

What to Expect From a Stimulus Bill

An Update on PPP2 and Tax Deductibility of PPP Expenses

By Bruce L. Blasnik, CPA, CGMA, Partner

The year is quickly drawing to a close, but it is still widely anticipated that Congress will pass a stimulus package before they break for the holidays. While anything can happen – or not happen – in Washington, this is what we're hearing about what to expect.

PPP2

The long-awaited Paycheck Protection Program Round 2 seems to have significant bipartisan support and is likely to include:

- Second draw loans for the hardest hit businesses with 300 or fewer employees and a 30% (more or less) decline in gross receipts during any calendar quarter in 2020 versus the same quarter in 2019.
- Loans for first-time borrowers that missed out on PPP1, with similar eligibility criteria as PPP1.
- Loans for 501(c)6 organizations with 150 or fewer employees.
- Maximum loan amount of \$2 million.
- Loan amount based on 2.5 times your average monthly payroll costs, the same as PPP1.
- Expanded eligible costs to include worker protection expenditures, facility modifications, certain supplier costs and certain operating costs, such as software or cloud computing. However, non-payroll costs are still expected to be limited to 40% of total eligible costs.
- Simplified forgiveness for loans of \$150,000 or less.
- Simplified, limited documentation submission requirements for loans between \$150,000 and \$2 million.
- Expedited lender review procedures.
- Forgiveness provisions similar to PPP1.

Tax Deductibility of Expenses Applied to Loan Forgiveness

Since the IRS first [ruled](#) that expenses used for loan forgiveness would not be deductible for tax purposes, there has been strong support on both sides of the aisle to pass legislation to allow deductibility. However, we hear that the Treasury Department strongly objects to this. So, deductibility of these expenses remains up in the air. If deductibility is ultimately allowed, it may involve thresholds that would exclude certain taxpayers based on revenue, or more likely, profitability.

Other Possible Provisions

Any bill that is passed is expected to include:

- Extension of unemployment assistance for 16 weeks with supplemental payments of \$300 per week.
- Stimulus check for eligible taxpayers of, perhaps, \$600 or \$700.
- Rental assistance, emergency food assistance, extended student loan forbearance, education funding, emergency funding for the transportation sector and education funding.

Timing and Preparation

There is still a lot of work to be done for a bill to be passed. Once there is agreement as to the provisions of the bill, it must be drafted, voted on by both the Senate and the House and then signed by the

President. It is likely that drafting is taking place even while negotiations are ongoing, and there is a lot of pressure to get this done before the holiday break. It's possible, even probable, something will happen before Christmas. With PPP1, it was about a week between the time the bill was passed and the time loan applications were being accepted. With the benefit of hindsight, it could be faster this time around. So, we could see the application process for PPP2 before New Year's Eve, and certainly by the first week of January.

While this is still all conjecture at this point, it makes sense for businesses in need of additional funding to begin preparing for the application process. Check your numbers, assemble your documents and stay tuned for more details as they become available.

Contact Us

For assistance in understanding these and any other rules related to the PPP loan, please reach out to your PKF O'Connor Davies team members, or email us at LoanForgiveness@pkfod.com. We are here to help.

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