation, and strategic planning, and acts as a virtual CFO for clients undergoing transition in their accounting departments. Amy's work is focused on helping her clients plan, execute and meet their short- and long-term goals. In addition, Amy is a member of the firm's COVID-19 Response Team, specializing in relief options, including the Economic Injury Disaster Loan and Paycheck Protection Program.

Amy is a member of the Strategic Planning Committee for the Youngstown Business Incubator.



Ben DiGirolamo, CPA, JD

Principal, Tax Advisory Group

Ben is a Principal in the Tax Advisory Group (TAG) of HBK and works in the Youngstown, OH office. He has been with the firm since 2009 and has focused extensively on entity tax issues, entity planning, and flow-through taxation. Additionally, he has experience with many of our real estate and manufacturing clients.

As a member of TAG, Ben frequently teaches tax-related training courses both internally for the firm and externally for clients and the public. Ben provides research and expert counsel on complex tax issues for our clients. He also regularly appeared on the mid-day news broadcast of Youngstown, Ohio's NBC affiliate station in a segment called "Smart Money," which highlights personal financial planning tips.

TODAY'S DISCUSSION

- Continuing the PPP and Other Small Business Support
- COVID-Related Tax Relief Act of 2020
- Continued Assistance for Unemployed Workers Act of 2020
- Taxpayer Certainty and Disaster Relief Act of 2020

CONTINUING THE PPP AND OTHER SMALL BUSINESS SUPPORT

EIDL PROGRAM CHANGES



Advance Coordination with PPP

- Repeals deduction of EIDL Advance from PPP forgiveness amount
- SBA to issue rules to ensure borrowers are made whole if forgiveness already received

PPP PROGRAM CHANGES

Simplified Forgiveness Process

- For loans up to \$150,000, a simplified, 1 page application will be allowed
 - Application to be established by the Administrator not later than 24 days after the date of enactment
 - Will require description of number of employees the eligible recipient was able to retain
 - Will require certifications and attestations
 - No supporting documentation

PPP PROGRAM CHANGES

Modification to Covered Period

- Begins on the date of the origination of a covered loan
- Ending on a date selected by the eligible recipient of the covered loan that occurs during the period:
 - Beginning on the date that is 8 weeks after such date of origination; and
 - Ending on the date that is 24 weeks after such date of origination

PPP PROGRAM CHANGES

Modification to Allowable Uses and Forgivable Funds

- Payroll Costs:
 - Health Insurance also includes group life, disability, vision, or dental insurance
- Non-Payroll Costs:
 - Covered Operations Expenditure: “payment for any business software or cloud computing service that facilitates business operations, product or service delivery, the processing, payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records, and expenses”

PPP PROGRAM CHANGES

Modification to Allowable Uses and Forgivable Funds(cont'd)

- Non-Payroll Costs (cont'd):
 - Covered Property Damage Cost: “a cost related to property damage and vandalism or looting due to public disturbances that occurred during 2020 that was not covered by insurance or other compensation”
 - Covered Supplier Cost: “expenditure made by an entity to a supplier of goods for the supply of goods that:
 - Are essential to the operations of the entity at the time at which the expenditure is made
 - Is made pursuant to a contract, order, or purchase order in effective at any time before the covered period with respect to the applicable covered loan, or with respect to perishable goods, in effect before or at any time during the covered period with respect to the applicable covered loan”

PPP PROGRAM CHANGES

Modification to Allowable Uses and Forgivable Funds(cont'd)

- Non-Payroll Costs (cont'd):
 - Covered Worker Protection Expenditure: “an operating or capital expenditure to facilitate the adaptation of the business activities of any entity to comply with requirements established or guidance issued by the Department of Health & Human Services, the Centers for Disease Control, or the Occupational Safety & Health Administration, or any equivalent requirements established or guidance issued by a State or local government”, during the period beginning on 3/1/2020 through the end of the national emergency declaration, “related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19”

PPP PROGRAM CHANGES

Breaking News!

- Standard application: <https://home.treasury.gov/system/files/136/PPP--Loan-Forgiveness-Application-and-Instructions--Form-3508-1192021.pdf>
- EZ application: <https://home.treasury.gov/system/files/136/PPP--Loan-Forgiveness-Application-Instructions--Form3508EZ-1192021.pdf>
- S application: <https://home.treasury.gov/system/files/136/PPP--Loan-Forgiveness-Application-Instructions--Form-3508S-1192021.pdf>
- IFR: <https://home.treasury.gov/system/files/136/PPP--IFR--Loan-Forgiveness-Requirements-Loan-Review-Procedures-Amended-Economic-Aid-Act-1192021.pdf>

PPP PROGRAM CHANGES

Modification to Allowable Uses and Forgivable Funds(cont'd)

- Non-Payroll Costs (cont'd):
 - Covered Worker Protection Expenditure (cont'd): May include:
 - 2) the purchase of
 - Covered materials described in section 328.103(a) of title 44 CFR (N95 masks, PPE surgical masks, PPE nitrile gloves, Level 3 & 4 surgical gowns and surgical isolation gowns)
 - Particulate filtering face piece respirators approved by NIOSH, including those approved only for emergency use authorization
 - Other kinds of PPE, as determined by the Administrator in consultation with the Secretary of HHS and the Secretary of Labor
 - Does not include residential real property or intangible property.

PPP PROGRAM CHANGES

Other Expectations

- Expect new FAQs and IFRs provided by SBA and Treasury. Watch for guidance!
- Lenders have indicated they may need to take their portals down to incorporate these changes. Don't be alarmed!
- Lenders are not responsible for confirming eligibility, forgiveness amounts, etc. Several hold harmless agreements and language supporting this. Consult with advisors – including accountants and lawyers.
- No changes to Loan Necessity Questionnaires, although the Association of General Contractors has sued.

PPP FIRST & SECOND DRAW LOANS

PPP FIRST DRAW LOANS

General Notes

- First draw loans available – 501(c)(6) organizations, news organizations, and those that did not receive a first draw loan
- Increases to first draw loans, generally to partnerships, seasonal businesses, or those that repaid, returned, or did not accept the full amount
- \$10 million max (based on 2.5 months of average monthly payroll costs)



CPE CHECKPOINT QUESTION #1

Have you applied for a 2nd draw PPP loan?

- A. Yes
- B. No
- C. I'm going to but have not yet

PPP SECOND DRAW LOANS

Eligibility

- Businesses, nonprofit organizations, veterans organizations, Tribal business concerns, eligible self-employed individuals, sole proprietors, independent contractors, or small agricultural cooperatives that attest that it has used or will use on or before the expected date of the disbursement of the 2nd draw loan the full amount of the first draw loan
 - Businesses:
 - Employs not more than 300 employees, and had gross receipts during the any 2020 calendar quarter that demonstrated at least a 25% reduction from the gross receipts of the entity during the same calendar quarter in 2019

PPP SECOND DRAW LOANS

Eligibility Exclusions

- Generally, is listed as an exclusion on 120.110(g) of title 13, CFR or any successor regulation, unless exempted by a PPP Interim Final Rule
- Entities primarily engaged in political or lobbying activities
- Entities where 20% or more of ownership is held by an entity created in or organized under the laws of China or Hong Kong or that retains a member of its board of directors who is a resident of China
- Any person required to submit a registration statement under section 2 of the Foreign Agents Registration Act of 1938
- Person or business that receives a grant under the Economic Aid to Hard Hit Small Business, Nonprofits, and Venues Act

PPP SECOND DRAW LOANS

Maximum Loan Amount

- The lesser of:
 - 2.5 months of payroll costs incurred or paid by the eligible entity based on 2019, 2020, or the precise 12 months before the date of the application (last option not allowed for self-employed, sole proprietors, or independent contractors)

AND

- \$2 million
- Businesses in the hospitality industry (NAICS beginning 72) can borrow 3.5 months of payroll costs
- Seasonal and new businesses have other guidelines

PPP LOANS

Ongoing Guidance

- IFR: <https://home.treasury.gov/system/files/136/Interim-Final-Rule-Paycheck-Protection-Program-as-Amended-by-Economic-Aid-Act.pdf>
- IFR: <https://home.treasury.gov/system/files/136/Interim-Final-Rule-Paycheck-Protection-Program-Second-Draw-Loans.pdf>
- Application – 2nd Draw: <https://home.treasury.gov/system/files/136/PPP-Second-Draw-Borrower-Application-Form.pdf>
- FAQs – 2nd Draw: <https://home.treasury.gov/system/files/136/Second-Draw-PPP-Loans--How-Calculate-Revenue-Reduction-Maximum-Loan-Amounts-Including-Documentation-Provide1192021.pdf>
- EIDL Advance Coordination: <https://home.treasury.gov/system/files/136/PPP--Procedural-Notice--Repeal-of-EIDL-Advance-Deduction-Requirement-for-SBA-Loan-Forgiveness-Remittances-to-PPP-Lenders.pdf>
- Excess Loan Amounts: <https://home.treasury.gov/system/files/136/PPP--Procedural-Notice--PPP-Excess-Loan-Amount-Errors.pdf>
- Increase Loan Amounts: <https://home.treasury.gov/system/files/136/PPP--Procedural-Notice--First-Draw-Paycheck-Protection-Program-Loan-Increases-After-Enactment-Economic-Aid-Act.pdf>



COVID-19 RELATED TAX RELIEF ACT OF 2020

CLARIFICATION OF TAX TREATMENT OF FORGIVENESS OF COVERED

PPP Loan Expense Tax Deduction

- No amount shall be included in the gross income of the eligible recipient by reason of forgiveness of indebtedness
- No deduction shall be denied, not tax attribute shall be reduced, and not basis increase shall be denied, by reason of the exclusion from gross income
- For partnerships and S Corps, any amount excluded from income shall be treated as tax-exempt income for purposes of sections 705 and 1366 (basis will be increased)



CLARIFICATION OF TAX TREATMENT OF FORGIVENESS OF COVERED

EIDL Grants, Targeted EIDL Advances, Loan Payment Subsidies

- Forgiveness of these loans, and subsidy payments will not be included in taxable income
- Deductions allowed, just like original and subsequent PPP loans

ADDITIONAL RECOVERY REBATES FOR INDIVIDUALS

Stimulus Payments

- \$600 (\$1,200 in the case of eligible individuals filing a joint return, plus
- \$600 for each qualifying child (same definition from CARES Act, under 17)
- Reduced by 5% of AGI in excess of \$150,000 for MFJ, \$112,500 for HOH, and \$75,000 for all other filers
- MFJ with two qualifying children – tentative credit equals \$2,400 – if AGI is between \$150,000 and \$198,000 they will receive some credit

EXTENSION OF CERTAIN DEFERRED PAYROLL TAXES

IRS Notice 2020-65

- Optional deferral of employee's share of social security taxes for the period from 9/1/2020 – 12/31/2020
- Amount was to be repaid from 1/1/2021 – 4/30/2021
- Act extends the deferral period through 4/30/2021, and defers penalty for unpaid amount to 1/1/2022

CREDITS OF PAID SICK AND FAMILY LEAVE

FFCRA Paid Sick Leave and Expanded FMLA Extended to 3/31/2021

- Two weeks (up to 80 hours) of paid sick leave at the employee's regular rate of pay where the employee is unable to work;
- Two weeks (up to 80 hours) of paid sick leave at two-thirds the employee's regular rate of pay because the employee is unable to work because of a bona fide need to care for an individual; and
- Up to an additional 10 weeks of paid expanded family and medical leave at two-thirds the employee's regular rate of pay where an employee, who has been employed for at least 30 calendar days, is unable to work due to a bona fide need for leave to care for a child whose school or child-care provider is closed or unavailable for reasons related to COVID-19.

CONTINUED ASSISTANT FOR UNEMPLOYED WORKERS ACT OF 2020

UNEMPLOYMENT INSURANCE

Continued Assistance for Unemployed Workers Act of 2020

- Extends the CARES Act unemployment benefits set to expire 12/31/2020 to 3/14/2021
- Extends benefits from 39 weeks to 50 weeks
- Additional \$300 of unemployment for weeks of unemployment beginning after 12/26/2020 and ending before 3/14/2021

TAXPAYER CERTAINTY AND DISASTER RELIEF ACT OF 2020

EMPLOYEE RETENTION TAX CREDIT

Expanded and Extended through July 1, 2021

- The credit percentage is increased from 50% to 70%
- The per employee wage limitation of \$10,000 is changed to \$10,000 per quarter
- Decrease in gross receipts for an eligible business is reduced to 80% of gross receipts for the same calendar quarter in calendar year 2019
- Changes the “large employer” threshold from 100 to 500 for determining eligible wages
- Now available for taxpayers who received a PPP loan



CPE CHECKPOINT QUESTION #2

Did you have a 50% gross receipts decline in any quarter of 2020 as compared to the same quarter in 2019?

- A. Yes
- B. No
- C. What's gross receipts mean?

FULL DEDUCTION FOR BUSINESS MEALS

Temporary Allowance

- Full deduction for business expenses for “food or beverages provided by a restaurant”
- Paid or incurred after December 31, 2020, and before January 1, 2023

CHANGES TO CHARITABLE CONTRIBUTIONS

Above the Line Charitable Contribution Deductions

- The CARES Act allowed taxpayers a \$300 above the line deduction for charitable contributions for 2020
- This provision is extended to 2021 and increased to \$600 for married couples filing a joint return
- The CARES Act allowed a 100% deduction for cash contributions to public charities, this provision is extended through 2021

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EXTENDERS LEGISLATION

Permanent Extensions

Subtitle A—Certain Provisions Made Permanent

- Sec. 101. Reduction in medical expense deduction floor.
- Sec. 102. Energy efficient commercial buildings deduction.
- Sec. 103. Benefits provided to volunteer firefighters and emergency medical responders.
- Sec. 104. Transition from deduction for qualified tuition and related expenses to increased income limitation on lifetime learning credit.
- Sec. 105. Railroad track maintenance credit.
- Sec. 106. Certain provisions related to beer, wine, and distilled spirits.
- Sec. 107. Refunds in lieu of reduced rates for certain craft beverages produced outside the United States.
- Sec. 108. Reduced rates not allowed for smuggled or illegally produced beer, wine, and spirits.
- Sec. 109. Minimum processing requirements for reduced distilled spirits rates.
- Sec. 110. Modification of single taxpayer rules.

EXTENDERS LEGISLATION

Extended through 2025

- Sec. 111. Look-thru rule for related controlled foreign corporations.
- Sec. 112. New markets tax credit.
- Sec. 113. Work opportunity credit.
- Sec. 114. Exclusion from gross income of discharge of qualified principal residence indebtedness.
- Sec. 115. 7-year recovery period for motorsports entertainment complexes.
- Sec. 116. Expensing rules for certain productions.
- Sec. 117. Oil spill liability trust fund rate.
- Sec. 118. Empowerment zone tax incentives.
- Sec. 119. Employer credit for paid family and medical leave.
- Sec. 120. Exclusion for certain employer payments of student loans.
- Sec. 121. Extension of carbon oxide sequestration credit.

EXTENDERS LEGISLATION

Other Extensions

- Sec. 131. Credit for electricity produced from certain renewable resources.
- Sec. 132. Extension and phaseout of energy credit.
- Sec. 133. Treatment of mortgage insurance premiums as qualified residence interest.
- Sec. 134. Credit for health insurance costs of eligible individuals.
- Sec. 135. Indian employment credit.
- Sec. 136. Mine rescue team training credit.
- Sec. 137. Classification of certain race horses as 3-year property.
- Sec. 138. Accelerated depreciation for business property on Indian reservations.
- Sec. 139. American Samoa economic development credit.
- Sec. 140. Second generation biofuel producer credit.
- Sec. 141. Nonbusiness energy property.
- Sec. 142. Qualified fuel cell motor vehicles.
- Sec. 143. Alternative fuel refueling property credit.
- Sec. 144. 2-wheeled plug-in electric vehicle credit.
- Sec. 145. Production credit for Indian coal facilities.
- Sec. 146. Energy efficient homes credit.
- Sec. 147. Extension of excise tax credits relating to alternative fuels.
- Sec. 148. Extension of residential energy-efficient property credit and inclusion of biomass fuel property expenditures.
- Sec. 149. Black lung disability trust fund excise tax.



CPE CHECKPOINT QUESTION #3

Does your business need support from more COVID 19 relief options?

- A. Yes
- B. No
- C. Too soon to tell

NEED MORE INFORMATION?




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A man with a beard and orange earplugs, wearing a blue polo shirt, is working in a factory. He is holding a white plastic part and looking at it intently. The background is filled with large, green industrial machinery and gears. The image has a blue overlay on the left side where the text is located.

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