



TEXAN BANK

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CONSOLIDATED APPROPRIATIONS ACT OF 2021

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CONSOLIDATED APPROPRIATIONS ACT OF 2021

Overview related to \$900 billion COVID-19 Relief Bill

- \$166 billion for economic impact payments
- \$120 billion in unemployment benefits with \$300 per week supplement through March 14, 2021
- \$325 billion in aid for small businesses including a second round of PPP
- \$82 billion for education funding for colleges and schools
- \$45 billion in transportation funding
- \$25 billion for emergency rental assistance and extension of eviction moratorium through January 31, 2021
- \$16 billion for testing, tracing, and vaccine development and distribution
- \$13 billion for emergency food assistance
- \$7 billion for broadband expansion

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ECONOMIC IMPACT PAYMENTS

Overview

- Payments of \$600 per individual, \$1,200 per couple, and \$600 for children.
- Available for individuals with adjusted gross income (AGI) at or below \$75,000 (\$112,500 for heads of household), and couples with AGI at or below \$150,000.
- If they have children, they will receive an extra \$600 per child. For those above this income level, their amount will be reduced by \$5 for each \$100 their AGI exceeds the above thresholds.
- An individual without children will not receive any payment if their AGI exceeds \$87,000. A couple without children won't receive any payment if their AGI exceeds \$174,000. A family of four won't receive any payment if their AGI exceeds \$198,000.
- IRS methodology for calculating payments remains the same.

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UNEMPLOYMENT BENEFITS

Overview

- \$300 per week emergency unemployment benefits for 11 weeks from December 26 until March 14, 2021
- Extends expiring Pandemic Unemployment Assistance (PUA) program, so beneficiaries of the programs who are unable to return safely to work won't exhaust the benefits before March 14, 2021 with expanded coverage to the self-employed, gig workers, and others in nontraditional employment
- Extends the Pandemic Emergency Unemployment Compensation (PEUC) program, which provides additional weeks of federally funded unemployment benefits to individuals who exhaust their regular state benefits
- The bill also protects individuals who received pandemic related unemployment benefit overpayments through no fault of their own and are now unable to repay the funds.

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INDIVIDUAL RELIEF AND SUPPORT

- **Universal Charitable Deduction:** Includes an extension of the \$300 universal charitable deduction for nonitemizers through 2021 and doubles the cap to \$600 for joint filers.
- **“Lookback” for earned income tax credit and child tax credit:** The bill includes a special temporary rule allowing lower-income individuals to use their earned income from tax year 2019 to determine the earned income tax credit and the refundable portion of the child tax credit (i.e., the additional child tax credit) in the 2020 tax year.

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BUSINESS RELIEF AND SUPPORT

- **Business Meals Deduction:** Under current law, firms may deduct the 50 percent of the cost of business-related meals. The CAA temporarily increases this deduction to 100 percent for expenses paid after December 31, 2020 through the end of 2022 at an estimated cost of \$6.3 billion.
- **Payroll Tax Deferral:** Employers could defer withholding and payment of payroll tax for certain employees' wages from September 1 to December 31, 2020. Employers were required to increase withholding and pay deferred amounts between January 1 and April 30, 2021. The bill extends time to repay that payroll tax deferral to December 31, 2021.
- **Support for SBA borrowers on 7 (a) loans:** P&I paid on behalf of borrowers and increasing guarantee to lenders
- **EIDL:** EIDL Grant will no longer be a reduction in PPP Forgiveness. Additional \$20 billion added to the EIDL Program. These loans provide eligible applicants with favorable 30-year loans accompanied by forgivable grants, as an advance, of up to \$10,000. Payments on these loans are deferred for a year. Applicants must employ 500 or fewer employees and demonstrate a working capital loss due to COVID-19.

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PAYROLL PROTECTION PROGRAM ROUND 2

Second Round of PPP for Small Businesses:

Second draw available for hardest hit borrowers

- Inclusion of 501(c)(6), restaurants, live venues, and EIDL grants
- Simplified loan forgiveness process for borrowers with PPP loans of \$150,000 or less
- Business expenses paid for with the proceeds of PPP loans are tax-deductible, consistent with congressional intent in the CARES Act.



\$284 BILLION

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PPP ROUND 2: SECOND DRAW LOANS

Second draw loans for hardest hit borrowers

- 300 or fewer employees
- Have used or will use the full amount of their first PPP loan
- 25 percent gross receipts decline in any quarter in 2020 compared to same quarter in 2019
 - EIDL and PPP aren't included in gross receipts

The bill allows borrowers that returned all or part of a previous PPP loan to reapply for the maximum amount available to them.

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PPP 2: FIRST TIME BORROWERS

First-time borrowers – who's eligible?

- Businesses with 500 or fewer employees eligible for other SBA 7(a) loans
- Sole proprietors, independent contractors, and eligible self-employed individuals
- Not for profits, including churches
- Any business that averages less than 300 employees per physical location that has a NAICS code starting with 72 (accommodation and food services)
- \$35B reserved for first-time borrowers

Adds 501(c)(6) and destination marketing organizations

- 300 or fewer employees
- The organization does not receive more than 15 percent of receipts from lobbying
- The lobbying activities do not comprise more than 15 percent of total activities
- The cost of lobbying activities of the organization did not exceed \$1,000,000 during the most recent tax year that ended prior to February 15, 2020

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PPP ROUND 2: LOAN TERMS

- Round 2 maximum loan amount is \$2 million
- Loan amount = 2.5x average total monthly payroll costs except for accommodations and food services who are eligible for 3.5x average total monthly payroll costs
60/40 cost allocation between payroll and non-payroll
- Covered period of either eight or 24 weeks beginning on date of loan origination
- Covered costs that are the same as Round 1: payroll costs, covered mortgage interest, rent, utility payments

Covered costs now also include:

- Covered worker protection expenditures and facility modification costs
- PPE and costs to comply with COVID-19 federal health and safety guidelines
- Expenditures to a supplier that are essential to the recipient's current operations
- Software or cloud computing services

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PPP ROUND 2: SIMPLIFIED LOAN FORGIVENESS

For loans **\$150,000 or less**

- Sign and submit a one-page form and attest to compliance

For loans between **\$150,000 and \$2,000,000**

- No requirement to submit documentation of FTEs, payroll, and pay rates (including tax filings) or canceled checks, receipts, etc. for nonpayroll costs
- Retain relevant records related to employment for four years and other records for three years
- Lender review limited to completeness

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PPP ROUND 2: DEDUCTIBILITY

- Business expenses paid with forgiven PPP loans are tax-deductible. This supersedes previous IRS guidance.
- The COVID-19 relief bill clarifies that “no deduction shall be denied, no tax attribute shall be reduced, and no basis increase shall be denied, by reason of the exclusion from gross income provided” by Section 1106 of the CARES Act (which has been redesignated as Section 7A of the Small Business Act). This applies to loans under both the original PPP and subsequent PPP loans.
- State adoption still to be determined and will have to be analyzed on a state by state basis.
- Beware of potential basis timing issues

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CLARIFICATION ON AGENT FEES

- Borrowers can hire advisors to support PPP2 applications
- A lender shall be responsible for paying fees to an agent for services for which the lender directly contracts with the agent.
- Firms will be able to charge clients for PPP2 consulting services and receive an agent fee if they have an engagement letter with the lender.
- Additional guidance is anticipated

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NEXT STEPS AND BEST PRACTICES

- Once the PPP program is open, loan applications are expected to be accepted until March 31, 2021.
- The SBA must establish regulations on small business support no later than 10 days after the legislation is signed into law.
- Advanced preparedness
- Open dialogue with bank on their anticipated participation in program and have a Plan B

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EMPLOYEE RETENTION CREDIT

Extends the refundable tax credit starting January 1, 2021 through July 1, 2021 and significantly expands access:

- Increases the limit on per employee creditable wages from \$10,000 for the year to \$10,000 for each quarter;
- Increases the credit rate from 50 percent to 70 percent of qualified wages;
- Expands eligibility by reducing the required year-over-year decline in gross receipts from 50 percent to 20 percent;
- Increases the 100 employee delineation for "large employers" for determining the relevant qualified wage base to employers with 500 or fewer employees;
- Allows employers with 500 or fewer employees to advance the credit at any point during the quarter based on wages paid in the same quarter prior year;
- Retroactive to the CARES Act, this bill would clarify that employers who received a PPP loan may still qualify for the ERTC with respect to wages that are not paid with forgiven PPP loans.

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