



e-Alert

01.06.21

COVID-19 Relief Law Signed: What You Need to Know

Background

The President has signed into law new stimulus legislation that provides several important changes to previously issued COVID-19 relief programs.

Summary

Paycheck Protection Program (PPP) Reopened

The PPP has been reopened with over \$284 billion in funds available for new loans:

- The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.
- First-time borrowers must have 500 or fewer employees and meet other eligibility criteria.
- Second PPP loans are available to businesses that previously received a PPP loan if they have 300 or fewer employees and meet other eligibility criteria (see “Second Draw PPP Loans” below).
- PPP loans are available until March 31, 2021, or until all allocated funds are disbursed.
- For new borrowers, as well as borrowers who have already received a loan and not yet

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applied for forgiveness, the law expands eligible nonpayroll costs to include certain operational expenditures, property damage costs, supplier costs, and worker protection expenditures. Nonpayroll costs remain limited to less than 40% of the loan amount.

- Additionally, for all borrowers who have not yet applied for forgiveness, the safe harbor deadline to restore wage and employment levels is extended from **December 31, 2020, to September 30, 2021**.

Second Draw PPP Loans

Second PPP loans are available to businesses that received a PPP loan previously and that meet special requirements, including:

- Second-time borrowers must have 300 or fewer employees. The rules of the program may limit participation if your organization has related entities, or if you are in certain industries. Check the [Small Business Administration's PPP website](#) for more information.
- To be eligible for a second PPP loan, businesses will need to demonstrate at least a 25% reduction in revenue between corresponding quarters in 2019 and 2020. Special rules apply to businesses that were not in operation for all or part of 2019.
- The maximum amount for a second draw PPP loan is \$2 million.
- Borrowers must have fully spent the loan proceeds from their first PPP loan before they can receive a second PPP loan.

Extension of Paid Leave Credits Under the Families First Coronavirus Response Act (FFCRA)

The FFCRA required employers with fewer than 500 employees to provide mandatory paid sick and paid family leave for certain reasons related to COVID-19. It provided a corresponding tax credit for any amounts paid to employees for the required paid leave.

- **The mandatory leave portion of the FFCRA ended on December 31, 2020**, so employers are no longer required to offer two weeks of paid leave to workers who become sick with COVID-19 or up to 12 weeks of family leave to people who can't work due to childcare needs.
- However, the COVID-related Tax Relief Act of 2020 (CTRA) extends the tax credit portion of the FFCRA for employers that **voluntarily** offer paid sick or paid family leave through March 31, 2021.

Extension of Employee Retention Tax Credit (ERTC)

The Coronavirus Aid, Relief, and Economic Security (CARES) Act allows eligible employers to claim a federal tax credit for qualified wages paid between March 13 and December 31, 2020. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 (the "Act") extends the ERTC to cover wages paid through June 30, 2021. **As of January 1, the Act also:**

- Increases the credit rate from 50% to 70% of qualified wages;
- Increases the per employee wage cap from \$10,000 in the aggregate to \$10,000 per calendar quarter;

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- Decreases the required decline in gross receipts from 50% to 20%; and
- Increases the threshold for treatment as a large employer from 100 employees to 500 employees.
- Retroactive to March 13, the Act provides that employers who receive PPP loans may still be eligible for the ERTC to the extent qualified wages are not paid using forgiven PPP loan proceeds, and it clarifies that group health plan expenses may be considered qualified wages even if no other wages are paid to the applicable employee.

Extension of Repayment Period for Deferred Employee Social Security Taxes

Guidance issued by the IRS (IRS Notice 2020-65) required that any deferred employee portion of Social Security tax withholding between September 1 and December 31, 2020, must be ratably withheld and paid from wages and compensation paid to employees between January 1 and April 30, 2021, or penalties and interest would begin to accrue on May 1, 2021.

- The CTRA **extends the repayment deadline** from April 30, 2021, to December 31, 2021, and the date for penalty and interest to begin accruing from May 1, 2021, to January 1, 2022.

Employer Next Steps

- HRK will continue government agencies for additional details about the new stimulus law.
- If you are current HR Knowledge client and you have questions about the information provided in this e-Alert, please [email us](#).

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