

UPDATE – Congress Passes Additional COVID-19 Relief

On Monday, December 21, 2020, Congress passed an additional COVID-19 relief package that contains \$900 billion worth of economic relief for numerous government programs across the US, loans for small businesses, vaccine distribution, and a second round of stimulus checks. The bill is extensive (5,500+ pages) and while we are working to understand it more fully, we wanted to send a brief update. The bill is pending the President's signature.

What are the key components?

- **\$600 stimulus checks** are expected to be available as early as next week. The payments are phased out for individuals making more than \$75,000 or couples making more than \$150,000. For households with children claimed as dependents, families will also receive \$600 per child.
- **Unemployment benefits of \$300-per-week** will extend through March 14, 2021, which is 11 weeks past the original December 26th expiration date. This is half of the original \$600-per-week "enhanced" unemployment benefit many taxpayers received under the initial COVID-19 relief package.
- Small, hard hit businesses are eligible for a **second Paycheck Protection Program (PPP) loan** if they employ 300 or fewer employees, their revenue has fallen by 25% compared to the same time last year and have used or will use the full amount of their first PPP loan. The maximum loan under this program is \$2 million, based on two and a half months of average annual payroll (three and a half months for NAICS Code 72 entities—generally hotels and restaurants). The measurement period for the payroll can either be calendar-year 2019 or the one-year period before the date the second draw loan is made. The legislation also creates a simplified forgiveness application for businesses that took PPP loans under \$150,000.
- The IRS's position on the taxability of PPP loans has been reversed by Congress, making it clear that **business owners can deduct expenses paid by forgiven PPP loan money**. For example, a business who received a PPP loan of \$100,000 and used the funds to maintain its' payroll during the 24-week period can fully deduct those covered expenses and, hypothetically if the business owner is in the 28% tax bracket, this would result in a *\$28,000 reduction in taxes* compared to the IRS's earlier position on the non-deductibility of PPP-paid expenses.
- Additional areas of note include funding for: education programs to distribute at the state level, rental assistance, an extension of the CDC eviction moratorium through January 31, 2021, food assistance programs including SNAP benefits, and public health measures, including vaccination and testing.

If we can provide any assistance with this process, or the calculations required for your business, please let us know. We will continue to keep you updated as we have additional information.

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