



LMHS, P.C.
Certified Public Accountants and Advisors

To: Our Clients and Friends
From: Your team at LMHS, P.C.
Date: December 22, 2020
Subject: Stimulus Bill – December, 2020

NOTE – As of 9 a.m. on 12/22/2020 this bill has not yet been signed into law by the President.

A \$900 billion bipartisan stimulus package is heading toward the President's desk and has potentially significant impact across the economy. Below is a summary of how it would most significantly impact our client base if it becomes law.

BUSINESSES:

Clarification of Tax Treatment for Forgiveness of Covered Loans. The bill states that Paycheck Protection Plan loan proceeds shall not be includable in gross income of the eligible recipient. In addition, the IRS shall not prohibit any eligible recipient from otherwise claiming deductions, basis increase, or any other tax attribute by virtue of the exclusion from income. In the case of an S corporation: Any amount excluded from income under this bill shall be treated as tax exempt income for purposes of sections 705 and 1366 of the IRC of 1986; and any increase in the adjusted basis of a partner's interest in a partnership with regard to the forgiven amounts of PPP funding shall equal the partner's distributive share of deductions resulting from costs giving rise to forgiveness.

Extension of Credits for Paid Sick and Family Leave. The mandate for employers to make payments to employees who are subject to quarantine or leave due to family needing COVID-19-related care or childcare unavailability has been extended through March 31, 2021. Additionally, employers who make payments to employees in accordance with the FFCRA for extended sick and family leave due to COVID-19 shall be eligible for the payroll tax deductions to offset such payments through the same period.

Paycheck Protection Program Second Draw Loans. A second PPP loan will be available for some employers who can demonstrate a loss of revenue of 25%. Eligible employers include: employers who had gross receipts during the first, second, third, or only with respect to an application submitted on or after January 1, 2021, fourth quarter in 2020 that demonstrate 25% or more reduction from the gross receipts of the entity during the same quarter in 2019. Additionally, the employers must have less than 300 employees (in all associated businesses), 500 in some industries. Additional categories that qualify are: sole proprietors, independent contractors, nonprofits, housing cooperatives, veterans' organizations, and Tribal businesses. There are new calculations for maximum loan amounts and additional categories of permitted expenses in this second round. Specifically, accommodation and food service companies are eligible for larger loan amounts than under the prior PPP.

INDIVIDUALS:

Immediate Payment to Taxpayers Capped at \$600 Per Person. Certain US taxpayers shall receive a one-time stimulus payment in the form of an advance tax credit. The amounts will be: up to \$600 single



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filer; \$1,200 married filing jointly; and an amount up to \$600 for each qualifying child. The payment is to be reduced by five percent (5%) of so much of the taxpayer's adjusted gross income as exceeds: \$150,000 for married filing jointly return; \$112,500 for head of household; \$75,000 for other taxpayers.

Extension of Federal Unemployment Benefits. This bill extends all pandemic unemployment programs set to expire at the end of December by 11 weeks through mid-March. Additionally, the measure would provide a federal unemployment benefit of \$300 per week for that same extended period. The bill also would give an additional federal benefit of \$100 a week to those who earned at least \$5,000 per year in self-employment income but are disqualified from receiving a more generous Pandemic Unemployment Assistance benefit because they are eligible for state jobless aid.